INTRAPRENEURING

Why You Don’t Have to Leave the Corporation to Become an Entrepreneur

GIFFORD PINCHOT III

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CHAPTER 2

Who Is the Intrapreneur?

For years everyone defined corporate success as moving up the hierarchy. Then companies recognized that individuals could make major contributions—without becoming managers—by inventing or making technical breakthroughs. Many innovative companies—IBM, Tektronix, 3M, and Texas Instruments among them—thus created a second career path through which inventors could win prestige and salary increases without assuming management roles.

Some people, however, have talents that neither of these career paths can develop. For them, intrapreneurship offers a third career path to bridge the gap between manager and inventor. Intrapreneurs, like entrepreneurs, are not necessarily inventors of new products or services. Their contribution is in taking new ideas or even working prototypes and turning them into profitable realities. When the ideas have become solid and functioning businesses, so that even the least imaginative of accountants can clearly see their value, intrapreneurs tend to grow bored. At this point, they often need proven managers to maintain and develop the businesses while they go back to building new ventures for others to manage.

The roles individuals assume in a business life cycle can be placed on a spectrum starting from one end with idea people and inventors and moving through intrapreneurs in the middle to professional managers at the other end. (See Figure 2-1, page 34.)

The difficulty most large organizations have with innovation comes directly from trying to proceed without empowering intrapreneurs. Without them, attempts to innovate look like the diagram in Figure 2-2 (the blank in the center shows that several vital steps are omitted between the creation of ideas and their delivery to market).
Who is the intrapreneurial man or woman responsible for the birth and youth of a growing business?

As you can imagine, the set of skills that defines the intrapreneur is different from that of either the traditional corporate ladder climber or the newer individual contributer. Few of the innovations that large organizations need can be implemented by a single person. More than inventors, intrapreneurs need team-building skills and a firm grasp of business and marketplace reality. While they don’t need the political skills of senior managers working through multiple layers of management, they clearly must be leaders. And more than professional managers, they must make rapid decisions in the absence of adequate data. They must be comfortable groping toward a successful business pattern without much guidance from above.

Although the tasks of intrapreneuring push people into certain patterns, there is no set formula for determining in advance who can be an intrapreneur and who cannot. People become intrapreneurs when circumstances drive them to an act of will: the decision to make a new business concept into a reality within their company despite the barriers and risks. While intrapreneurs tend to be young, many are also in midlife career crises or nearing retirement. The intrapreneur of Boeing’s 200-foot wind-power generators, for example, was a sixty-three-year-old aeronautic scientist whose hobby was windmills. Even though the opportunity to expand his personal vision on a socially significant scale appeared close to his retirement, Wayne Weisner suddenly became a first-time intrapreneur.

While Ed Roberts of MIT’s Sloan School of Management found that most technical intrapreneurs are well educated* (but not necessarily Ph.D.’s), half of 3M’s most famous intrapreneurs never went to college. Some intrapreneurs are geniuses and others have relatively ordinary intelligence. No functional

*”What It Takes to Be an Entrepreneur . . . and to Hang on to One.” Innovation, no. 7, 1969, p. 47.
The People Behind The Life Cycle Of A Business

Figure 2-1
Figure 2.2

The Innovation Gap

- Scientists & Researchers
- Inventors & Idea People
- Planners
- Intrapreneurs
- Growth Business Managers
- Cash Cow Managers
- Liquidation Managers
area has a monopoly: some come from marketing and others from engineering. Ava Allen cofounded NBI's supplies division after coming from a position in the personnel department. Background, age, and functional discipline just don't matter if the will to do new things is strong.

Being an intrapreneur is in fact a state of mind. This state of mind is not necessarily set in early childhood; it can be developed at any point in life given the desire and opportunity. Ohio State University psychologist Albert Shapero's findings from his studies of entrepreneurs apply equally well to intrapreneurs:

Many individuals... become entrepreneurs even though they don't have the supposedly requisite characteristics or motives... People who have not shown any prior tendency to become entrepreneurial often do so as a result of their experiences and life situations. No test will assure you that an individual will be an entrepreneur before the fact.*

Therefore, as you consider the characteristics of the intrapreneur that follow, don't wonder, "Am I this way?" Ask yourself if you wish to become more intrapreneural.

As companies move out of the industrial era and into the Innovation Age, the speed of change demands that the constant search for a better way must be everyone's job. As you move beyond the known and into doing new things, deference to authority becomes less and less useful. Instead, you have to have the courage to let your own imagination and judgment tell you what direction to take as you explore the unknown. When you take that step, you leave the realm of the traditional employee and become an intrapreneur.

