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Internal corporate venturing: Intrapreneurs, institutions, and initiatives[☆]



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INTRAPRENEURSHIP: ENTREPRENEURSHIP WITHIN ORGANIZATIONS

The term “entrepreneurship” triggers the images of heroes in the business world who created new ventures and built them into empires from scratch with limited resources, powered by their strength of purpose and their passion to change the world. Whether it is the iconic figures of the high technology industry ranging from Bill Gates and Steve Jobs who revolutionized the industry from humble beginnings to the current social media creators such as Mark Zuckerberg of Facebook or the lesser known figures such as Leonard Shoen who created U-Haul rental company with a mere \$5,000 in 1945 and Fred Smith who took advantage of a sizeable inheritance to create Federal Express (FedEx), all of them started their ventures with limited means and unlimited imagination and passion. Once the entrepreneurial vision is achieved the eventual success of the organizations founded by the entrepreneurs is a result of excellent management and strategic leadership. However, mature firms struggle to keep themselves relevant faced with changing landscape and challenges from aspiring entrepreneurs. The ability to harness the early entrepreneurial energy that fueled the rise of these organizations allows them to chart out a growth trajectory even when the lifecycle portends a flat future.

On one-hand entrepreneurs as individuals are experts in creating new opportunities, discovering existing opportunities and ultimately exploiting those opportunities, and on the other hand managers within organizations are concerned with maintaining the entrepreneurial advantages and eventually steer the organizations to profitability as they enter the mature stage of their life cycle. Because of the constant pursuit of profits, managers are less concerned with pursuits that are

fundamentally uncertain, with unknown risk and unknown estimate of expected returns. Instead, new initiatives within organizations are generally measured against an estimated risk and predicted returns. The managerial approach that dominates organizational life partly explains why novel solutions and creative endeavors are most likely generated by individuals outside the organizational boundaries.

Yet there are several instances, increasingly so, where new opportunities are created within organizations. Corporate innovation strategies that deliberately leverage entrepreneurial opportunities for growth and sustaining competitive advantage are gaining prominence. Several researchers, for example, Ireland and colleagues defined corporate entrepreneurship as a deliberate organization-wide emphasis on entrepreneurial behavior to renew and drive the growth and scope of an organization through exploitation of entrepreneurial opportunities. Corporate strategies are compelled to balance short-term goals such as achieving operational efficiencies, generating profits, and filling gaps in resources with long-term goals such as building new initiatives to be relevant in the long term and sustain their competitive advantage. This clearly suggests that organizations of today faced with dynamic, complex and high velocity environments are deliberate in their efforts to foster entrepreneurial drive within their organizations. Achieving the balance between the seemingly opposing forces of entrepreneurs who are singularly focused on creation and managers obsessed with risk and returns and maintaining the firm’s competitive position requires an in-depth examination of the entrepreneurial talent within organizations: the intrapreneurs.

Welcome to the world of intrapreneurship! A study of intrapreneurs – entrepreneurs within organizations who are not just part of R&D teams that are constantly at work to improve the firm’s products and services or creative marketing personnel occupied with developing new ways to satisfy existing customers and expand the customer base, but rather a

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Sidebar #1. Two Tales of Intrapreneurship in Action

Google's proliferation

Google is now the answer for everything. Search on the Internet is conducted on Google by more than three quarters of Internet users. Larry Page and Sergey Brin built a colossal firm from small search engine software developed in college. Despite its size and growth, Google is successful in staying close to its entrepreneurial roots. At Google all employees are encouraged to be bold in their creative pursuits and such efforts are officially recognized with a policy of the innovation time off according which employees are allowed to spend 20% of their time in creative projects. Larry Page believes that new ideas at Google should deliver 10× performance or ten times better than the competition and not just ten percent improvement. Championing and dreaming of moon shots allowed creators at Google to build Gmail that provided hundred times the storage as its competitors. Similarly, Google's Translate was a result of the vision to provide translations in any language and the bold statement to make all books available on the web led to building the largest digital library of books. While several innovations appear to be related to the firm's core business, crazy ideas such as a driverless car received enormous support at Google. The X prize foundation set up by Google rewards innovations that achieve seemingly unreachable goals. While innovations are constantly generated internally, Google established Google Ventures as a business unit to identify opportunities outside the company. This resulted in Google's success in acquiring a variety of companies including YouTube complementing Google's core business. Google's culture produces an enormous variety of innovations and to learn about them one perhaps needs Google to search. Google decided to turn crowdsourcing of ideas on its head with its "Think with Google" initiative where Google communicates its ideas and innovation openly to the crowd.

The creation of WeChat

WeChat is sweeping the world, well, China, at least. One hundred million users signed up in a little more than one year's time after its introduction in 2011. By the end of the first quarter of 2015, there were 549 million users of WeChat worldwide. WeChat (known as Weixin in Chinese) is an app for smart phones that offers a

host of functions including instant text and voice messaging, broadcast messaging, sharing of photographs and videos, and contacting people at random, etc. It gratifies and enhances people's needs for mobile internet applications, from communication and social networking to mobile wallet and access to public services. After Facebook acquired WhatsApp, a WeChat equivalent in the US, for \$19 billion in 2014, the upward estimate of WeChat's market value topped \$60 billion instantly.

