Corporate entrepreneurship in India: The road less travelled

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Abstract

Change in business has become sine qua non with change in business environment. Darwin's Law of the 'survival of the fittest' suggests either change or perish. In order to adapt to the changing business environment, corporations must keep on changing by thinking uniquely and entrepreneurially. Thinking entrepreneurially, or say, innovatively in the existing corporations is called 'corporate entrepreneurship'. The notion and practice of corporate entrepreneurship have become very dominant and has been on increase in the western countries. However, corporate entrepreneurship could so far not make any perceptible headway in the Indian corporations. Indian corporations have yet to trudge on this relatively less known path called 'corporate entrepreneurship.'

It is against this backdrop; an attempt has made in this paper to present an overview of this relatively less travelled path of corporate entrepreneurship in India. Accordingly, it covers the aspects like what corporate entrepreneurship is, how it is different from general entrepreneurship, what are its drivers, prerequisites and barriers, and what makes corporate entrepreneurship successful.

Introduction

Of late, a new breed of entrepreneurship has emerged known as *'corporate entrepreneurship'* also called *'intrapreneurship.'* As this type of entrepreneurship is emerging with increasing scale and size world-over, it has, therefore, been attracting increasing attention and interest of researchers in the literature of entrepreneurship. Corporate entrepreneurship is an evolutionary concept and is of relatively recent origin in India. As limited is the development of corporate entrepreneurship in India, much more limited is availability of literature / research evidence on whatsoever limited corporate entrepreneurship has developed in the country. In the absence of adequate availability of data and literature on corporate entrepreneurship, our understanding about corporate entrepreneurship in India remains, thus, far from adequate and satisfactory. As such, our understanding on corporate entrepreneurship in India is based mainly on assumptions, predilections and suppositions. It is against this backdrop; the present paper makes a modest attempt to present a systematic overview of corporate entrepreneurship in India. The paper accordingly addresses two major aspects of corporate entrepreneurship like: what is corporate entrepreneurship and how is it different from general entrepreneurship, what are its drivers, prerequisites and barriers, and what makes corporate entrepreneurship successful? These are discussed in seriatim.

Meaning of Corporate Entrepreneurship

The new breed of entrepreneurship emerging within the organizations is called *'Corporate Entrepreneurship'* or *'Intrapreneurship.'* Corporate entrepreneurship emerges from within the confines of an existing enterprise. In big organisations, the top executives are encouraged to catch hold of new ideas and then convert these into products and services through research and development activities within the framework of organisation. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs are leaving their jobs in big organisations and are starting their own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. They are causing a threat to the organisations they left.

Different thinkers have defined corporate entrepreneurship differently. For example, Steve Jobs had defined the term corporate entrepreneurship as: "*a group of people going, in essence, back to the garage, but in a large company.*"

According to Gifford Pinchot (1985), "*Intrapreneur is an entrepreneur within an already established organization.*"

Pramodita Sharma and James J. Chrisman (1999: 11-28) have given an extensive definition of corporate entrepreneurship as "*a process whereby an individual (or a group of individuals) in association with an existing organization, creates a new organization or instigates renewal or innovation within the organization. Under this definition, strategic renewal (which is concerned with organizational renewal involving major strategic and/or structural changes, innovation (which is concerned with introducing something new to the market place), and corporate venturing (corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization) are all important and legitimate parts of the corporate entrepreneurship process.*"

Thus, corporate entrepreneurship is the process by which organizational members within an established company conceive, foster, launch, and manage a new form of business that is distinct in certain respects from the parent company and leverages the parent company's assets, resources, and market.

Corporate Entrepreneurship is Different from Entrepreneurship

That corporate entrepreneurship (also known as intrapreneurship) is different from entrepreneurship (Pinchot 1985) is presented in the following Table 1.

Table 1: Difference between Corporate Entrepreneurship and Entrepreneurship

Difference	Entrepreneurship	Corporate Entrepreneurship
1. Approval	Needs to gather nerve.	Must gather approval.
2. Dependency	Entrepreneur is independent in his / her business operations.	But, intrapreneur is dependent on the entrepreneur, i.e. the owner of the organization
3. Fund	Entrepreneur raises funds himself / herself.	Intrapreneur does not raise funds, but the organization wherein he / she works, raises and provides funds.
4. Search	Entrepreneur searches markets to acquire resources for new venture / enterprise.	Intrapreneur looks inside the organization itself for resources that are so far not used efficiently.
5. Risk	Entrepreneur bears the risk involved in entrepreneurship	Intrapreneur does not bear risk, but the organization bears risk.
6. Operation	Entrepreneur operates from outside	Intrapreneur operates from within the organization itself.
7. Organization	Entrepreneurship creates a new enterprise.	It brings new idea(s) to the already existing organization.
8. Ownership and Control	Entrepreneur owns and controls his / her business, Ownership and control are inseparable in case of entrepreneurship.	Intrapreneur does not own the business, only controls it. Thus, ownership and control are separable in case of corporate entrepreneurship.