THE VISION

Einstein said that he rode into the theory of relativity on a beam of light. Intrapreneurs ride to the discovery of successful ventures on the strength of their vision. Hulki Aldikacti, the intrapreneur behind Pontiac's highly successful new Fiero sports car, had an almost tangible vision of what he wanted to build. "My hobby is sculpture and the process of building a new car is very much like carving a sculpture. First you make a total picture in your mind of what it will be, then you build it." Hulki built his vision from a lifetime of building, driving and loving cars. "I critique every car I drive," he says. "When something is wrong—perhaps I can't see the instruments clearly—then I resolve never to design a car that has that flaw."

In the early stages of building the Fiero, Hulki built a wooden mock-up of the passenger compartment. To get a better feel for what the car would be like, he sat in the driver's seat during his coffee breaks, imagining what it would be like to drive the finished car.

This behavior is absolutely typical of intrapreneurs. Since one of their most basic tools is daydreaming, their natural inclination in any spare moment is to play over a new business opportunity in their mind's eye, considering the many different ways to go forward and the barriers they might encounter along each path. Because they foresee the barriers, intrapreneurs can plan ways around them before becoming locked into a death struggle with an unworkable situation.

While building his vision of the Fiero, Hulki used a trick to reduce the chaos of possibilities. He imagined certain kinds of people as the customers, specifically young people. He therefore concentrated on his children away at the University of Michigan. By personalizing the customers, he got more emotional about it. That, Hulki says, "is all to the good."

For Hulki a car is not just a way to get around—it is a
psychological experience composed of many such minutia as the way the door closes; the power of the motor; the sounds and vibrations, both good and bad; how the seat supports you; the feel of the steering. All these must work together. It is the intrapreneur who composes them into a harmonious experience.

In some business circles visionaries are belittled as impractical dreamers. Quite to the contrary, imagination or vision is perhaps the most concrete of mental tools. The better a person's imagination, the more concrete a plan he or she can produce. Great artists and inventors generally have extraordinary powers of imagination, without which they could not do their jobs.

All Europe mourned when Beethoven lost his hearing, yet he went on to write what many consider his finest works. Like many great composers, he could hear the music in his mind and test different ideas without playing them on an instrument. Although he was deaf, his power of imagination was great enough for him to "hear" an entire symphony. More than half the population can sound a melody line in their heads without having to hum it. A tiny percentage can sound four-part harmony in their minds. But Beethoven had the capacity to "hear" eight-part harmony and the textures of a ninety-six-piece orchestra. What enabled him to be such a great artist was in part his extraordinary ability to visualize—or in this case "hear"—his work before it had actually been performed.

A similar degree of visionary power exists in the great inventors. Nikola Tesla, for example, the inventor of three-phase electric current, new turbines, and a variety of other things, explained how he turned his ideas into working machines: He would build a model of a new invention in his mind. He would set the model running, then push it to the back of his mind and go about his business. Weeks later he would bring it back to the forefront of his mind and check the bearings for wear. If the model wasn't right, he redesigned it mentally and sent it back for more mental testing until it
worked perfectly. Of course, we have only Tesla’s word for his mental processes, but observers noted that, having finished inventing something and designing it in his head, Tesla could visualize the measurements and how the parts fitted together and could construct each part of the invention without using plans or drawings. Engineers know it is impossible to do this without having made general drawings first to see exactly how all the parts fit together. Impossible, that is, unless one has the incredibly precise, concrete, and visionary capability of a Tesla.

THE NATURE OF INTRAPRENEURIAL VISION

The visionary capabilities of a musician differ from those of an inventor in kind but not in degree. One hears music, the other sees machinery. Likewise, the visionary skills of intrapreneurs differ from those of inventors in kind, but not in degree. Intrapreneurs do not necessarily need a highly developed mechanical or technical imagination, but they will be helped by an ability to imagine business and organizational realities in the way their customers will respond to innovation.

Matt Sanders, who has tried often enough so that he has had both successes and failures in launching new products, describes the early phase of creating a new product: “At the same time that you are putting the product concepts together, you are also trying to mentally design an organization that accommodates the product. It’s every bit as much a conceptual problem as the product itself. How am I going to get the business from here to there?”

As Fiero’s Hulki says, “When you think about how to make a product, it’s not for the customer only. You have to think of ways to do better for GM, too.”