While Tencent, the parent company of WeChat, is a Chinese internet giant with global recognition, the team that actually created WeChat was essentially unknown to the public until WeChat's runaway success. It was all started in a humble lab in the city of Guangzhou, by a bunch of unsung heroes, toiling lonely and frenetically, away from the glittering corporate headquarters of Tencent in Shenzhen. Allen Zhang, widely regarded as one of the best programmers in China, was the leading creator of WeChat. In 1997, as a programmer/entrepreneur, he developed the popular email software called Foxmail. Through a series of acquisitions, his business was eventually folded into Tencent in 2005, and he signed on as the chief of Tencent's Guangzhou R&D division and was responsible for its QQ Mail business. After making QQ Mail the largest email service provider in China, he went on to create the now legendary WeChat with a small team that consisted of barely a dozen members. A brand-new business independent of the company's core business QQ (the most popular PC based instant messenger in China), WeChat helped put Tencent once again into the leading position in the mobile internet era. Boasting a 39% annual growth in number of users, WeChat is a dynamic ecosystem, or in Zhang's words, a forest in which all kinds of lives thrive. This internal business venturing turned out to be extremely successful, without posing a direct threat to the company's traditional business, such as QQ and online games. This success also brought Zhang his elevated status as the SEVP of Tencent.

group of individuals that are capable of creating, identifying and exploiting new opportunities that create value for the firm. World over, creative teams within established firms are building new businesses through internal corporate venturing. Many visionary leaders of large firms are able to transform their organizations and embrace new trends through internal corporate venturing practices. Andrew S. Grove steered the corporate transition of Intel from DRAM to CPU. Louis V.

Gerstner, Jr. of IBM made the elephant dance in the post-PC era. The technicians at TOTO invented the “Washlet”, bringing about a revolution in the sanitary ware industry. These leaders and technical elites in large firms, with an urge to innovate are making entrepreneurial forays from within, no small feats as compared to the glorious achievements of those free-willed stand-alone star entrepreneurs. Please see [Sidebar #1](#) for an illustrative account of entrepreneurship at Google and Tencent respectively.

Intrapreneurship, or “internal corporate venturing”, requires that the venture creators possess the entrepreneurial drive and the ability to exploit the unique opportunities as well as implement changes in an existing corporate framework. The *intrapreneurs* are the people involved in creating new ventures or innovative projects within established firms. They could be the CEO and the top management team, middle managers, or even operational employees. The characteristics of the *institutions* in which the intrapreneurs are embedded are critical as they both facilitate and inhibit the activities of intrapreneurs. Successful implementation of intrapreneurial *initiatives* requires different approaches. We elaborate on the above three aspects of internal corporate venturing. Based on our extensive survey of the literature and careful examination of dozens of cases in the last 50 years, including firms in both the developed world and the emerging economies, however, we come to realize that successful cases of internal corporate venturing do share some critical factors in common. This article advances a practical framework that helps practitioners and researchers alike to develop a better understanding of intrapreneurs and the critical factors that impact internal corporate venturing. Please refer to [Table 1](#) for details of our framework.

THE INTRAPRENEUR

In general, there are some common traits of all venture creators. They are visionary, passionate, risk-taking and resilient. The intrapreneurs are no exceptions. Although they are stuck in the rut of their current corporate practices, they nevertheless cherish high aspirations and insuppressible ambitions. Just as entrepreneurs, the intrapreneurs always display a strong yearning and *inspiration* for creative achievements. They are down to earth and display a strong *commitment* to take their ideas to fruition, braving all adversities. Unlike the entrepreneurs, however, the intrapreneurs need to master the art of managing existing organizational processes and very much like entrepreneurs they need to have deep insights into the external environment. They must effectively utilize their resources and position in their organization and at the same time evade pitfalls and hidden reefs deep in their organizations. In other words, they must be *inside-outsiders*.

Inspiration

The strong thirst for venture creating of an intrapreneur is demonstrated in three aspects: keen *sense*, strong *motivation* and *afflatus* for venture creating. Living in the same corporate environment, some people are content with the status quo. They carefully toe the line, seeking to avoid blames. The intrapreneurs, however, spontaneously question and challenge themselves from time to time: can we do something more creative in this given institutional

environment, or at least do the same things in a better way? Refusing to take things as they are, this entrepreneurial spirit is essential for internal corporate venturing. The motivation for venture creation could stem from a strong ego for self-realization and yearning for fortune and fame. It could also grow out of a deep sense of identity, loyalty and a sincere urge to create a better future for their organization. This driving force motivates them to shoulder the responsibilities that come with implementing their creative endeavors. Furthermore, intrapreneurs view creation as their calling – an *afflatus* with a vision of the future. The intrapreneurial vision is a result of the expertise and experiences and the deep understanding of the current markets, trends in the society and an ability to envision a future for the creative pursuits.