Why Corporate Innovation is needed in India?

The business environment is full of uncertainties in terms of market conditions, competition level, customer choice and technological advancements. These render what was workable in the past as obsolete at present. Obviously, only the corporations that fit for the requirements of the time survive and thrive. For this, corporations have either to do something altogether new or add new value to the existing one to make it relevant to the requirement of the time. This is called innovation that enables corporations to fit for the purpose. Following are some major reasons why innovation is significant for modern day corporations in India:

1. Increasing Competition: Ever increasing competition in the market has emerged as one of the most driving forces for innovation in the business world. Organizations are bound to think and act in a newer and innovative manner to have competitive advantage to survive and thrive in today's highly competitive environment. One cannot thrive in today's competitive environment by just working in a stereotypical manner while consumers' choices and preferences towards products and services have been on continuous change. This is placing burdens on organizations to keep up, either by matching product features or attempting to leapfrog over competitors by offering altogether newer and better products and services to the consumers. While the former approach places a limit on the potential for organizational success, the latter one increases potential for success. Evidence suggests that the successful organizations do not follow others, but one who strive to be the ones to emulate. This can only be done through innovation.

2. Increasing Globalization: By now, market has been shrinking due to globalization. The global market is characterized by large number of customers with varying tastes and preferences towards products and services scattered over vast territory of the world. So, to say, organizations have now access to global market. It has emerged as an opportunity for corporations to serve global customers by identifying new markets and offering newer and better products and services to the customers locates over vast global territory. This calls for implementation of innovations by corporations to thrive in the highly competitive global market.

3. Increasing Consumer Expectations: With advancement in social media and information technology, on the one hand, and availability of increasing options for products and services, on the other, consumers have been becoming increasingly knowledgeable and choosy about what to use so as to improve their standard of living. As such, consumers are not to accept mediocre or obsolete products or services. Such market scenario has primed corporations to innovate, regardless of their industry, and make it core to their business strategy. Failing in doing so means risking becoming irrelevant to consumers.

4. Increasing Technological Advancement: In the face of continuous advancement in technology, technology which was earlier a feature of large corporations, has become now an almost must feature of new start-ups in the Make in India philosophy. Start-ups are often launching with or driving the new technologies. Technology driven innovation is becoming the norm of the day. For example, 3D Printing is hitting critical mass. Thus, using new technologies in a new way and developing new technologies through innovation has become almost essential for corporations to meet the challenge posed by increasing advancement in technology.

5. Changing Workforce Demographics: Corporations have been experiencing changing workforce demographics on the horizon for quite some time. Workforce demographics is experienced not only in terms of employees with diverse backgrounds in terms of education, knowledge, and cultures, but also in terms of generational gaps. For example, while the number of baby-boomers has been almost to retire, the number of Generation Y employees is on continuous increase. This is also posing the problem of talent acquisition and retention in already shortage of talented manpower available in the market. This necessitates corporations to become innovative in their approach towards human resource practices ranging from attraction to development to retention of employees. Of late, integration of 3Ps, i.e. Profit, People and Planet has emerged as a new challenge for corporations to survive in today's highly sensitive society. Addressing this new

challenge obviously requires innovative approaches and solutions. Corporations that follow the approach have been experiencing competitive advantage to thrive in the business environment of the time.

What are the Drivers of Corporate Entrepreneurship in India?

Corporate entrepreneurship essentially involves replacing the *status quo* by introducing change in manner of doing business. Change is generally resisted by the stakeholders. Then question arises is what drives change to replace *status quo.* Research evidence (Khanka 2009: 209-218) suggests that there are certain drivers that facilitate the emergence and introduction of entrepreneurship and for that matter corporate entrepreneurship in an existing organization. These include but are not limited to the following only:

Organization Culture: Innovative thinking as a norm of organizational culture serves as a key driver in developing entrepreneurial mind-set among the employees in the organization. More intensively the employees hold the belief in innovative thinking, greater is its effect on fostering entrepreneurial mind-set among the employees and *vice versa*.

