Intrapreneurial Levers in Cultivating Value-innovative Mental Space in Indian Corporations

R P Mohanty

Many companies across the globe are facing increasingly intense competition posing profitable growth as a great challenge in the recent times. Based on our study of some Indian companies during the last ten years, we sought an answer to the question: “Why do some companies operating under competitive conditions continue to achieve sustained high performance?” Summarily, this study could identify that the generic issue of successful growth lies in how companies approached what we attempt to define in this paper as ‘value innovation’ or ‘corporate intrapreneurship.’ It was significant to note that the difference in approach between companies was not a matter of selecting one analytical tool or strategic choice over another. The fundamentals and implicit assumptions relating to competition really differed between high and low performers. The low-performing companies took a very conventional ‘business as usual’ approach. These companies can basically be positioned in the ‘paradigm-preserving’ cluster. However, strategic thinking of some companies was dominated by myopic manipulation to attain revenue growth and earn profit. They can be positioned under the ‘paradigm-stretching’ cluster. Both paradigms — preserving as well as stretching clusters — are confined to securing a fit or convergence into a standard configuration and proceeding in an incremental manner. The most successful companies did not try either to beat their domestic rivals in the market or indulge in financial manipulations; instead, they came up with a new approach — ‘paradigm breaking,’ i.e., to create industry breakpoints — what we term here as the logic of value innovation or corporate intrapreneurship. These companies proposed new concepts to the society, initiated quantum changes, and developed new frontiers in business, technology, products, and markets. They acquired knowledge, both tacit and explicit, deployed it strategically, and utilized it across and between the companies.

From the beginning, the concept of intrapreneurship has been grounded in the more widely accepted terminology of the entrepreneur, much of the intent being to compare successful strategies with unsuccessful approaches that yield recommendations for avoiding mistakes. These initial research issues typically involved innovation, origination of idea, the experimentation process, and resource commitment with results indicating two dominant forms of innovation: formal product development and individual initiatives (Jones and Butler, 1992; Balkin and Logan, 1988; Sathe, 1985; Burgelman, 1984). With the absence of intrapreneurial programmes as
an integral aspect of corporate strategy, few opportunities have been present to enhance and challenge corporate objectives toward product/idea development (Anthony and Norton, 1991; Howell and Higgins, 1990; Chisoholm, 1987; Hirsch and Brush, 1984). Such factors as centralized decision-making, investment in short-term periods for new projects, inflexible organizational structures, and discouragement of risk-taking behaviours have all served to lessen the potential impact of intrapreneurial programmes and the individual intrapreneur (Drazin and Schoonhoven, 1996).

Despite the increasing emphasis on the phenomenon of innovation and reinvention of business models, existing literature shows that there is a lack of understanding of the concept of value-innovative mental space as well as intrapreneurial levers to formulate and implement appropriate intrapreneurial strategies in Indian organizations. This paper describes the nature and importance of value-innovative mental space for an appropriate organizational innovation.

IMPERATIVES FOR CORPORATE INTRAPRENEURSHIP

With the advent of liberalization, privatization, and globalization of economies, innovative organizations are emerging in India. We could identify the following six generic forces that have stimulated their emergence (Mohanty, 1999):

- customer power
- information power
- global investor power
- power of the marketplace
- power of simplicity
- power of the organization.

Customer Power

This is the predominant power stemming from the fact that the customer remains at the heart of any enterprise and, therefore, an organization has to perpetually learn and relearn as dictated by the customer’s choice, perceptions, and requirements. The demographic changes across the geographical space are leading to customer diversity. Ethnic and cultural diversity makes catering to individual differences essential for gaining and keeping a competitive edge. This power compels an organization to move from a bureaucratic mode to a responsive mode to deliver value to the customers and necessitates being flexible, lean, and yet being able to create new customers. The ideology shifts from cost-plus to price-minus and selling product alone to selling product and information and services together. Customer power demands a multi-dimensional solution and knowledge-based products. Vantappaen (1992) and Coulson-Thomas (1994) discussed the creation of customer value by streamlining business processes. An innovative company understands the context of customer power and envisions the space of supplier-customer relationships.

Information Power

With advances in communication and information technology, information power helps an organization to learn and compete at a faster pace. Now, it is possible to transfer volumes of data globally from one organization to another thus facilitating the process of building business partnerships. The information power enables the promotion of knowledge networking, increases the speed of decision making, eliminates the need for a large number of managers in multiple layers to exercise control, and frees as well as empowers the doers in the bottomlines to concentrate on delighting customers. Charan (1991) discusses how information power reshapes global organizations for high performance and value-driven results. Bernstein (1998) elaborates on how information networks are driving the new economy.