Since early 1980s, after China began economic reforms many intrapreneurs emerged within state-owned companies in a fast growing economy. In 1984, Zhang Ruiming created the Haier Group, now the largest producer of white electronic appliances in the world, from within the former Qingdao Refrigerator Factory, which was on the verge of bankruptcy. Chu Shijian, known as the King of Tobacco, transformed a small local tobacco factory into the largest tobacco company in Asia, the Hongta Group. These are quintessential cases of intrapreneurship within the formerly state-owned sector. During China’s transition from planned economy to market economy, such intrapreneurs were the pioneers with a vision to create internal ventures. With acute business sense and strong motivation, they heralded a renaissance in the sluggish state-owned entities, turning them into successful businesses competing in the global market. Since then, during the last three decades an array of intrapreneurs emerged from within Chinese state-owned sector, such as Liu Chuanzhi (Lenovo), Ning Gaoning (COFCO), Wu Renbao (Huaxi Village), Yang Rong (Brilliance Auto) and Zhao Xinxian (999 Pharma). Some succeeded and some failed. Success or failure, the inspiration to break free from the suppression of the old state-owned business organizations to create new opportunities was the driving force. Many of the once fallen heroes are again sailing on their intrapreneurial/entrepreneurial voyages, maybe for a second or third time.

Steve Jobs, founder of Apple, was a tireless innovator with a vision. Despite being dismissed by his own board of directors, he was inspired to build the “NeXt” generation of Apple computers. With a dramatic comeback to Apple in 1997, Jobs had since made great strides in building Apple to be one of the greatest success stories of corporate America.

Commitment

Venture creation is an action-oriented process requiring unswerving commitment. Just like entrepreneurs, intrapreneurs must have *perseverance* and *resilience*, and carry on their intrapreneurial causes with *consistency*. Organizational inertia and conservative forces in an established firm may pose barriers to any novel initiatives that work to challenge the status quo in the organization. Intrapreneurs have to understand that their initiatives could be shelved, diverted, or aborted. Support for intrapreneurial efforts from the upper echelons of the firm may be withdrawn at any time for any number of reasons including political motives and power. As such, the intrapreneurial pursuit is bound to follow a rough and bumpy road. To aim high and eventually deliver,

Table 1 Intrapreneurship: Intrapreneurs, Institutions and Initiatives

	Characteristics	Elements	Critical questions for intrapreneurs
Intrapreneur	Inspiration	Creative sense	Do you constantly wonder about what it would be like to run your own show?
		Creative motivation	Do you always want to create something new within your current firm or from scratch?
		Creative afflatus	Do you have a strong belief in your vision for a better future for the business?
	Commitment	Perseverance	Are you perseverant enough to endure all the hardships in creating new ventures?
		Resilience	Do you have the resilience to deal with setbacks and keep yourself engaged on course?
	Inside-outsider	Consistency	Are you frenetic about focusing on certain goals steadfastly?
		External vision	Are you alert about and well connected with changes in the external environment?
		Internal skills Internal/external balance	Do you have sufficient credibility and expertise within the firm? Are you comfortable in simultaneously meeting internal and external demands?
	Institution	Legitimacy	Charges from the top
Deep pocket			What firm resources and capabilities could be leveraged to create your new ventures?
Credentials and legitimacy			Where and how does your firm extend your new venture credibility and legitimacy?
Rigidity		Rules and bureaucracy	What organizational routines and procedures in your firm hinder your innovation?
		Performance pressure	Are you able to cope with performance pressures while engaging in innovative changes?
		Organizational inertia	Are you able to handle organizational inertia and maneuver around barriers to innovation?
Indifference		Open areas	What areas in the firm, technically and organizationally, are open for testing innovation?
		Marginal or gray areas	Can you identify those corridors of indifference that are considered marginal by others?
		Neglected areas	What areas for potential innovation are not yet noticed or left unattended by the top brass?
Initiative	Indirectness	Non-threatening	Where and to what extent does your initiative impose direct threats to the status quo?
		Non-confrontational	Can you avoid confrontation with the current core business or organizational routine?
		Unconventional	Can you spot opportunities in peripheral areas and innovate in unconventional way?
	Implicitness	Low key	Are you able to maintain a low profile and avoid attracting opposition to your initiatives?
		Tacit	Are you able to avoid or diffuse any detractions or oppositions by the power coalition?
		Overt/covert dual track	How to keep the initiative on track by quietly gaining support and distancing from threats?
	Incrementalism	Small gains	Are you tactful enough in pushing your initiative through a series of small achievements?
		Patient building up	Are you patient enough in tirelessly carrying out your initiative in piecemeal fashion?
		Spontaneous and natural	Do you believe that all pieces of the puzzle will eventually fit together given your tenacity and finesse in the internal venture creation process?

intrapreneurs need to be proactive, persistent and almost stubborn in their insistence toward pursuit of their vision and yet at the same time, they need to be patient while experiencing setbacks for the next.