Organizational Structure: As against rigid organizational structure, a flexible structure serves as more effective driver to effect innovative thinking among the employees. The reason is flexibility in structure provides employees required scope and freedom in doing their works.

Organization Policy: More favourable the organizational policy, more possibilities for innovative thinking for employees and vice versa. Here, 3M Co.'s policy of allowing its engineers and scientists to spend 15% of their time on projects of their own design is worth mentioning.

Top Management Support: No idea, no matter how much new and promising it is, can fructify without approval and needed support from the top management. In fact, assurance of support from top management serves as an encouragement for employees to search for new ideas and implement the same.

Resource Availability: Like any activity, innovative thinking cannot happen in vacuum but on the availability of required resources. Thus, the availability of required resources also serves as a driver to foster innovative thinking in the organization.

Risk-Taking and Failure Tolerance: That organization is ready to take risk in implementing new ideas and accept failure, if any, as a learning experience also serve as effective drivers to effect innovative thinking in the organization.

Compensation and Incentive System: Provision for compensation and incentives to the employees generating new ideas and wealth also serve as drivers to inject innovative thinking among the employees. Dr. Nelson Levy, a former Vice President of Research and Development and President of various global pharmaceutical companies once quipped, "*I might as well give my people 15% paid leave!*"

Possible Forms of Corporate Entrepreneurship

Corporate entrepreneurship can take place in the following different forms:

Entering New Business: Entering into a new business by an established organization is one of the main forms of corporate entrepreneurship. An established organization due to various reasons like decline in the existing business or identifying the availability of new emerging business opportunities in the given environment, may be interested to enter into a new business venture. Examples of existing corporations entering new business abound in corporate India. Bharati Enterprises, Tata Sons, Reliance Industries, etc. are such examples to name a few.

Championing New Product Idea: The other form of corporate entrepreneurship is a new product idea championed by an individual or individuals within a corporate context. In fact, this is the most famous form of corporate entrepreneurship when managers / executives can apply their creative thinking to evolve some new product ideas for the organization. For example, in Bharati Enterprises, professionals are required to perform in an entrepreneurial manner, called *'professional entrepreneurs,'* to find out better way to do the same function. With this professional entrepreneurial spirit, Bharati has come up with new solutions to old problems, newer versions to existing solutions, new solutions to new problems, and even paradigm shifts in its business. This innovative thinking has made Bharati the first telecom player in India to outsource its functions such as IT network, call centres, distributions, and more recently tower companies.

Creation of Entrepreneurial Philosophy: Fostering entrepreneurial philosophy or culture within the entire organization is yet another form of corporate entrepreneurship. This is a situation when efforts are made to develop entrepreneurial mindset among the organizational members so that entrepreneurial philosophy permeates throughout the organization. For example, Google follows this philosophy by creating an environment in which all Googlers think and act in an innovative or entrepreneurial manner. This entrepreneurial philosophy has been a lynchpin behind every success of Google and other successful organizations like Bharati

Besides above factors, there are yet other conditions too necessary to make corporate entrepreneurship successful. These include being gender neutral, independent thinking, fostering a questioning culture and engendering a more egalitarian set up

Models of Corporate Entrepreneurship

Based on an in-depth research study of 30 corporations as diverse as Google, DuPont, and Cargill, Robert Wolcott and Michael Lippitz (2007) reached to the conclusion that approach to corporate entrepreneurship, depending on two dimensions under the direct control of management is likely to vary from company to company. The two dimensions are: (1) Organizational Ownership, i.e., who within the organization has primary ownership for the creation of new businesses? (2) Resource Authority i.e., is there a dedicated fund allocated to corporate entrepreneurship? Together the two dimensions generate a matrix with four dominant models of corporate entrepreneurship:

A brief description of each of these follows in seriatim.

The Opportunist Model: There are ample evidences to mention that most of companies begin with what is called the *"Opportunist"* model of corporate entrepreneurship. Such corporate entrepreneurship takes place when some intrepid project champion without any designated organizational ownership or resources proceeds to seize available opportunity. In fact, this is the typical way how a start-up company turns an intrepid visionary's dream into reality. The intrepid champions especially in large established companies, must toil against the organizational odds of one type or other. Therefore, corporate entrepreneurship to be successful within opportunist model requires favourable organizational environment when top management is supportive and open to experimentation. Without such type of supportive environment, good ideas can easily fall through organizational cracks or receive insufficient funding to prove feasible.