Global Investor Power

The power of global investors affects the edifice of an organization. Because of liberalization that is globally evident, an organization is stimulated to capture new opportunities as closed spatial boundaries or restrictions for making investments in any part of the globe are fast disappearing. The organizations are able to invest in its total development by initiating global search for all resources including innovative talents. Jayachandra (1994) and Martinez (1995) discussed the impact of networking of organizations on sharing of resources. Microsoft’s patent portfolio outpaces those of Oracle, Sun, Apple, and IBM. It has filed for 2,135 patents in 2004 compared to 519 in 1998. It is the same story in many other industrial sectors including P&G, 3M, etc. Patents are a legal proxy for innovation.

Power of the Marketplace

This is the irreversible force of the contemporary interlinked economies in which a borderless business world evolving out of the deregulation trend of all nations gene-
rates fierce time-based competition. The once clearly-defined boundaries of the markets are getting intermingled. Industry interconnections, coupled with the common use of digital technology, have greatly increased the intensity and magnitude of such a force. This force impels an organization to understand the real-time strategic changes and learn faster for making quick innovations and acquisitions of competitive assets so as to maximize value for all the stakeholders. Value here means the worth, in monetary terms, of the technical, economic, service, and social benefits that the company offers. The marketplace of the 21st century is replete with a wide range of business challenges and none of them is more daunting than that of creating a more productive, innovative, and customer-focused workplace. While modern organizations must reduce costs, improve quality, reduce cycle time, enhance revenues, and provide effective customer service, many people would argue that the key to getting better results in each of these critical performance areas is creating a more empowered, energized, and innovative operating environment. When organizational leaders commit to creating and developing a workplace that encourages creativity, innovation, empowerment, action, and accountability for better performance, myriad positive things can happen. One of these positive outcomes can be an increase in intrapreneurship, which is a key component of organizational success, especially in organizations that operate in rapidly changing industries.

**Power of Simplicity**

By power of simplicity, we mean streamlining of systems and procedures within the organization and moving away from a ritualistic culture to an empowering and autonomous structure. Because of this, the organization has to quickly undertake redesign of business processes and forge organic partnerships with the multiple stakeholders to eliminate delays, overlaps, and bottlenecks. Power of simplicity generates innovative capacity that can be used to measure innovative potential at the level of people. Organizations or firms for which innovation is important can be analysed and compared. This is particularly interesting in the case of paradigm-breaking firms given their overarching emphasis on research and their need to sustain continuous invention and innovation. Comparisons between such firms in any given sector would, for example, provide insights on leadership in their respective fields and also give an indication of benchmark performances.

**Power of the Organization**

Organizational power rests in the capabilities of an organization to quickly transform market opportunities into tangible bottom-line results. Such a force leads to creating lean and agile structure and totally productive high-performance action teams. The power of the organization is manifested in the quality of the leadership which can deploy knowledge across the organization to initiate and implement quick innovations in generating growth and maximizing the value for the economy so as to strengthen industrial democracy. Intrapreneurship is the practice of creating new business products and opportunities in an organization through proactive empowerment. Like its better-known counterpart — entrepreneurship — intrapreneurship is propelled by an individual’s or a team’s willingness to take calculated risks and act to create business opportunities that serve an organization’s needs for growth and improvement.

The pressures created by these emerging environmental forces, coupled with the escalating demands for knowledge, are important drivers of change and reciprocally the demands for intrapreneurship. Put simply, the imperative for intrapreneurship is a complex product of dynamic and continual interaction of these ‘outside-in’ forces to accomplish their ends and its success depends upon the magnitude and intensity of ‘inside-in’ changes carried out to make ‘inside-out’ impacts (Mohanty, 1999). Tactically, the innovation effort aims at simplifying and streamlining the management processes by eliminating all the redundant and non-value adding steps, activities, and transactions thus reducing the number of stages of transfer points of work and speeding up the work through the use of information technologies and systems. Innovation as an outcome of performance and measured by cost, cycle time, service, and quality places structures, systems, and practices into critical scrutiny by the applications of a variety of innovative tools. From a strategic perspective, innovation as a process is precisely designed to harness the forces by energizing innovative spirits within and across the extended enterprise that continually probes into the environment of opportunities (Christensen and Anthony, 2004). Value innovation or corporate intrapreneurship initially sets the agenda for competition, triggers the pace of competition, and ultimately leads a company to make discontinuous shifts to outpace the competition not merely in an economic sense but also in a social sense. Because, without innovations — either funda-
mental or derived — no society will be able to develop. Value innovation is not solely concerned with the matter of production operations, structural configuration, and marketing strategies; it embraces multi-dimensional development of all assets and capabilities of a company. It is organizationally integrated in diverse ways that are specific to an organization operating under an ever-expanding competitive space and can deliver tangible values to all stakeholders perpetually. Value innovation by corporate intrapreneurial effort brings about both qualitative and quantitative changes that adds meaning to the welfare of the human system.