It is the incessant, hard driving approach of Steve Jobs that created the iPhone, a revolutionary product that was a result of the insistence of Steve Jobs that device will be operated by a touch screen. He launched the “Think Different” campaign within Apple that resulted in many new innovations such as the iMac, iPad and iTunes.

The inventors of Washlet (electronic bidet) at TOTO kept on researching and experimenting even without full support from the corporate management. They improved the performance and reliability of their product, and eventually brought a revolutionary invention to life. “Even your hips want to be washed.” The product created a new business, changed consumer’s habit of using sanitary ware in more than 60% of Japanese households and greatly boosted the fame of TOTO. Similarly, the WeChat team headed by Allen Zhang in the Guangzhou lab worked day and night in obscurity, but never gave up their passion and dream in heart. Allen said that he never hesitated to reject intervention from the above. In order to insure best customer value and experience, he refused to commercialize the product in its early stage. Through painstaking effort and constant improvement, they made WeChat a product best suited to the needs of the users, and went on to design and advance cross-platform and cross-device applications of WeChat in the mobile internet era.

With a funding of 200,000 RMB from the Chinese Academy of Sciences (CAS), step-by-step, Liu Chuanzhi created the global PC and electronic product manufacturing business now known as Lenovo, remaining steadfast during numerous rounds of negotiations with CAS and interventions from the government. Consider also the case of Zhao Xinxian, formerly an apothecary in a military hospital, who turned an old style military medicine factory into a modern pharmaceutical company, known as 999 Pharma, the first company from China to put its billboard at New York’s Time Square in the 1990s. These intrapreneurs are persistent and resilient. They have a clear goal in mind and devote years and decades into their creative pursuit. They don’t just look for any opportunities but pursue and create their intrapreneurial vision with unwavering focus and consistency.

Inside-Outsider

Intrapreneurs are often experts at handling both internal and external challenges. They must have a broad *vision*, monitoring multiple facets of the environment, following the trends, and maintaining the right direction for corporate development. Intrapreneurs are experts in their understanding of organizational routines and are *skillful* in their ability to navigate their way in their organizations. A balance between a focus on attempting to change or improve internal practices or organizational routines and an emphasis on exploration of opportunities in the external environment is essential for intrapreneurs. This is because on one hand, over indulgence in the improvement of existing internal practices may reduce the desire for and interest in capitalizing on external opportunities. On the other hand, being aware of external opportunities and a desire to create new opportunities is of no use without the necessary internal proficiency, e.g., being ignor-

ant of the wrinkles and taboos in the organization, incapable of gaining permission and support from the top brass, or unable to effectively utilize the resources and legitimacy of the organization. Therefore an internal leader with external perspective, who can master both the internal and external environments, may have better chance for success in internal corporate venturing.

Consider the WeChat case again. Allen Zhang was also pretty much an outsider at Tencent, as far as the core QQ messenger business was concerned. However, his fine internal track record with Tencent’s mail business and his engineering brilliance helped him win the trust and support from Pony Ma, Tencent’s Founder and CEO. This internal credibility and technical authority, combined with Zhang’s acute sense of the changing trends in the IT world, helped bring WeChat to its actual fruition.

In the mid-1980s, when the DRAM business created by Intel suffered drastic loss in market share due to attacks by Japanese and Korean companies, CEO Andy Grove asked his top management team: “If the board of directors was to fire us on this Friday, and a new management team should take over the company next Monday, what would they do?” The answer was that they would drop the DRAM business and concentrate on the more promising CPU business. Grove decided that all team members leave the room and re-enter through the revolving door. This symbolic act enabled the existing management team to look at the current business and future of Intel from an outsider’s perspective.

When A.G. Lafley was entrusted with the top job at P&G in 2000, he was far away from the American headquarters of the company and was also not involved in any of the core businesses of P&G. Instead, he was in charge of the beauty product business in Asia. This background enabled him to see the need for innovation and major changes in P&G. In the meantime, as a well connected, highly reputed veteran, who knew all the ropes in the company, he was able to preside over timely changes in that century-old firm with relative calm and ease.

Ning Gaoning, former President of China Resources and now Chairman of COFCO, is a respected chain intrapreneur in China, a classical example of inside-outsider leader, and an intrapreneurial figure at the very top echelon of an organization. During the Cultural Revolution, he was sent to the countryside after high school as many others were. Then he joined the army, entered college and became a Party member. Those experiences acquainted him well with the practices and procedures in the state-owned sectors in China. Being in the first batch of students who got their MBA degrees in the West (University of Pittsburgh) after China’s reforms began opening its doors to the world, Ning Gaoning gained perspective and professional management skills. In a comparatively tolerant micro-environment of China Resources, through a series of capital market maneuvers, Ning Gaoning was able to realize quite a few dreams, earning him the nickname of China’s J.P. Morgan. Over the past ten years, as the leader of COFCO, a *Fortune 500 International* firm and China’s largest agri-food business, he was able to lead the firm on a new path that encourages intrapreneurship and product innovation.

