

Intrapreneurship sparks innovation, growth in organizations

BY RAJ SANNE

EXECUTIVE SUMMARY

For any organization to be innovative and grow, it is important to have an entrepreneurial spirit as part of the internal organizational culture. Only organizations that encourage people to take risks, develop ideas for new products or improve existing products and processes will succeed and grow in the long run. Policies should be particularly targeted at middle and lower levels where real value addition takes place for products. This is synonymous with continuous improvement culture in organizations and also helps all stakeholders in long-term growth.



Innovation is crucial to act as fuel for economic growth. The world would not be what it is today without the human mind's extraordinary ability to think, try and experiment in finding new ways of doing things and developing new products. We see evidence of this in all aspects of daily life.

Innovation plays an important role in today's ever-changing economic landscape, not only to meet customer requirements but also to improve quality of life. It adds value to products used in daily living, the food we eat, communication, transportation, healthcare and more. Without innovation, there cannot be progress and improvement in standards of living that are crucial for stability and the growth of societies.

It is clear innovation and growth must be sustainable, which is evident from damage done to the environment by growth without regard to the earth's climate and its effect on human health. High carbon dioxide from greenhouse gas emissions is radically affecting weather, water, plant life and human existence.

Intrapreneurship for innovation

For any organization to be innovative and grow, it is important to have an entrepreneurial spirit as part of its internal organizational culture. Only organizations that encourage people to take risks and think of new ideas will succeed and grow in the long run.

Management pioneer Peter Drucker coined the word "intrapreneur" in the early 1980s to describe innovative organizations that encourage employees to develop ideas for new products or improve existing products and processes. We see evidence of this in organizations like 3M and Proctor & Gamble, where it is embedded in their cultural DNA to encourage employees to avoid routine thinking that is not conducive to innovative thinking and ideas.

Policies should be particularly targeted at the middle and lower levels where real value addition occurs for

products. This is synonymous with continuous improvement culture in organizations and helps all stakeholders, such as investors, employees and customers, toward long-term growth.

Commitment for fostering intrapreneurship

Encouraging employees to think outside the box for new ideas not only helps in being innovative but spins off new ventures where an organization can partner with intrapreneurs and convert them into entrepreneurs to make products and market them under their brand names. It also gives the organization an incentive to develop and teach people with little to no experience how to set up, manage to be profitable and avoid mistakes during the growth phase.

We see evidence of this in companies like Toyota and Nissan that partner with tier 1 and tier 2 suppliers through education and guidance, using lean and Toyota principles to reap benefits through cost reductions. The spirit behind this encourages assistance to intrapreneurs through financial partnership and managerial assistance that convert ideas into successful products. Help in developing infrastructure, process and equipment, workforce and training are crucial elements for success.

A person who is confident and capable of taking risks can start a venture to make products cheaper without compromising quality and delivery. The author has seen evidence of such cases in Asian countries where multinational corporations pursue policies to help, not only to remain competitive but also help their economies grow. This is crucial for countries that are underdeveloped where daily living is a challenge. For large multinational corporations to establish and market products is a challenge because of low purchasing power. Price point plays a crucial role in developing a mass market.

From intrapreneur to entrepreneur

When an organization has an intrapreneur who decides to become an entrepreneur with the necessary support, it poses a challenge, as they will move into a completely different domain of making and selling products based on these ideas. This person now has the responsibility to not only produce but also sell products. This requires skills such as organizing, arranging, supervising, coordinating, handling and deployment of resources, including workers and materials.

Other skills required for this role include planning, strategic thinking for growth, leadership, finance, organizational development, delegation of authority and responsibility and innovative thinking.

To encourage intrapreneurial employees to become successful and independent business owners, they need guidance and encouragement in the initial stages. This is done by preparing a business plan, financial and investment assistance through a bank or other funding agency, site selection and infrastructure development, the selection of equipment and process development, pilot runs and customer acceptance.

There are several ways in which this can be done. This can include tapping help from retired CEOs willing to assist and guide on a part-time basis until the entrepreneur has absorbed sufficient knowledge to work and manage operations independently. Another way is for the company to provide help through internal resources or hire people on short-term contracts to help entrepreneurs learn and apply that knowledge to become proficient and manage operations. Some Japanese automotive companies help their tier 1 and tier 2 suppliers with management expertise in cost reduction projects that mutually benefit both organizations.

The long-term benefits from such spinoffs include the ability to market

Only organizations that encourage people to take risks and think of new ideas will succeed and grow in the long run.



It is important to enlist the help of nongovernmental organizations in pursuing this growth model.

employees started small enterprises to make and supply needed items at competitive prices in Asia. Bosch made it a goal to encourage people to become entrepreneurs and help promote economic growth.

