We never shut up about the great things that lie ahead of a company whose people get up every morning and come to work knowing—convinced—that there is a better way of doing everything they do—and determined to find out who knows that way and how they can learn it.

It is this learning, sharing, and action-driven culture, when laid across the diverse businesses of GE, that gives us our true advantage, an advantage single-industry companies can never match—what we call “horizontal learning” across more than 250 diverse, global GE business segments.

—General Electric Annual Report, 1996

How does a company infuse its employees with the kind of entrepreneurial thinking and action claimed by GE? In a competitive, changing world, isn’t this kind of “corporate entrepreneurship” absolutely necessary for long-term survival? Can traditional management, with its emphasis on control and predictability, last? As Jack Welch would be the first to recognize, its obsolescence is no guarantee that it will “go gently into that good night.” Traditional bureaucracy hangs on.

This paper will show that corporate entrepreneurship, sometimes seen as an entirely separate and unique way of making things happen in large organizations, overlaps closely with what is often called leadership, or leading organizational innovation. By examining the overlaps, we can
contribute to the understanding of corporate entrepreneurship, tapping mainstream business knowledge. John Kotter’s widely cited research led him to conclude that leadership and management are “Both … necessary for success in an increasingly complex and volatile business environment.” He found that the management functions—coping with complexity, planning and budgeting, organizing and staffing, and controlling and problem-solving—were needed, but not a substitute for leadership functions—coping with change, setting direction, aligning people, motivating and inspiring. Management is about making the status quo function well (e.g., getting the trains to run on time), while leadership is about conceiving, inspiring, and initiating change (e.g., launching teleconferencing services to replace train trips).

**LEADERSHIP AT ALL LEVELS OF ORGANIZATION**

This differentiation, however, does not quite get at the furious seeking of renewal and new action that has characterized GE and a few other large companies. For one thing, that kind of determination to keep finding new and better ways of doing things is necessary at all levels of organization. Leaders are not just those at the top; they can and must be in all kinds of jobs, constantly examining what is being done and developing improvements that have a payoff for the company. In the complex world now facing most organizations, leaders at the top can not know everything, every market and product vacuum, every new technology and its application, every nuance of financing, every high potential and disgruntled employee, and so on. They must rely on the contributions of people throughout the organization. Infusing initiative—and the capacity to develop and deliver on it—is not, however, easily accomplished. Not all individuals have the drive or know-how to deliver effective initiative, and not all organizational practices and procedures encourage it. Even when the talent exists, many organizations do things that serve to actively discourage effective initiative, for a host of reasons.

Bureaucracy was developed to solve the problem of how to get work done by people who might not have the skills, experience, motivation, or training to make wide-ranging decisions, but who could do work that was carefully prescribed and circumscribed. By limiting the scope of latitude through defined positions, rules, and procedures, organizations could leverage the talents of those few at the top who had demonstrated their wisdom (or could deliver to a governing body’s specifications). The structure and traditions served to enable diverse units to coordinate their work according to allocated powers. It also allows scaling up to very large size when that is necessary. No better way to accomplish work in stable environments has ever been developed. In fact, that is why Kotter refers to “managing” as a necessary component of dealing with complexity.

In a changing world, however, with high uncertainty and unpredictability, traditional organization and processes are too slow for many necessary activities. Bureaucracy, even when executed well, becomes a fixed asset of the company, adding value yet constraining needed components of the business. In my view, the commitment of leadership to developing and sustaining corporate entrepreneurship, (which has barely caught on as a term let alone as practice, and might more descriptively be called something like “entrepreneurial instinct and practice in corporations”), has the potential to help transform organizations and unleash talent. When conceptualized in the broadest possible way, corporate entrepreneurship builds on entrepreneurial concepts to make a big difference in organizational life.
A Broad Conception of Corporate Entrepreneurship and Its Relationship to Entrepreneurship

What is corporate entrepreneurship and how does it differ from entrepreneurship? My colleagues at Babson define entrepreneurship as “a way of thinking and acting that is opportunity obsessed, holistic in nature, and leadership balanced for the purpose of value creation.” This paper is an attempt to spell out a framework for thinking about extending these important ideas into corporate territory, and making some first steps toward laying out means of developing and implementing corporate entrepreneurship. It is critical to understand what is needed for educating future entrepreneurs and managers.