INSTITUTIONS

To create a new venture in an existing firm, an intrapreneur will face challenges in the institutional arrangement and the

bureaucratic system of the firm, with all its confinement and limitations. At the same time, however, he/she will also be able to benefit from the firm's resources as well as the legitimacy of the firm, an advantage that is not available to outside entrepreneurs. That is to say, for an aspiring entrepreneur, buffers and obstructions as well as challenges and opportunities in the firm are present at the same.

The role of institutional environments both within an organization and in the external environment is a well-researched phenomenon in management literature. According to Douglas North, a noted scholar in institutional theory, institutions are formal and informal constraints devised by humans that structure social, political and economic interaction. Institutions represent a social order or pattern that is routine and predictable. For instance, the organizational routines and cultural practices are internal institutions that act as a compass for actors within the organization. In the external environment or in the society itself, institutions preserve order by laying down the norms for action and conduct. Based on the conceptual thinking about institutions, we examine three characteristics of institutions that are critical to understand the context in which society in general and organizational members in particular act: *legitimacy, rigidity and indifference*.

Legitimacy

The current institutional environment may provide the necessary impetus for intrapreneurship in three ways: *formal charges* from the top, *deep pocket* of organizational resources, and *credentials and legitimacy*.

True visionary corporate leaders not only long for their own achievements in venture creation, but also want to see in their subordinates and potential future leaders the awareness, mindset and action of venture creation. They will identify talents, empower them, and encourage them to be creative. In these talents, they see their own once-youthful entrepreneurial images full of creative vigor, and thus are willing to support them. Good leaders offer understanding, tolerance and comfort to their subordinates when they are in trouble, or when they fail and even personally share their responsibilities and liabilities to some extent. With an aim to achieve lasting success and better performance, leaders need to motivate their followers to promote innovation in their organizations. For instance, Google encourages all employees to take time off to work on their pet projects. Popular initiatives that came from within Google such as Gmail and AdSense are a result of the autonomy and freedom provided by Google's leadership to their employees.

A restless innovator by heart, Jack Ma is known to be a preacher of both entrepreneurship and intrapreneurship. As a leading online and mobile marketplace for retail and wholesale trade, his Alibaba nurtured millions of micro businesses on its trading platform. Now he is setting up venture foundations of 1 billion HK dollars and 10 billion NT dollars respectively in Hong Kong and Taiwan to promote entrepreneurship among the young people in these two regions. Just like 3M and Google, which institutionalized the culture of intrapreneurship and nourished successive generations of intrapreneurs, Chinese companies such as Haier made internal corporate venturing a strategic impetus to meet current challenges. Zhang Ruimin, Chairman and CEO of Haier, is

transforming the firm from a white goods manufacturer to a platform company, creating 200 micro businesses within it. The slogan at Haier, "Everyone is a CEO", is a clear impetus for intrapreneurship with considerable resources allocated to internal venture creation, turning its professional managers into creative partners.

The existing resources of the firm provide a reliable backing for the intrapreneurs. From legitimate identity to credentials in the industry, from technical strength to financial power, from concentration of talent to organizing capacity, the advantages of being in an existing firm provide a great advantage to intrapreneurs to the envy to entrepreneurs. With its debut in 1991, Lexus quickly penetrated the luxury car market in the United States, competing with perennial brands such as Mercedes and BMW, because it was able to leverage the technical advancement and manufacturing advantage of Toyota.

Perhaps the most important thing the intrapreneurs can boast of is the credential and status of their firms. A new firm, right after its founding and even for quite a long time that follows, faces the "liabilities of newness", and is in lack of understanding and trust from its clients and other stakeholders. Standing on the shoulders of an existing firm, however, an intrapreneur can instantaneously possess certain legitimacy and entitlement. At its initial stage, WeChat also benefitted from QQ by bundling with it to gain a critical user pool that enabled its further development into a popular app. In the past, or even now in China, a corporate seal or an introduction letter may determine whether you can have something done or someone met. A brand name, likewise, affects other people's willingness to deal with you. In both nominal and actual terms, the creation of Lenovo owed a lot to the support of the prestigious Institute of Computing Technology of Chinese Academy of Sciences. Chu Shijian's tobacco empire of Hongta Group would not have been created without the status and the privilege of being a state owned enterprise (SOE). Although the same status and privilege may not always produce intrapreneurs, it is nevertheless an undoubted fact that successful intrapreneurs always benefit greatly from the legitimacy and credential of the existing firms.

Corporate venturing practices within established firms encourage investing in the promise of new ventures launched by entrepreneurs outside the firm. The ability to identify the potential of entrepreneurial ideas in the marketplace also falls in the realm of intrapreneurs in the firm. Google Ventures is an active effort on part of Google to identify opportunities in the creative ventures started by other entrepreneurs. Google invests in these companies similar to any venture capital fund but with an eye on integrating the innovations produced by the new ventures into its overall product mix. The vast array of products within Google is a result of successful acquisitions of firms such as YouTube, DoubleClick and Nest. Google Venture's portfolio signals legitimacy to new ideas with potential to complement and extend its current competencies.