**SOME EMPIRICAL OBSERVATIONS**

During our study, we interviewed 800 managers across the country from more than 100 companies, both manufacturing and services in public and private sectors, to explore their experience with corporate intrapreneurship. The survey was conducted basically through direct administration of questionnaire during corporate management development programmes and training sessions. The sample consisted of participants occupying managerial positions (92% male and 8% female) and averaging 10.6 years of experience. All participants had responsibilities in the areas of personnel, production, purchasing, project, finance, customer service, marketing, sales, distribution, corporate communication and advertising, etc.

Almost all the participants (98%) had the following observations:

- Their companies were experiencing significant levels of change brought on by increasing competition.
- To be successful, intrapreneurship needed motivated individuals to take action and a value innovation philosophy to be an integral part of the wider organization’s culture and operating principles.
- The level of intrapreneurship was affected by three key variables: individual, organization, and external environment.
- Leading organizations, whether product or service-centric, treated intrapreneurship as a systemic and systematic process.
- Intrapreneurship management should be viewed as a form of organizational capability.
- Paradigm-breaking companies invested and nurtured intrapreneurship from which they executed effective innovation processes leading to innovations in new product, services, and processes and superior business performance results.
- Paradigm-breaking companies developed a reliable operating system for value innovation.
- For performance management evaluation of employees, value-innovative outcomes may be the important indicators.

Under the above-mentioned conditions of experiential learning, the participants were instructed to answer the following two open-ended questions:

- What specific things can your company do to encourage value innovation in your own work unit (facilitating levers)?
- What are the specific actions your organization is currently taking to stifle your intrapreneurial abilities (restraining levers)?

A set of levers was presented to these participants based on literature survey (Cooper, 1988; Dooley, et al., 2000; Cumming, 1999; Dooley and Sullivan, 1999; 2000a; 2000b; Johnston and Kaplan, 1996; Tidd, Blessant and Pavitt, 1997). They identified the top restraining and facilitating levers (Tables 1 and 2).

### Table 1: Top 10 Restraining Levers

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<tr>
<td>Punishing risk-taking, new ideas, and mistakes</td>
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<td>Ideas with nowhere to go for follow-up or action</td>
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<td>Failing to sanction, promote, and encourage intrapreneurship</td>
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<td>Unhealthy politics, infighting, and lack of cooperation</td>
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<td>Poor communications and organizational silos</td>
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<td>People not encouraged to think about opportunities</td>
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<td>Unclear organizational mission, priorities, and objectives</td>
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<td>Lack of real management support</td>
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<td>Improvement and risk-taking activity not rewarded</td>
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<td>Inadequate time or resources</td>
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### Table 2: Top 10 Facilitating Levers

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<td>Developing processes for idea generation and advancement</td>
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<tr>
<td>Defining clearly organizational needs, vision, and direction</td>
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<tr>
<td>Inculcating a culture of empowerment, risk-taking, and action</td>
</tr>
<tr>
<td>Providing management support and engagement at all levels</td>
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<tr>
<td>Celebrating and rewarding ideas, progress, and results</td>
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<td>Free-flowing customer information and internal communications</td>
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<td>Ongoing encouragement and promotion of risk-taking and new ideas</td>
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<tr>
<td>Developing better cooperation and teamwork</td>
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<td>Providing resources to support new ideas</td>
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<td>Cross-training and special assignments</td>
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MAJOR LEARNINGS

• It is important to make several observations about the barriers to intrapreneurship identified in this study. First, the top constraining levers to intrapreneurship are not financial restraints or lack of time but are institutional and cultural. The managers in this study viewed an overall lack of support and encouragement for intrapreneurship as the predominant barrier to this important activity. And, even worse, managers made it clear that punishment for risk-taking combined with a political, uncooperative, and uncommunicative atmosphere can kill intrapreneurship. In addition, when organizations lack systematic ways to encourage and empower innovative action, improvement efforts can and will suffer.

• The key barriers that stand in the way of intrapreneurship are levers over which management has significant control. Even for resource-constrained firms, there are many actions that can be taken to reinvigorate operations through intrapreneurship other than seeking additional resources.