The intrapreneur’s vision is not just a vague idea of a

goal, nor is it just a clear picture of the product or service. It is a working model of all aspects of the business being created and the steps needed to make them happen. Intrapreneurs spend a lot of time building and testing their mental models. They see the marketing and production, the finance, the design, and the people as an integrated system. Their vision of each of these areas may not be as good as that of a professional marketer, manufacturer, or financier, yet the intrapreneur is of irreplaceable value in a wider role—the ability to see how a business as a whole could work and then to act with courage and decisiveness to make it happen.

This ability to visualize the steps from idea to actualization is one of the basic and learnable skills of intrapreneuring. You can practice it by taking a few of your ideas and fleshing out your vision of how each could be made to happen using the appendix on Intraprise Plan Guidelines. In doing so you will develop the habit of thinking your ideas through as businesses. And one of them might catch fire and seem so workable and important that making it happen becomes your next step.

BECOMING THE CORPORATE HYBRID

In the beginning no one else understands the intrapreneur's ideas well enough to make them work. As a result, others say it can't work. Intrapreneurs thus find themselves crossing organizational boundaries to do what are officially other people's jobs. Bank of California market researcher Michael Phillips wanted to launch a new investment vehicle, a certificate of deposit for consumers. To get it going quickly, he found himself writing the operations manual that explained to branch offices how to process the new CDs—clearly a task for operations, not market research.

When intrapreneur Art Fry, the inventor of Post-it Notes (those now familiar yellow pads with the gently adhesive backs), was told by the marketing division his idea wasn't wanted by customers, he did his own market research. When
manufacturing told him Post-it Notes were impossible to make, he worked out the production technology himself. No problem, no matter how far from his supposed area of expertise as a lab person, fell outside his responsibility, because Art was an intrapreneur.

A product-line manager in the marketing organization at Tandy Corporation was unsuccessful when he proposed the development of a personal computer to sell in the Radio Shack stores. His intrapreneurial response was to build, with the help of a few coworkers, a prototype of such a machine. He presented his vision again, this time with a well-developed prototype. The result: Radio Shack became a dominant player in the personal computer marketplace.

The intrapreneur is the general manager of a new business that doesn’t yet exist. Intrapreneurs frequently have marketing or technology backgrounds, but once they take on the role of intrapreneur they belong to neither. The intrapreneur must cross the barriers that divide the organization into functions, such as marketing, engineering, research, manufacturing, sales, and finance, and take responsibility for all aspects of the business he or she wishes to start.

THE NEED TO ACT

Intrapreneurs are naturally action-oriented. Rather than plan endlessly, they almost immediately start doing something to realize their plans. One of the most consistent traits of the intrapreneur is an unwillingness to accept no for an answer. Our case histories of success are filled with the likes of Chuck House and Hulki Aldakti, who defied direct orders and went on building their dreams. Were it not for an almost unstoppable need to turn vision into action, the intrapreneurs who have brought us most of the new ideas we now enjoy would still be waiting for permission to begin.

Intrapreneurs Dick Nadeau and Bill Truitt were asked by their boss to explain their new idea to the plastics department.
They received mixed reviews. "The plastics people said it was a brilliant idea, but they thought we would have great difficulty accomplishing it—in fact, they said they thought it was impossible," says Nadeau.

On the way back to their offices, Truitt asked Nadeau what they should report back to their boss. "Tell him the truth," said Dick. "Tell him they thought it was a brilliant idea."

Pursuing the Pleasures of Mundane Work

Intrapreneurs don't stand on ceremony or have standards about what sorts of work are beneath them. They do the mundane work that is part of every new project. As entrepreneur Howard Head of Head Ski Company described the start-up situation, "When the floor needed sweeping, I swept it. When the sales force needed a rousing speech, I gave it. I did whatever needed to be done."

To only a slightly lesser degree, that is the lot of the intrapreneur. Unlike managers, whose job is largely to delegate, intrapreneurs can often do things faster by doing them themselves. Instead of making elaborate drawings and waiting six weeks for machinists to bring them to life, they make sketches and then machine the parts themselves. Instead of thinking up ways to make their services to the company into profit centers, and then wishing it could happen, intrapreneurs print brochures and solicit new customers.

This tendency to prefer hands-on work gets the job done and helps intrapreneurs to stay quite literally in touch with all aspects of their enterprise. Their ability to make quick decisions and, when necessary, to consider sweeping changes of plan in terms of their impact on all aspects of the business depends on their being in touch.
COMBINING VISION AND ACTION

Most occupations require a predominance of either vision or action, as shown in Figure 2-3. Workers are too often told that their visions are not valued and all that is required or desired of them is to do the things that they are told to do. They often become dreamers at home and on the job. But their dreams, if they concern work at all, tend toward insubordination and revenge. The separation between their dreams and their actions is a prescription for alienation.