First, some biases. I am, by nature, inclusionary, and seldom find rigid definitional boundaries useful. Most phenomena are arrayed on a continuum, and the exact demarcation between states is often arbitrary. Second, I believe that there are similarities and differences between entrepreneurship outside of the firm, and inside; the trick is to be clear about both. Third, I believe that the core of both is an action-oriented mind-set, a way of thinking—about finding opportunities, figuring out how to bring them to fruition, and creating something new. That is at the heart of the similarities.

This mind-set is, I believe, the critical part of what is shared whether the entrepreneur is outside or inside of the company. An obsession with opportunity—the chance to create something valuable from some situation that others have not yet determined to be ripe or how to ripen it—is critical. Entrepreneurs delight in change and uncertainty, since that is what creates unexploited possibilities that others may be blind to out of fear, habit, or adherence to rules. This basic way of seeing the world, that there must be a better way to do things, especially when others do not see them, is the starting point for all entrepreneurial effort. Start-up entrepreneurs may determine after the appropriate analysis to create a company to exploit the opportunity—that is the holistic component—while corporate entrepreneurs may or may not seek exploitation through the creation of a new stand-alone or self-contained entity, but both will work tirelessly to make the possibility a reality.

The “leadership balanced for the purpose of value creation” component is about the difficulties of doing anything new and significant alone, the inherent need to mobilize others in the cause, and the worthiness of the cause being to create something that is valuable and not just change for its own sake or minor improvements. Some have argued that such internal projects as reengineering to dramatically reduce steps in a process and reduce costs should not be counted as corporate entrepreneurship, but permanent changes in process can certainly create value if properly implemented.4

TWO MEANINGS OF LEADERSHIP

Note that leadership has at least two meanings. Sometimes the word refers to those who have high-level formal responsibility for setting the conditions that enable innovative work by others in the organization. In their excellent study, McGrath and MacMillan use this meaning, and make it the core role: “Your most important job as an entrepreneurial leader is not to find new opportunities or to identify the critical competitive insights. Your task is to create an organization that does these
things for you as a matter of course.” But “leadership” is also used to describe employees at all levels who are working to find and pursue opportunities for change on multiple dimensions (new products, processes, services, markets, organizational approaches, and so forth)—all for the purpose of improving the overall performance of the organization. This includes, but is not limited to, the top leaders, who are also actors in the organization, finding their own opportunities for substantial improvement and working to bring them to fruition. Entrepreneurial contributors do not have to be appointed and designated as leaders; they can be at any level or in any job and spot an opportunity that they help bring to fruition, no matter how the organization is arranged. We need to acknowledge both kinds of leadership and discuss what is called for in each case.

**Leadership to create entrepreneurship-enhancing organizations**

Some people, by nature, will try to spot and capitalize on opportunities, but more entrepreneurial behavior will occur when the conditions encouraging it are right. This is true for start-ups, as Maria Minniti among others has shown, and it is true within corporations. Entrepreneurial leaders can enhance the likelihood of effective entrepreneurial behavior (the second form of leadership) in the rest of the organization. (See Table 1 for a summary of leadership actions that promote entrepreneurial behavior).

There is a considerable body of knowledge about what organizational conditions block or support innovation of all kinds. Quinn identified bureaucratic barriers to innovation as top management isolation, intolerance of fanatics, short time horizons, accounting practices that loaded all overhead onto projects, excessive rationalism (and intolerance of some chaos), excessive bureaucracy (too many approvals and delays), and inappropriate incentives (focused on minimizing surprises).