• When reviewing the levers responsible to promote intrapreneurship and value innovation, a call for action is appropriate. The first step of this process is assessing to what extent the pathways to intrapreneurship are a part of the organization’s culture. To this end, an innovation climate audit would determine if these important levers are embedded in the routine activities of the enterprise. Once the audit is complete, it is imperative that leaders take action. The key leveraging strategy to intrapreneurship is the creation of an organizational culture that encourages and supports it. An organizational culture of intrapreneurship creates a stable context in which employees can develop reliable expectations that their innovative and risk-taking initiatives will be encouraged, supported, and rewarded. Virtually, all the facilitating levers that the managers in this study identified are institutional or systematic patterns of behaviour that support an entrepreneurial posture for an ongoing entity. Unlike the ‘yes’ or ‘no’ decision to fund a particular venture, these levers are developed over time and need to be in place if intrapreneurship is to flourish. The leading paradigm-breaking companies encourage, expect, and reward innovation from everywhere within the organization—not just research and development. They make a point of linking organizational learning and knowledge to products, processes, technologies, and mainstream capabilities. These companies do not see innovation as just a user of scarce resources for uncertain outcomes but rather as a mechanism for creating new knowledge for competitive advantage. They recognize that business units producing profits today may not represent the best opportunities for business tomorrow.

• These levers can be designed, developed, and strengthened only when management makes a decision to pursue, implement, and track them and it may be noted that this must start at the top. This commitment can begin by setting the vision and goals for the organization that in part rely on intrapreneurial activity to achieve them. The organization must then gain the affiliative and associative commitments of all the managers who then make their commitment clear to employees through policies, practices, and the willingness to make systemic organizational changes. Managers must create systems that identify, select, and support intrapreneurial initiatives and reward those who participate in them. They need to supply functional support for those whose intrapreneurial skills are too narrow or just developing while showing tolerance for failures or mistakes they make on the way.

• In an atmosphere of trust fostered by high levels of communication and cooperation, top managers can create internal opportunities for employees to apply their knowledge in different contexts, develop new skills, increase their awareness of the capabilities of the firm, and perhaps discover opportunities for intrapreneurial initiatives.

• The goal of intrapreneurship is to create business value by developing ideas from mind to market. And, it is, for most companies, tremendously difficult to achieve. Innovation is not difficult because employees do not have good ideas. The world is awash with creativity and technological breakthroughs. However, myriad obstacles in the idea-to-cash process limit a company’s ability to innovate. Rigour and training are required to overcome these obstacles. Seen as the creator of new value, intrapreneurship is not hit-or-miss, trial-and-error lateral thinking but a repeatable process. What is innovative about intrapreneurship today is the realization that it can be achieved systematically and
that the innovator is an obsessive problem solver. The management of innovation within organizational systems is and will continue to be an issue of major importance for continued organizational success. Despite its importance, the results of current efforts in India are disheartening and uninspiring. The causes, while specific to the individual initiative, can be tracked back to a small number of holistic causes for failure including issues related to leadership, planning, goal alignment, and participation.

CONCLUDING REMARKS

The dynamic competitive conditions of both the corporate environment and the global economy add to the potential value of intrapreneurial contributions as the ‘new economy’ influences the transformation of our corporate models. The intrapreneurship concept is an approach that can be adapted in an attempt to define specific strategies and action plans in which to incorporate employee contributions. The learning is that for an economy or a nation to achieve pre-eminent position and superior status, the nation has to pioneer the culture of innovations and change and promote a discipline in organizations. Knowledge work and knowledge workers are defining the characteristics of the new economy. People will act only when they realize that the policymakers have provided the enabling environment/culture by actual deeds and involvement and not through speeches/documents/reports. This paper highlights that the provision of a structured approach to managing intrapreneurship may improve the overall success rate of value-innovative efforts.

The concept of value-innovative mental space has been highlighted in this study as the mindset or mental frame (views, perceptions, thinking, values, and beliefs) through which individuals and organizations may be able to understand the nature of intrapreneurial levers. These levers provide pointers for the various areas where business innovation can take place. By overcoming the confinement of traditional industry, market, geographic and capability mindsets, particular managerial initiatives and drives can assist organizations in cultivating new mental space in a proactive response to the constantly changing environment and in disruptive business models that are emerging or necessary. These intrapreneurial levers may facilitate the expansion and/or creation of new customer/market space, product and service space, value chain space, and capability space. Although the significance of the concept of value-innovative mental space and the intrapreneurial levers in cultivating mental space seems to be evident, further research is necessary to extensively explore and validate the nature and extent of the concept and its suggested intrapreneurial levers.

REFERENCES


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If you’re not failing every now and again, it’s a sign you’re not doing anything very innovative.

Woody Allen