Rigidities

Well established firms often mean institutional *rules and bureaucracy*, standard operating procedures and *organizational inertia*. Moreover, such a firm may face the dilemma of *performance pressure*: on the one hand, the desire to

continue the success of the firm may result in the creation of new businesses or practices and on the other hand, the performance pressure of the moment may force managers to focus only on short-term profits, thus inhibiting innovation that is typically fraught with uncertainty.

Apparently the established rules and procedures may delay the course of intrapreneurship and slow down its speed, or even impede or forbid altogether venture creations in certain areas. For example, firms controlled by State-owned Assets Supervision and Administration Commission (SASAC) of China face strict foreign exchange control and complex approval procedures, which can make their overseas business development difficult. Another example is the so-called “1992 entrepreneurs,” who decided to quit their public service jobs and start their entrepreneurial lives as the shackles of the old system became unbearable. This was all happening during 1992 in response to Deng Xiaoping’s call for deepening the economic reform and accelerating China’s economic development.

Similarly, much detrimental to intrapreneurship, organizational inertia preserves the status quo in a firm and its leaders are content resting on their laurels. In the 1960s, Sam Walton sensed the upcoming impact of the large-scale discount store model to the existing business model in retailing. Walton, who was in the franchise business of the variety store chain Ben & Franklin Brothers, tried to persuade the owners to embrace the discount store model, but was rejected by those who were content with the variety store model that yielded a fairly good return. Left with no, Walton decided to quit his job and mortgaged his own house to start a new business – Wal-Mart.

Organizational inertia may also be a result of a lack of creative force within the firm. In addition to the lack of creative talent, performance pressure may also enhance the dependence on organizational inertia, increase the tendency to stick to the familiar, seemingly reliable business model, technology and process. Kodak, although a pioneer in digital imaging technologies, failed because of its inability to move away from its successful traditional photography business, eventually leading to the demise of the whole. Though Xerox invented key technologies related to the modern PC industry (such as GUI and LAN), it was unable to commercialize them because of disconnect between its R&D initiatives and its business activities thus missing a great opportunity in the PC business.

Indifference

The institutional arrangements within a firm sometimes give rise to contradictions due to competing forces that arise especially during a major changes occurring in the society as well as in the immediate environment of the firm. This leads to zones of indifference within organizations especially toward intrapreneurial pursuits that are contradictory to the established institutional norms. The attitudes toward intrapreneurial efforts are seldom black and white, rendering either full support or complete denial. Normally, there are some corridors of indifferences or unattended corners inside it: *open areas*, *marginal or gray areas* and *neglected areas*. *Open area* is the space where the firm is neither officially supporting nor strictly forbidding the experiment of certain type. Here, with tolerance, the intrapreneurs may make free

trials and achieve potential growth. *Marginal area* is where the conflict between existing interest groups is weak. Most likely, it is far away from the core business or is independent of the normal system due to some special organizational arrangement. *Gray area* may be a half-open half-hidden area with questionable legitimacy, where things shall be done with caution and under some cover. The operations here normally are of a fuzzy and risky nature. Intrapreneurs may have to get around some policies by playing dodge ball, negotiating for room to keep their intrapreneurial initiatives alive. With success, the innovative ventures may redeem the intrapreneurs from the imperfection of the means chosen by them. Failure on the part of intrapreneurs may end in total loss and infamy. In a transitional economy, many successful entrepreneurs and intrapreneurs in China are masters of anticipating policy changes and navigating in the gray areas. *Neglected area* refers to the blind spot in the firm that escapes the current attention of the leadership, where creative attempts could mushroom in the dark regions and later flourish once they come to light.

In open areas, spontaneous intrapreneurial attempts are tolerated and, sometimes, may even be officially solicited or encouraged. Such areas do not contradict directly with the current core business, and may offer potential opportunities to augment existing business. Once the possibility of success emerges, such spontaneous and self-driven attempts will become a part of the organizational agenda that is pursued with a firm-level commitment. The investment wing of Lenovo, now Legend Capital, is one example among the numerous venture capital outfits established by leading firms to take advantage of the ability to identify and integrate new ideas into their core businesses.

For instance, GM used to make the newly created Saturn business as an independent division, granting it full autonomy. Unfortunately, after many creative attempts, the division was folded back into the GM bureaucracy. Headquartered in Hangzhou, CPMC Holdings Limited under COFCO was somewhere between marginal and neglected areas. In the early 2000s, CPMC (a metal packaging products manufacturer) was going to be spun off from COFCO due to its remote relationship with COFCO’s core business. It was left alone for a period of time when the headquarters were tied up with other pressing matters. Within this brief window of opportunity, Zhang Xin and his team worked restlessly to branch out into multiple sectors of the packaging business, and made leaps and bounds in new business development. With such intrapreneurial endeavors, CPMC turned from a laggard into a shining star in the COFCO lineup. Should it be located in Beijing and under constant scrutiny of its headquarters, such a success perhaps will not be possible.