**TABLE 1**

**MECHANISMS ORGANIZATIONAL LEADERS USE TO STIMULATE ENTREPRENEURIAL BEHAVIOR BY OTHERS**

- Clear entrepreneurial vision, reinforced constantly
- Ample rewards and recognition, including stock options
- Investment-oriented rewards, not just performance-oriented
- Constant expectation of high, improving performance/no penalties for failure (unless repeated)
- Reduced hierarchy/flatter organizations/reduced segmentation of units
- Small units with cross-functional teams
- Broad assignments and education encouraging initiative, experimentation
- High levels of empowerment
- Open access to information
- Discretionary venture funds
- Voice of the customer brought inside
Anyone who has worked in a large organization has experienced the many ways good possibilities can be killed.

But some leaders and their companies do many things to encourage entrepreneurial behavior. Jack Welch has been justifiably celebrated for not only his personal charisma and energy, but also for the many devices he introduced or modified in GE to achieve the kind of behavior described in the opening quote from GE’s annual report. Among other things, he introduced Work-Out, a program to reduce fear of higher managers and begin to make changes allowing faster behavior; spread stock options much deeper in the organization in order to reward more people for initiative; spent far more on management development encouraging initiative and personally appeared at every major program to reinforce the message; created best practices and benchmarking programs to spread ideas; used the quarterly management meetings to spur ideas and speed innovation; installed a rigorous evaluation and feedback system, then publicly declared that only “A” players were desired; promoted “boundarylessness” to reduce organizational barriers to action, and so on. All of these were pulled together by Welch under the concept of “Speed, Simplicity and Self-Confidence,” which is a way of describing entrepreneurial initiative.

In a more formal study with conclusions consistent to many GE actions, Leifer et al, found that radical innovation was boosted by senior managers: acting as champions, patrons, provocateurs, and shapers of culture that promotes radical innovation; promoting an entrepreneurial mind-set; establishing and cultivating internal networks, establishing supportive project oversight boards; recruiting multifunctional, energetic, committed, and self-confident people to project teams; and providing career development and rewards for potential innovators.9

Kanter found that “integrative” organizations aided innovation: broad job definitions; small units with cross-functional teams; a culture of pride about the talent there (and greater amounts of training and development); abundant praise and recognition; investment-oriented rewards in addition to after-the-fact performance-based ones; and high levels of empowerment.10

More recently, Maletz and Nohria studied innovative projects undertaken in organizational “whitespace,” outside of the formal organization and its usual rules and procedures, and discovered that putting aside the traditional tools of planning, organizing, and controlling helped nurture these projects until they were ready for transfer over to the regular organization. By encouraging and monitoring use of the whitespace for entrepreneurial activities that could help “reinvent and renew” the organization, leaders accelerated the natural experimentation that goes on without official sanction.11 Effective senior managers framed whitespace strategy as broadly as possible; provided organizational, moral, and financial support (but didn’t fully fund them in order to force the project leaders to have to sell their ideas to others in the organization); built enthusiasm among those outside the project, and then monitored progress to decide which projects deserved continued support.

Organizations that are externally oriented and find ways to “bring customers inside,” literally or by proxy, generate more ideas and possible opportunities. They use devices such as direct customer (and supplier) contact for executives and those who design and produce the products and services; close field observation of how customers use the products; listening to customer complaints and
inquiries in a systematic way (say by having managers take calls at the call center); customer conferences attended by executives; collecting and organizing feedback from sales people; and external benchmarking.

In his article in this edition of BER, Steve Allen offers different approaches to analyzing value and making investment decisions for entrepreneurial vs. mainstream projects, showing how using a more appropriate set of finance tools can aid in supporting innovative work.12

All of these organizational design elements raise the odds that members at all levels will notice opportunities, bring them forward, and be willing to pursue them to fruition through the bureaucratic maze.