The Enabler Model: The enabler model of corporate entrepreneurship is based on the premise that employees in an organization will be willing to develop new ideas / concepts provided they are provided adequate and required support. Employees are not given any formal form of ownership to pursue new ideas but are provided with clarity on which opportunities to pursue, guidelines for funding, recruitment and retention of entrepreneurially minded employees and, above all, active support from top management. Google Inc. presents the excellent enabler model of corporate entrepreneurship where employees at Google can spend 20% of their time to promote their ideas to colleagues, develop their concepts and build prototypes. It is important to mention that at Google no preconceived criteria or hurdle apply to a project. The project can continue till it appears to have potential to serve the interest of Google employees.

The Advocate Model: In the advocate model, company assigns ownership to a group of organizational members for the creation of new businesses with modest provision for funds. Here is an excellent example of the advocate model of corporate entrepreneurship practiced by E.I. du Pont de Nemours and Co., the 200-year-old global conglomerate. When CEO Chad Holliday, in 1999, realized that the company's growth had declined, Clad Holliday assigned DuPont veteran Robert A. Cooper to head a group of five full-time employees to focus on company growth. The group was provided with assistance required from idea conceptualization to its commercialization. For instance, it includes a four-day "business builder" session that helped group members generate and prioritize their different business ideas and concepts. This was followed by spending four to eight weeks period to develop the business plan of the ideas / concepts so developed. The result was the proven Market Driven Growth program at E.I. du Pont de Nemours and Co.

The Producer Model: As with the enabler and advocate models, the producer model of corporate entrepreneurship also aims at encouraging latent entrepreneurs within the organization. Accordingly, organizational members are assigned responsibility, with enough provisions for funds, to develop new ideas and concepts for business growth. To quote, Motorola has a dedicated staff of more than 35 people as corporate entrepreneurship group with an annual budget corpus in the tens of millions of dollars. The producer model, at the same time, also tries to protect emerging projects from turf battles, encourage collaboration across the units, and create pathways for entrepreneurial executives to pursue careers outside their business units. This gives emergence to independent entrepreneurs which may become threat to the organizations they left. However, the producer model is subject to suffer from certain challenges like:

First, it involves significant investments to be made over the period.

Second, integrating successful new projects developed through corporate entrepreneurship into the established business units is often found difficult.

Third, the corporate entrepreneurship group, particularly when they have pilfered top talent of organization, tend to emerge as threats to existing business units.

Now, the four models can be summarized as follows:

The Opportunist Model	Diffused ownership and *ad hoc* resource allocation
The Enabler Model	Diffused ownership and dedicated resources
The Advocate Model	Focused ownership and *ad hoc* resource allocation
The Producer Method	Focused ownership and dedicated resource

How to Nurture Corporate Entrepreneurship in India?

For corporate entrepreneurship to be successful, organizations need to nurture innovating thinking, also called, entrepreneurial mind-set among their employees. To nurture innovative thinking in organizations, management needs to provide the freedom supported by encouragement to employees capable to develop new ideas (Dess, Lumpkin and McGee 1999: 85-102). For this to happen, organizations need to take certain steps to nurture the innovative thinking among their employees. These include but are not limited to the following only:

Develop Innovative Philosophy: Innovation or creativity (i.e. thinking out of the box) needs to jell with the philosophy of the organization. So, to say, organization needs to foster creative or innovative philosophy to more and more innovations take place.

Design Flexible Organizational Structure: Innovative thinking or thinking requires facilitations like flexible organizational structure. Rigid organization structure limits rather hamper creative thinking which is the hallmark of innovation. Employees also need to be encouraged to circumvent the rigid organizational structure and procedure.

Recognize and Reward Innovative Employees: Innovative employees need to be recognized and rewarded for their innovative ideas and outcomes. This helps in two ways. *First,* the innovative employees get encouraged for their innovation and other employees get motivated to be innovative for getting recognition and reward. *Second,* this fosters spirit of innovative thinking among the employees which, in turn, improves the quality of innovation in the organization. Reward system devised should other employees to risk and achieve.

Accept Failure as Learning Experience: That failure in new experiments would not be liked rather punished by the organization stops employees from experimenting new ideas in their works. Recognizing that many good innovations have taken place after initially becoming failure, organizations should accept failures, if any, as learning experience to encourage employees to think in innovative manner. In other words, employees should feel free to experiment new ideas without fear of failure and punishment.