INITIATIVES

The approaches to entrepreneurial initiatives are a result of the interaction of the expertise and ability of the intrapreneurs and the institutional context in which they operate. The substantive features and the actual processes of the intrapreneurial initiative itself largely determine the success of such initiatives. We suggest that there are three generic approaches to implementing the initiatives developed by intrapreneurs. First, initiatives based on *indirectness* are characterized by efforts to avoid direct conflict with the

core business of the firm. Second, *implicitness* does not pose an open threat to entrenched practices that are rigid and attempt to alter the inertia in the firm. Third, *incrementalism* focuses on winning the understanding and tolerance from various parties within the organization, implementing intrapreneurial initiative in an incremental piecemeal fashion with the right timing.

Indirectness

Indirectness means that the intrapreneurial initiatives must be *non-threatening* and *non-confrontational* to the current business domain. Any intrapreneurial initiative that attempts to directly replace or abandon the current core business will always invite severe opposition from the vested interests, and incur strong reactions by the organizational inertia. This seems to be a normal phenomenon of any organization. Unless facing a grave threat or championed by a resolute visionary leader, the different stakeholders in the firm may not accept radical intrapreneurial initiatives that may appear to undermine the establishment. Therefore, successful intrapreneurship will not directly challenge the core area of the current organization, but try to make itself a complement or supplement to the main business and serve to enhance it. WeChat made a perfect example of indirectness. It complemented the QQ business rather than threatening it, and earned an advantageous position for Tencent in the new battlefield of mobile Internet business. Even indirect challenges are packaged in a way to reduce its confrontation and threat to the existing business. This can help win the understanding and recognition of the organizational elites.

In 1999, Agilent was publicly traded, setting a record of market value for a Silicon Valley IPO. Agilent is not a completely new firm, but came from years of intrapreneurial activity within HP. Agilent's portfolio included life sciences, chemical analysis, and electronic test and measurement businesses, which had little to do with HP's core computer business. Continuing its growth within the HP setting would mean incompatibility with the core business and dilution of managerial attention and thus led to its spin-off. Nonetheless, the case of Agilent attests to HP's tolerance for internal corporate venturing.

Apple's mobile phone business is another example of indirectness of intrapreneurship. The introduction of iPhone had no direct impact on Apple's main computer business. Its overall design, operating system and applications were developed on the basis of the existing product series such as iPod, and it also shared iTunes, the original software platform the firm created. As a result of the success of the iPhone, the entire ecosystem of Apple soared with success. By contrast, Kodak's invention of digital imaging technology posed a direct threat to its cash-cow business of traditional film and its unwillingness to embrace the promise of its intrapreneurial initiative resulted in bankruptcy and downsizing.

Furthermore, indirectness may also imply being *unconventional*. Intrapreneurial initiatives achieve unexpected results or innovative accomplishments through fortuitous trials. There are plenty of cases of hitting the mark by a lucky fluke. In 3M, a company famous for its innovation, many of the star products come from independent research and intrapreneurship. The famous Post-It innovation is a typical case of unconventional initiative, extracting commercially

valuable applications from a seemingly failed experiment. Similarly, the Pfizer project aiming at developing a drug for heart disease accidentally led to the discovery of Viagra. This accidental discovery produced a rapid and steady growth for Pfizer in the global market.

Implicitness

Obviously, the main function of the existing formal systems in a firm is to maintain the stability and continuity of the daily operation, which may not necessarily encourage or support innovation. In order to avoid or reduce confrontation and threat to the *modus operandi* of the firm, intrapreneurial initiatives need to be *low-key*, *tacit* and even *secretive*, if necessary. Being low-key can avoid attracting unnecessary attention and curiosity (including unnecessary care and kindness), either from inside the firm or from competitors. In some instances, intrapreneurial initiatives need to take an *overt-and-covert dual track* approach. While keeping low-key and tacit, it is also important to remind certain people at certain level of higher-ups the existence of the intrapreneurial initiatives, and keep them updated with the progress and achievements. Besides securing necessary resources and support, it also helps consolidate the legitimacy of the initiatives.

Back in the 1940s, the aerospace company Lockheed operated the famous Skunk Works with a secret team in a secret place. In six months they developed a new generation of jet fighter (P-80 Shooting Star). As Warren Bennis observed, this project was like a lone island, relatively isolated and concealed, while its project managers traveled between the island (the initiative) and the mainland (the higher-ups), to report to the senior people in the military and obtain the necessary resources and support. Consider another example. In the 1980s, when the top management of Toshiba had made several decisions to give up the laptop computer project, its development team carried on the project covertly, and through constant improvement of the design they achieved great success. In 1986, the laptop computer was introduced to the market and became an instant trendsetter. The "Skunk-works" spirit continues even today. The creation of WeChat is also largely covert. Allen Zhang himself is a low-key type of person. He worked with his small WeChat team in a cramped facility around the clock, without much attention from the corporate headquarters or by the public.

