The Rise and Decline of Organizations: Can 'Intrapreneurs' Play a Saviour's Role?

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There is one common, crucial lesson from the history of natural species, human civilizations, military empires, and social or business organizations: the struggle to reach the top is long but the stay there is relatively brief invariably culminating in a precipitous fall. Turbulent circumstances that throw up new challenges and mysterious mistakes born out of the twin evils of hubris and complacency combine to trigger one's downfall. The disappearance of the mighty dinosaur, the advanced Indus Valley civilization, and the expansive Roman and British empires are all testimony to this trend and the process continues relentlessly even today.

Fortune and *Forbes,* two journals which have several decades of experience in compiling lists of the largest firms annually, confirm the cycle of 'rise and decline' among modern corporations. Their evidence suggests that the average 'life-span' of firms has been shrinking steadily and is around 35 years today. At its current rate, it is likely to fall further to 20 years by the end of the first quarter of this century!

To underscore this inexorable trend, some international and Indian companies that have fallen victims to it are listed in the Box. They were stars of their respective industries not long ago but have either lost their past glory or fallen by the wayside since then.

REASONS FOR DECLINE

Why is it that renowned firms, like the ones listed in the Box, which demonstrated their ingenuity and energy to emerge as industry leaders could not show equal skill in retaining their hard-earned position? This is a question which has intrigued observers for long. There are four key reasons for the failure of organizations to retain their industry leadership:

They are overwhelmed by external changes: With the passage of time, Toffler's 'future shock' has become worse. Unpredictable changes with far-reaching consequences are taking place at almost lightning speeds. The environment in which firms do business is disturbed frequently and erratically by major discontinuities which upset all the assumptions, calculations or projections on which strategies are formulated. One cannot count on the stability of consumer preferences, competitors' behaviour, the supply chain, technology, government policies, or socio-political conditions. The suddenness and pace with which they change leaves even healthy organizations

Box: List of Companies that have Declined

International	India
American Motors / Fiat / Rover	Hindustan Motors / Standard Motors
RCA / Philco	EC-TV / Onida / Bush / Murphy
Smith Corona / Olivetti	Remington / Gestetner
TWA / Pan Am	Vayudoot / Damania / Modiluft
US Steel / Bethlehem Steel	Indian Iron & Steel Company
AT&T / ITT	Bird & Heilgers
Wang/Burroughs/Compaq / DEC	Metal Box / Poysha
Sears /A&P / J C Penney	DCM / Mafatlals
McDonnell Douglas	Binnys / Calico / Lal Imli
Enron / Mobil / Caltex	GKW / Jessops / Braithwaite
Leica / Rolleiflex / Agfa	Raleigh /Yezdi / Lambretta
Fairchild / Texas Instruments	Polson / Morton / Kwality

struggling to adapt themselves. Those who are unable to do so are simply left behind.

To illustrate, several discontinuities which have occurred in recent times and have left behind a lasting impact are listed below:

- The inventors of fax machines had barely commercialized their product before they were knocked out by the revolutionary technology of e-mail.

- Pagers were launched with great fanfare only to be replaced, in the blink of an eye, by mobile phones. And, in a replay of 'Moore's Law' in computers, phone manufacturers are falling over one another making their instruments smaller, lighter, and packed with increasingly more features.

- Audio/video cassettes that dominated the entertainment market buckled under the onslaught of CDs, DVDs, and MP3.

- Petty ego hassles between a 'democratic president' and a tin-pot dictator convulsed the world in an ugly war—upsetting elaborate business plans and disrupting tenuous supply chains. The subsequent upsurge in oil prices has suddenly imposed huge costs on the global economy, individual firms, and consumers everywhere.

Inertia holds them firmly anchored to their past success formula: According to the universal law of inertia, everything on this planet has a marked preference for maintaining the *status quo*. As a result, organizations too hold on to those elements that made them successful. Even when the world around them has changed significantly, they have great difficulty in realizing that they too need to transform themselves. They deny that circumstances have changed and require the adoption of new methods.

Hubris and complacency: Leadership is quite intoxicating. Those who reach the top get a heady feeling that they are the best and are destined to remain so forever. They look down condescendingly on their rivals, deny any challenges to their leadership, and refuse to do anything to improve. While they rest on the laurels of their past success, others in the race are motivated by only one thought: how to grab the number one position from the current holder. Eventually, they succeed.

Ineptness at managing quick, large-scale change: When change can no longer be postponed, hitherto successful organizations wake up from their complacent slumber and hurriedly try to transform themselves. However, in their haste, they forget that it is not easy to change large organizations with entrenched mindsets and habits. Rather than invest time in persuading people about the dangers of maintaining the *status quo*, the advantages of exploring new options, and carefully chalking out detailed implementation plans, they bulldoze their way through signs of opposition or resistance and impose their half-baked ideas. Their clumsy attempts at change provoke tension and a backlash. Eventually, their transformation initiatives fail.