Allow Bootlegging of Ideas: One way to nurture innovative thinking in the organization is allowing employees to secretly working in innovative manner all the times: be at work or off the work. In other words, employees should be allowed and encouraged to live their innovative thinking day in and day out.

Types of Corporate Innovation

Corporate innovations are classified into two broad types:

Radical Innovation: Radical innovation is also known as 'disruptive' or 'discontinuous' innovation. Radical innovation means to find out an altogether new method of doing business. Tushman and Romanelli (1985: 171-222) have defined radical innovation as "*processes of reorientation wherein patterns of consistency are fundamentally reordered.*" Radical innovation is found as a complex, difficult and even risky process. It is usually the smaller firms or start-ups that can inaugurate and introduce radical innovations.

Incremental Innovation: Incremental innovations is a change that implies small adaptions to the *status quo* (Tushman and Romanelli, 1985: 171-222), and it is often described as a step-by-step process. As a matter of fact, incremental innovation is the dominant form of innovation. A good example of incremental innovation is Google's Gmail, the world's most popular email service. It has been noticed that many a times incremental innovation takes place after a radical innovation introduces a breakthrough. It is also opined that an organization can do 1,000 things 1 percent better rather than waiting to do one thing 1,000 percent better. Research also reveals that incremental innovation is mainly found in service sector of an economy (Sundbo and Gallouj 2000:15-36).

Barriers to Corporate Entrepreneurship in India

"There is nothing more difficult to take in hand, more perilous to conduct, than to take a lead in the introduction of a new order of things, because the innovation has for enemies all those who have done well under the old conditions and lukewarm defenders in those who may do well under the new." - *Machiavelli,* The Prince

Research evidence suggest that creating new businesses in the existing corporations, or call it corporate entrepreneurship, helps increase profit margins (Wolcott Lippitz 2007). But corporate history is also witnessing that corporate entrepreneurship is littered with failures. Nonetheless, there is no denying the fact that corporations in India have realized the need for promoting entrepreneurial managers within organizations for organizational survival and growth. Nonetheless, there has not been much headway in this direction because of certain barriers to developing corporate entrepreneurship in the country. The major barriers to corporate entrepreneurship in India include:

- Resistance to Change:
- The inherent nature of large organizations
- Lack of entrepreneurial talent
- Inappropriate compensation method
- Conditions Necessary to Make Corporate Entrepreneurship Successful

Corporate entrepreneurship, like other economic initiatives, does not happen in vacuum and naturally. For corporate entrepreneurship to take place and develop needs conducive environment in the organization. The conditions necessary to make organizational environment conducive for corporate entrepreneurship to take place in India include but are not limited to the following only:

- Give people ownership
- Make risk taking and failure acceptable
- Create learning culture
- Support people with ideas

- Create a safe place for innovation
- Celebrate and reward entrepreneurial behaviour
- Encourage cross-discipline projects
- Encourage knowledge sharing
- Create and allocate funds
- Concluding Remarks

In today's highly competitive business environment, innovation is no longer a choice but compulsion for organizations to survive and thrive in the market. Innovation is a joint venture between organization and its innovative employees. Therefore, innovation to be effective, both must play their roles.

One, organizations must create innovative environment at workplace by way of extending encouragement and needed support to entrepreneurial employees to concentrate on experimenting innovations in the organizations. Experience shows nothing works like encouragement in making people to exert their best mite in performing their jobs. Here, the views of Robert D. Hishrich's et.al. (2017) seem worth citing: *"If your employees aren't innovating, your company is losing its competitive edge. Use Corporate Entrepreneurship to give your mavericks what they need to keep your company on top—all over the world."*

Two, organizational initiatives to foster corporate entrepreneurship will be effective only when employees are genuinely interested and committed to act entrepreneurially. Entrepreneurial history of India is a testimony to the fact that mere extending facilities in terms of incentives, concessions, and tax benefits failed to foster entrepreneurship in the country during sixties and seventies. The reason was that people were not ready and willing to assume entrepreneurial (i.e. risk-taking) ventures. This gave genesis to thoughtfully designed interventions called 'Entrepreneurship Development Programmes (EDP's) to prepare people to assume entrepreneurial career. EDP has by now become a movement in India and is followed by several Asian Countries in their efforts to develop entrepreneurship. Without these, any deliberation of corporate entrepreneurship will be just rhetoric and fledging a dead horse. Sooner these happen, better will be corporate entrepreneurship in India.

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