This is not an argument for removing all vestiges of organizational procedures and controls; from time to time organizations get carried away and try that, resulting in crazed individual pursuit of even poor opportunities (and sometimes illegal activities)—ala Enron in recent days and rogue traders at several financial institutions—and money wasted on ideas that were never viable. As Kanter wrote in 1985, after an earlier round of enchantment,

> If the bureaucratic trap is like a cage that restricts the opportunities for people to contribute all they can, the entrepreneurial trap is a void, a black hole into which people disappear when they lack direction or accountability. The issue is balance: enough breadth in jobs and decentralization in decisions to allow initiative and creativity, but enough discipline and direction and controls to focus local initiative on the highest priority tasks from the standpoint of the entire corporation.13

**Corporate Venturing to Promote Entrepreneurship**

One of the simplest and apparently attractive ways of encouraging responsible entrepreneurial behavior inside corporations is to provide a set amount of funds for establishing ventures created by people inside the corporation.14 The concept is to create a separate entity that has its own funding, people, and markets. It can then be wholly contained within the corporation, absorbed into an existing unit, or spun off as a separate company along with some insiders, or eventually sold.

When it remains within the corporation, there may be some transfer pricing involved, the equivalent of rent for resources, but it has many features comparable to external ventures. A new start-up firm also “rents” (or borrows, or leases, or improvises with baling wire) when it makes sense. As Jim Kulp, a serial entrepreneur who has founded several companies and done new ventures within others, puts it:

> There are many similarities between starting and running your own venture and doing it inside. It’s just that you have to think of the parallels for such things as financing, or “renting” facilities. I find it works best when you think of it as similar, and do the things you would do for an independent firm. It’s just that you have to establish what you are paying for use of internal resources, whether it
is space, or capital, or expertise. You create the equivalent of your business plan as the way to be persuasive about getting what you need to go ahead. Of course, the precondition for any of this is an organization that is somewhat willing to have someone take this approach, and is highly proactive—not looking for a well-beaten path or process. That’s why acting like you are starting a new company can be helpful; it’s a process to follow when there may be no appropriate one existing internally.15

Kulp is cofounder of Symbolics and several other technology companies, and has direct entrepreneurial startup experience. He is currently inside Mercury Computers, running an entrepreneurial project as an internal venture. The project builds on an idea of Jim’s, with high potential, but requiring the linking of many stakeholders, including large customers who can see the potential and are willing to go ahead despite requiring internal changes to capitalize on the potential. He knows how to create the space to make the internal experience a lot like the independent one, and uses his credibility with management to get them to invest in his project. And, in an ironic twist on the way he benefits from company resources and contacts, the mere existence of his project has already helped build company credibility with certain customers.

THE SECOND MEANING OF LEADERSHIP: INITIATING AND LEADING SIGNIFICANT CHANGE FROM WITHIN THE ORGANIZATION

This raises the other aspects of “leadership,” when anyone in the organization can take initiative and try to create some new set of activities that can add value to the company. While it is certainly easier to think and act entrepreneurially in an organization that does the many good things described in the previous section, with a combination of flexibility and perseverance people have overcome even quite resistant organizations.16 I see this kind of innovation leadership as one form of corporate entrepreneurship. We will look at a few selected concepts and skills that are critical to making things happen from within.

Since the literature on entrepreneurial opportunity recognition is well developed, I will not discuss it in detail here. As implied in the organizational points above, one great source of opportunities arises from knowing customers and their needs well. Another is a clear understanding of the industry value chain and the organization’s place in it, so that the white spaces where no one is playing can be identified. Deep understanding of the organization’s processes, at least in one’s own area, can also prove fruitful for identifying profitable (cost-saving) opportunities.17 And considerable entrepreneurship inside organizations is driven by people who have deep knowledge of a critical technology and sufficient market knowledge to judge potential demand. For this discussion, I will assume that the opportunity has been determined and scoped out for viability, and further, that it is something more than just doing one’s job well, carrying out an assignment with minor improvements, or ordering subordinates to follow a new method. How, then, can it gain acceptance and come to life?