LESSONS FROM ENDURING ORGANIZATIONS

However, there are some organizations that have altered this trend and have retained their leadership for as long as a century or more. Some among the elite list are: General Electric (GE), Ford, Boeing, 3M, Dupont, ICI, Indian Hotels, Tata Steel, Philips, Siemens, and Mitsubishi. All of them have shown great resilience in the face of external challenges and in withstanding the repeated ups and downs of severe business cycles. What is the secret of their longevity? Once again, four explanations come to mind:

Alertness: These organizations are quick to grasp the emerging signals of change from the environment. As soon as they spot signs of a major shift, they reassess their strategy and promptly adapt it to suit the new circumstances. The actions they take may range from a complete change of business to smaller adjustments in product design, manufacturing processes or marketing methods. They swing with the times rather than fall behind. GE is a good example of such alertness. Founded by Thomas Alva Edison to make incandescent bulbs, it has reinvented itself several times in its history to keep pace with external changes—closing down declining businesses and launching new ones in their place. Thus, bulbs led to power generating equipment, domestic

appliances, electric locomotives, aircraft engines, advanced materials, medical equipment, financial services, and entertainment. So extensive has been the transformation of GE that Edison would certainly not be able to recognize his company today!

'Intrapreneurial' culture: Enduring companies are shrewd enough to realize that the quintessential source of their competitive edge is the 'mind power' and 'motivational energy' of their employees. Therefore, they have painstakingly cultivated cultures supportive of 'intrapreneurs:' individuals brimming with innovative ideas and eagerness to apply them to enhance the overall effectiveness of their respective organizations. The key ingredients of such cultures are openness, transparency, professionalism, fairness, equity, empowerment, camaraderie, extensive teamwork, and high achievement-orientation.

A healthy culture helps to both nurture and tap the limitless potential of employees. It stimulates that extra bit of enterprise required to voluntarily go beyond the narrow confines of job descriptions and KRAs to seek solutions to emerging challenges. With their 'intrapreneurial' instincts aroused, individuals find timely solutions to all the challenges around them. This is among the main reasons why progressive companies are paying increasing attention to employee satisfaction and engagement.

Proficiency at change management: Enduring organizations have mastered the art of implementing large-scale change with relative ease. They are clear about the need for change, able to persuade their employees about this need, and involve them in jointly planning out an implementation strategy. Through repeated practice of this art, they can now successfully roll out big change programmes at short intervals without provoking the stress and backlash that is so typical in other organizations.

Resourcefulness: Success is not so much a matter of resources as it is of resourcefulness. To succeed with an abundance of resources does not require much ingenuity. What is more creditable is to marshal limited resources to extract the maximum possible returns out of them. This requires bringing 'mind power' — in other words, innovative ideas—to bear upon a problem and solving them within the resource constraints that all organizations experience.

In the final analysis, intrapreneurs are successful not because they throw resources at problems but because they focus their mental energy to overcome them in more innovative and cost-effective ways. When all employees of an organization become constructive intrapreneurs, it is the equivalent of unleashing the nuclear energy trapped in a small atom.

THE CONTRARIAN CULTURE

As Kanter (1983) reported, the culture in the run-of-the-mill short-lived firms is just the opposite. It is based essentially on distrust of people; wisdom and responsibility are presumed to be exclusive virtues of a few top-ranking executives. Therefore, management is by control rather than empowerment. Its characteristic features are:

- elaborate hierarchy and bureaucracy
- centralized decision-making
- top-down communication
- marked preference for 'tried and tested' methods over risky innovative thinking (in effect, shackles are put on the mind and conformity is encouraged)
- extensive 'policing' (or monitoring and control)
- intolerance of failures in the process of experimentation thereby signalling to employees that it is safer to conform than to try being innovative
- lack of organizational learning.

The combined effect of these cultural features is that a large section of employees are reduced to being passive observers: they see problems popping up all around them but are scared of taking the initiative to resolve them. Thus, a series of small unattended problems accumulate until they become lethal.

INTRAPRENEUR-LED vs CONSULTANT-DRIVEN CHANGE

The response to a severe competitive challenge is often the same as when one is suddenly confronted by a speeding car with its headlights glaring. The mind freezes; one feels immobilized and totally helpless to act and at the complete mercy of fate for rescue.

Management often reacts in the same manner. Faced with a daunting challenge, it is often consumed by extreme self-doubt. With little confidence in its own ability to find a way out, it reaches out for any 'straw' to hang on to. The straw most invariably comes in the form of an external consultant.

Consultants certainly have many virtues to recommend them. They have rich knowledge, expertise, and experience gained from their extended client-base. They

also bring with them an independent mind—free of biases and vested interests. Therefore, they are ideally suited to recommend the best course of action.

However, indiscriminate use of consultants to solve even routine problems can be very debilitating for the morale of employees with intrapreneurial potential. The not-so-subtle message they 'hear' is that management does not have confidence in their capabilities. Therefore, they withdraw into their shell and leave things for the consultants to solve. In effect, their entire latent potential is wasted.