Seamus Blackley, a game designer whose own venture failed, joined Microsoft as a graphics programmer and came up with the idea of a gaming console. Blackley recruited likeminded engineers to work on his idea without much fanfare that resulted in X-Box. Although Bill Gates was in favor of entering the game console business, Blackley and his team made their idea more palatable by designing a console that works well with the PC. Despite the culture of openness to innovation at Microsoft an implicit approach led to the success of the X-Box project.

Incrementalism

The indirect and implicit approaches to intrapreneurial initiatives suggest that creating new areas of growth or developing new innovations inherently threaten the status quo and therefore taking small steps in an incremental

fashion is more appropriate to gain acceptance to their initiatives instead of appearing to replace, deny or marginalize the existing norms and order in the organization. Incremental approaches to new initiatives will help gain acceptance and support from the upper echelons. Making gradual progress and patiently waiting for the right time until all the cards to fall in place mitigates any skepticism from naysayers in key positions in the organization. Resources may also be readily available to intrapreneurs for small-scale initiatives rather than grand ideas. It is in the interest of intrapreneurs to see their initiatives as an accumulation of small projects that add up to make the desired impact for the organization.

The transition of Intel's core business from DRAM to CPU was not accomplished at once. The cultivation and development of the CPU business already took shape long before the transition took place. The clusters of key personnel and technology were formed beforehand. Such a transition was therefore rather spontaneous and natural, despite the internal struggles. The change in the positioning of IBM from a PC manufacturer to a provider of system integration service was not achieved instantaneously. Gerstner, with all his personal charisma, could not easily gain popular support for such a change. This required a full course run, from power contest between the new and old forces, persuasion, incremental advances, to post hoc ratification.

Lenovo, the beneficiary of IBM's exit from PC business was also a product of intrapreneurial initiative within the Chinese Academy of Science. Since its founding in the early 80s, Lenovo continued its tradition of encouraging innovation and internal venture creation. It is interesting to note that it took Lenovo some three decades to develop from a trader of electronic goods from televisions and computers to the largest manufacturer of personal computers in the world.

Nestlé's Nespresso initiative is yet another example of incremental approach. It took Nestlé forty years to develop the automatic Nespresso coffee maker and coffee capsule business, from invention, introduction to becoming a global hit in the market. This business unit relatively independent of Nestlé's organization made continuous efforts in promoting their invention, educating the consumers about the superiority of the product.

CONCLUDING REMARKS

Internal corporate venturing has long been an important phenomenon. The role of intrapreneurship is significant in a time of heated competition and increasing need for innovation as it is today. To create sustainable competitive advantage and

persistent superior performance, intrapreneurship is becoming a strategic thrust in many firms. Two reasons accentuate the almost indispensable value of intrapreneurship.

First, more than ever, innovations, large scale and complex ones in particular, require a great number of diverse resources and skills as well as sophisticated co-ordination to pull through, which means that they are out of the reach of the more disparate garage-based venture creating entrepreneurs. Established firms have a unique advantage in implementing such innovations.

Second, in the past, the dream of the small startups was to be acquired by a company like Microsoft, IBM and Motorola. Later on, from Yahoo and Google to Facebook and Twitter, entrepreneurs no longer need to attract the attention and patronage of corporate giants to realize their dreams. They have at their service a host of angel investors, venture capitalists and eventually the stock markets eager to ride the early success of entrepreneurial. Corporate giants like Microsoft, which rely heavily on purchasing technology from others and then making them scalable in the market, find it more and more difficult to buy good stuff and to deal with talents from the outside. Fostering the creative spirit of intrapreneurship provides the firm an added advantage of identifying lucrative opportunities outside the firm. Quite often, firms complement their internal venturing with external venturing by strategically investing in start-ups that are eventually acquired and integrated within the firm's strategic business units. As such, intrapreneurship seems ever more important and pressing as a new source for growth and profits.

In summary, today, an established firm, be it from the developed world or from the emerging economies, should systematically evaluate and invest in intrapreneurial initiatives by effective leveraging of its resources, knowledge, intelligence, talent, and legitimacy. The emphasis on intrapreneurship is strategic asset to sustain competitiveness in the long run in today's global marketplace.

To be successful, intrapreneurs should not only possess the typical entrepreneurial inspiration and perseverance, but also be able to balance the need for internal credibility and external relevance. Moreover, intrapreneurs need to be tactful to ride on the impetuses the firm provides as well as experiment and innovate in areas of lesser resistance and opposition, while avoiding the hindrance imposed by organizational inertia and institutional confinements. Furthermore, their intrapreneurial initiatives have to be thoughtfully packaged and framed to avoid direct contradiction to the status quo, and carried out incrementally with patience.



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