The Tasks of Leaders Making New Things Come to Life

Corporate entrepreneurs—internal leaders—need to do certain things well. (See Table 2 for a list
of mechanisms leaders at all levels use to initiate and establish entrepreneurial changes). They must have a good grasp of the business opportunity and its potential payoffs and be able to find a way to get it adopted in the company. At the minimum, that necessitates establishing legitimacy and competence, identifying key stakeholders and determining how to win them over when their support is needed, gathering the team that can help develop the “business” and then implement it (or another team better suited), find financial backing and other resources from whatever corporate sources are available, and then decide whether to be a manager/leader in the implementation or to pass it to others who are better at operating the business. This is a form of change leadership that might have to start without any formal sanctions, which becomes part of the challenge.

Identifying key stakeholders is not hard, but may require more thinking and mapping than is at first obvious. Who will be affected by the innovation? In what ways? How will their power, status, jobs, knowledge, or relationships be affected? Whose support will be absolutely necessary? Who would be nice to have aboard? Are there any stakeholders who can be ignored or walled off (so that the process does not consume endless energy)?

Using Influence to Get Results
Winning support means finding ways to make exchanges in which the stakeholders see how they benefit from cooperating in return for whatever the corporate entrepreneur needs. This process of influencing without authority, based on reciprocity, is at the heart of the skill set of innovators. As explained in my previous work with David Bradford, Influence without Authority, this calls for treating everyone in the organization as a potential ally (in order to keep from making negative attributions about those who do not instantly cooperate), diagnosing their worlds (in order to understand the forces acting on them that might make them value some things more than others), determining their currencies—what they value—and those the corporate entrepreneur controls (in order to make fair exchanges), establishing a working relationship if it does not already exist, being clear about priorities, and then making the exchanges.18
This, of course, all sounds easier than it often is in practice. Some stakeholders will be threatened by the proposed change, correctly perceiving that it would harm their current performance and the way they are measured, or threaten their jobs. Being nice will hardly work to move such people, as has been well documented in such works as *The Innovator’s Dilemma* and *Only the Paranoid Survive*. Andy Grove, for example, talks about how during strategic inflection points, it is often necessary to override the sentiments of other executives, because they may well not have the knowledge or skills needed to go into a very different business. If the corporate entrepreneur finds some people in this camp, it may well take making an alliance with other powerful people who will take on the resisters to get the needed support.

But that comes right back to influence and exchange. What will make the powerful allies be willing to take on the entrenched? These potential allies will have to see benefits they care about for risking their relationships and reputations. So even where it is possible to use existing players to counter opposition, it is important to understand their interests and the currencies they value, and help them see how they can receive those currencies in return for helping the innovator.

Other stakeholders may be less entrenched in their resistance, but not automatically willing to jump in just because the innovator has a good idea. One reason for making any proposal into a kind of business plan, even if a new entity is not being proposed, is that the language of profit, contribution, cash flow, or EBITDA is one that many executives understand and it makes for easier comparisons to other opportunities. In general, any selling job goes better when what is being sold is framed in terms of its benefits rather than its features; in this sense it always pays to figure out the language of the listener along with the desired currencies. Just as many technical inventors fall so in love with their invention that they do not think of how to market it, corporate entrepreneurs sometimes forget that others will not see the same benefits that they do, or may not care about them as much, and it is necessary to find what is valued to be convincing.