What is worse, new learning through doing or experimenting—and all the mistakes made in the process—comes to a halt. Therefore, the damage is two-fold: an initial rebuff for employees combined with the subsequent denial of learning opportunities.

Therefore, consultants must be used very selectively—when in-house capability is genuinely lacking, and when an independent, truly unprejudiced approach is essential. Otherwise, it is far better to depend on the cadre of intrapreneurs available internally. The value of what they learn from their experience—and is shared within an organization—is greater than the value of any expertise that consultants may bring with them.

While deploying consultants, it is important to guard against some common pitfalls:

- *While lending an ear to consultants, the management should reserve one for employees also.* It is a common complaint that the top management is often so overawed by consultants that it tends to listen almost exclusively to what they say and ignore the views of its own employees. It does not seem to matter that what the consultants express is not necessarily their original view but what they have gathered from the rank-and-file members of the organization itself. To be shut out and excluded in this discriminatory manner can be extremely frustrating for intrapreneurs.

- The management should remember that the real value of a consultant lies in his unprejudiced independence. But, when he manoeuvres to prolong his contractual engagement, he develops a vested interest like anybody else. Thereafter, he does what pleases those responsible for his hiring which is not necessarily in the best interest of the organization.

It is best that consultants be engaged for a defined purpose and for a limited period. Having completed their diagnostic and consultation work, they must make

way for regular employees, and intrapreneurs among them, to take over the responsibilities for implementation.

NURTURING INTRAPRENEURS

If an organization breeds and grooms its own cadre of intrapreneurs, it stands a very good chance of fending off the forces of decay and decline. It can join the elite group of those which have histories extending beyond a century. There are a few conditions necessary for nurturing intrapreneurs:

Encourage cross-functional teamwork: Bringing bright people from different functional backgrounds has the effect of sparking enough intellectual friction to launch a wave of innovation. Each person is both enriched and stimulated by the experience. Therefore, organizations should make it easier for people across functional boundaries to work closely together.

Feed high priority challenges to intrapreneurial teams: Rather than reserve major organizational problems for exclusive 'think tanks' or external consultants, entrust them to the home-grown intrapreneurs. As they solve one problem after another, their confidence gets reinforced and they begin to yearn for more.

Empower intrapreneurs: It is not enough to challenge intrapreneurs. They must also be given the freedom to proceed with their plans and experiments. There is probably nothing eager intrapreneurs resent more than unnecessary bureaucracy and managerial control. Therefore, after throwing them a challenge, empower them fully to proceed as they deem it fit—of course without absolving them of responsibility for their results.

Provide resource support: Good ideas and experiments require both moral and material support. Otherwise, they have little chance of succeeding. It is the responsibility of executives to serve as mentors to intrapreneurs and ensure that all the support they require is made available to them. Ensuring their success through such support is perhaps the essence of 'servant leadership.'

Ensure motivation through implementation: Purely analytical work may be exciting for a while. But, it can also appear sterile if stretched too long. Intrapreneurs, by nature, enjoy both analytical work and action that produces tangible results. Therefore, their responsibility must extend beyond mere analysis of problems to cover implementation of their suggested solutions. It is the thrill of seeing their ideas being put to work and bear fruits that motivates intrapreneurs and also helps to

bridge the 'knowing-doing gap' that plagues other organizations.

Tolerate intrapreneurial failures: Intrapreneurial ventures, by their very definition, come with some risks. The top management, therefore, must be prepared to accept some failures. If one fails not for want of trying but because one simply did not know of any better way, one must not be penalized. Such failures must be regarded as opportunities for learning. The emphasis must be on extracting the maximum learning from the mistake rather than on pulling up the person responsible for it. In highly innovative companies such as 3M, the cost of intrapreneurial mistakes is regarded as an investment in the learning process.

Celebrate and recognize successful intrapreneurs: Recognition, it is said, is the breakfast of champions. If a group of intrapreneurs has struggled successfully to overcome a threatening challenge, its contribution must be promptly acknowledged, celebrated, and rewarded. It serves two purposes: it gives them the recognition they value and find highly motivating and it also sends a signal to others about what they need to do to earn similar recognition. Stinginess in this regard saps psychological energy and initiative; it reduces potential intrapreneurs to being merely half-hearted wage-earners.

CONCLUSION

True and sustainable competitive advantage derives not from resources or technology or products but from the creative potential of employees. If they are committed, they can become the source of a steady stream of innovations. They can also promptly discover imaginative solutions to all the problems they encounter. With challenges being overcome as soon as they emerge, there is no threat to organizational survival and competitive leadership. Therefore, nurturing intrapreneurs is the surest way to lengthening the life-span of an organization and making it a truly enduring one. ⌄

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Just as energy is the basis of life itself, and ideas the source of innovation, so is innovation the vital spark of all human change, improvement and progress.

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