Starbucks is a good example where an entrepreneur identified a customer need and converted it into a business model for growth. It also made an organizational mission to follow sustainable practices in its spectrum of businesses, including sustainable agriculture to grow quality coffee beans by helping farmers in South America and provide health and educational assistance to its baristas to serve as a model for other businesses.

Another good example is in the hotel industry in an Asian country where a small business of making and selling simple snacks and coffee that started 80 years ago has grown into a large diverse business with interests in manufacturing spices, exporting prepackaged food for the army and other products. Its motto is to make quality products at an affordable price for everyone, particularly poor people. As part of its social responsibility, it also provides health coverage and tuition assistance for employees. The organization has employees who have worked for 40 years or more and has little turnover. Some have left and started small businesses in the same sector.

It is important to enlist the help of nongovernmental organizations in pursuing this growth model. It is more pertinent in today's situation with issues affecting the entire planet such as pandemics, greenhouse gases, environmental pollution, depletion of resources and the need for sustainable growth.

It is clear that future growth, especially in developing countries, lies in adopting this type of model by multinationals across the globe. This will fuel growth, increase the purchasing power of people and improve living standards in those countries. ♦

new products without significant capital investment, a lower risk of entry costs and cost advantages. This also increases employment opportunities and the possible future players of budding entrepreneurs.

Some examples of intrapreneurship in various forms

There are examples of intrapreneurs becoming entrepreneurs with encouragement from supply chains, where employees who were laid off because of business decisions then were encouraged to start small enterprises

by subcontracting work to be done in-house. This turned into a win-win situation for both, as the entrepreneur was able to start a business and grow it using skills with the encouragement from the previous employer. For the employer, it was cost-effective, as it was cheaper to make products via an outside vendor instead of in-house. This also helped in reduction of overhead costs for the organization. Some of them have grown and are thriving as healthy enterprises.

Bosch, a German automotive company, is another example where

contributors

in this issue



Casey Bedgood

Casey Bedgood is the system accreditation optimization officer and a Six Sigma Black Belt at Navicent Health in Macon, Georgia. He has 19 years of clinical, operational leadership and process improvement healthcare expertise. He is skilled in lean management, facilitation, Six Sigma, optimization, strategic program development, publication and high-performance concepts. His work has been recognized in several national publications. Bedgood received a bachelor's degree from Mercer University and a master's degree from Georgia College and State University. He has a lean green belt, Six Sigma green belt and Six Sigma black belt from IISE, is CAP-trained via GE and a member of the American College of Healthcare Executives.



Gurram Gopal

Gurram Gopal, Ph.D., is an industry professor in industrial technology and management at the Illinois Institute of Technology with an interest in industrial engineering applications. He has published more than 50 papers and articles and has presented extensively at academic conferences. He received a 2011-2012 Fulbright Scholar Award to teach and conduct research at Galway Mayo Institute of Technology in Ireland and has been a Fulbright specialist candidate since 2013. Gopal developed marketing strategies for some of the world's largest pharmaceutical companies as a strategy consultant and manager for ZS Associates and worked in strategic marketing, supply chain management and strategic quality at Tellabs Inc. Along with certificates in ISO, CMM and applied statistics and forecasting, he holds a bachelor's degree in chemical engineering from the Indian Institute of Technology, Madras, and master's and doctorate degrees in industrial engineering from Northwestern University.



Patricia Urzay Gutierrez

Patricia Urzay Gutierrez is a product manager at IQVIA Inc. in Madrid, Spain. Previously she worked as a senior supply chain analyst at DSC Logistics. She holds a master's degree in industrial technology and operations from the Illinois Institute of Technology.



Sunil Lakhani

Sunil Lakhani, CPA, is a senior lecturer in finance and postgraduate internship supervisor in the Business Administration Programme at Auckland Institute of Studies in Auckland, New Zealand. Lakhani teaches finance and is coordinator for finance courses in the Business Administration Program. He has been involved with business valuations, capital markets and strategic advice pertinent to mergers and acquisitions. His skills include financial modeling, business valuations, financial analysis, strategic management analysis and business forecasting. His research areas include peer-reviewing work, conference presentations, guest lecturing to university research students and supervision of postgraduate finance students. He also supervises postgraduate finance students pursuing internships.



Raj Sanne

Raj Sanne is an industrial engineer with more than 20 years of experience in manufacturing involved in operational improvements in aerospace, automotive and other sectors. He has more than 15 years in consulting experience in productivity improvements, organizational studies and market research in manufacturing and service sectors in India. He has bachelor's degrees in math, physics, chemistry and industrial engineering from universities in India.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.