Bradford and I induced five kinds of currencies at play in most organizations: vision-based, task-based, position-based, relationship-based, and personal. The striking thing about the list of common currencies at work is, first, that most people have a portfolio of currencies they value, and second, that most of the common currencies are ones that almost anyone has some control over and can pay in. Thus, many people are far more powerful, at least potentially, than they perceive that they are. For example, if the stakeholder cares about reputation, visibility, recognition, challenging tasks, respect, being part of a grand effort, doing the right thing, and so on, almost anyone trying to get a new set of activities off the ground can pay in these currencies. No one has to grant permission for the aspiring corporate entrepreneur to praise a stakeholder to his or her boss, allow the person to present a report to higher ups, send a note about the person’s stellar help to many others, etc. If the stakeholder will only cooperate in return for budget dollars, and the entrepreneur has no budget yet, it will be hard to make an exchange, but clever leaders of change efforts from the middle of organizations find ways to obtain resources (just as external entrepreneurs do when banks aren’t willing to loan). As Kanter brilliantly documented, they horse-trade, calling on past favors, going “tin-cupping” by promising early benefits from the project for loans of people or resources, diverting savings from legitimate projects, and so on. And as Jim Kulp, the ambidextrous entrepreneur mentioned earlier reminds us, those with track records have
their own reputation that makes them more credible in the eyes of those who dole out funds, exchanging a higher probability of success for needed resources. In large organizations, those with a history of success are the most likely to gain support from top management for risky, unproven proposals—just as venture capitalists are more likely to invest in teams with the right backgrounds.

The skills and patience to work through the political complications of a large organization, find the necessary supporters, discover what can move them, and use this network to get the resources and support needed, are learnable, but many with opportunity-obsession see all of this as “bureaucracy” and give up. Those who are so counterdependent that they can’t for long work for anyone else because they can’t abide delays or lack of understanding are the people who knock large organizations—though the most successful of them, like Ken Olsen of Digital Equipment, or Andy Grove and Gordon Moore of Intel, built very large organizations of their own. Naturally they attempted to make their organizations receptive to entrepreneurial initiatives from within, and were sometimes successful, though Olsen’s resistance to PCs was eerily parallel to the resistance to mini-computers that he encountered at IBM and had driven him to start Digital.

Conclusions

The path to corporate entrepreneurship from within has numerous obstacles, even in the most sympathetic of organizations, but strong business skills certainly help. The desire to find new opportunities is the minimum price of admission, differentiating the leader from the manager of ongoing activities, but that can exist anywhere. When initiators—leaders at any level of the organization—come up with an idea they want to pursue, they make a lot more headway if they have the strategic and marketing skills to determine the long-term viability of the idea or product, the financial skills to create a credible business plan, the organizational savvy to determine whose support they will need and then get it, and the interpersonal skills to attract the team that can refine and then implement the innovation. Many of these entrepreneurial leadership skills are identical with those of external entrepreneurs, who may not have internal organizational obstacles to overcome, but have to do many of the same business activities to get established. In this context, top organizational leaders, who by definition set vision and then mobilize the organization in its pursuit, should include in their vision a mandate to utilize corporate entrepreneurship mechanisms and thinking to invent the future and organize to bring the best opportunities to realization. It is time to mainstream corporate entrepreneurship, integrating true leadership with management of the ongoing business. Only that will make many more companies like GE, where people are galvanized by the conviction that “there is a better way of doing everything,” so that “great things lie ahead.”
ENDNOTES


4 See for example, Thornberry, Neal. (2001). Corporate Entrepreneurship: Antidote or Oxymoron. European Management Journal. 10/01. “Transforming an organization by de-layering, cost cutting, re-engineering, downsizing, and using the latest technology does not guarantee that the organization will recognize or capture new opportunities.”


16 In addition to the evidence in Tempered Radicals and The Change Masters, two wonderful case illustrations can be found in Hamel, Gary. (2000). Waking Up IBM: How a Gang of Unlikely Rebels Transformed Big Blue. Harvard Business Review. 07/00-08/00, and Kirsner, Scott. (2000). Collision Course; Toyota Creates the Ultimate SneakerNet. Fast Company. 01/00-02/00.

17 See, for example, the classic article by Drucker, Peter. (1985). The Discipline of Innovation. Harvard Business Review. 05/85-06/85, which identifies seven sources of opportunity for innovation: unexpected occurrences, incongruities of various kinds, process needs, or changes in an industry or market. Outside a company, opportunities arise from demographic changes, changes in perception, or new knowledge.

18 Cohen and Bradford, ibid.


20 Grove, Andy, ibid, pp. 89-94

21 Cohen and Bradford, ibid, p. 79.