The separation between vision and action, and the alienation it produces, is also evident at higher levels in the corporate structure, where company planners dream the dreams of corporate growth that are then given to line executives for execution. In Figure 2-3 I have placed executives further up the vision scale than workers because in practice their job calls for more than just managing the execution of plans—they must imagine the means to do so.

Intrapreneurs are both thinkers and doers, planners and workers. They have to be, because no one will realize their dreams for them, nor would they wish them to. Until they make their visions real, no one ever understands their significance.

The vision of the intrapreneur is not just quantitative or theoretical. Successful intrapreneurs often mention that they have a feeling for the business they are forming that can only come from hands-on involvement. Their visions of what could be are rich because they are grounded in action.

As repetitive work is gradually taken over by machines, the human role will increasingly be to visualize improvements and to make them happen. If we are to be efficient at this innovative task we must more closely couple vision and action, allowing as often as possible for the thought to flow directly to the deed. As the basic task of all employees thereby becomes more intrapreneurial, supervisors will learn to en-
The Intrapreneurial Grid

Vision

<table>
<thead>
<tr>
<th>Artist</th>
<th>Inventor</th>
<th>Intrapreneur</th>
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<tr>
<td>Planner</td>
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<td>Line Manager</td>
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<td>Worker</td>
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Action

Figure 2.3
encourage the more mundane forms of intrapreneurship. From small daily improvements to breakthroughs, innovation will flourish and alienation will decline.

DEDICATION

One of the most significant questions every intrapreneur must ask is whether success is worth the price. When night after night your peers go home on time while you stay, you have to wonder about your good sense. “It’s crazy to work this hard, but I love it,” says intrapreneur Joe Tanner. Joe was a researcher at Du Pont who loved developing new products, but his boss told him that he would never be promoted without an advanced degree. He thought of getting out of research and becoming a venture manager, but he observed that at Du Pont people were generally venture managers only once. After that they were given staff jobs that seemed boring to Joe. So he left and joined a neighboring Du Pont spin-off company, Gore Associates, that seemed to offer more room for an enterprising young man without a Ph.D.

At Gore he took on the task of turning the breathable waterproof fabric called Goretex into a business supplying clothing manufacturers. He built that business, but as it grew he was eventually replaced by someone with stronger skills in managing an established business. He quit. After a brief stint at a small family concern, Joe healed his wounds and is back at Gore starting another division, this time in industrial coatings. He talks about the prospects in glowing terms, conveying a dedication that clearly explains why he cheerfully works long hours.

One of the reasons traditional product development systems can't compete with intrapreneuring and entrepreneuring is that they are too bureaucratic to encourage dedication or give it full rein. When traditional managers divide marketing and technology, vision and action, and a host of other functions into separate jobs, intrapreneurs are denied the commitment,
completeness, responsibility, and excitement that inspire total dedication.

The dedication of entrepreneurs is frequently so extreme that they have almost no time or attention for other aspects of life. Their divorce rate is higher than among middle managers. One entrepreneur was able to joke about this problem. He explained that he set aside one hour every week to spend with his wife so she wouldn't be totally excluded. With typical understated humor, Peter Drucker said, "Entrepreneurs are the most boring dinner companions I know. All they want to talk about is their ventures. They never want to talk about anything interesting like, for example, me." Dick Nadeau says, "The price of [intrapreneuring] is that you let everything else go. Sometimes I wondered if I made the right choice—if I should have spent more time with my family. But then again I don't know if you really have a choice. I am an involved person and I can't change that."

As a potential intrapreneur you must consider how dedicated you are willing to be, and how you will balance that dedication with the rewards you hope to get, which may be less than many entrepreneurs. You will have to find ways to sustain the dedication without becoming cynical when people block your best efforts instead of helping. On the other hand, it may be possible for you to maintain some balance between work and personal life by taking advantage of the resources of the corporation.

The legends of 3M almost all speak of the dogged dedication of the intrapreneur. When his bosses told intrapreneur Phil Palmquist to stop working on reflective coatings because that wasn't his job, he continued four nights a week from 7:00 P.M. to 11:00 P.M. Soon he had a product 100 times brighter than white paint. Among other things, it now lights up roadway signs at night when your headlights shine on them. In a more extreme case, George Swenson, another 3M intrapreneur, was fired when he wouldn't stop working on a new roofing material. He continued working on the project despite the fact that he was no longer employed. Once he
had it working, the company relented and rehired him. By treasuring such stories, 3M encourages others to try to innovate despite opposition.

But there is a less glowing side to this. Intrapreneurial dedication can be combined with a tendency to put objectives before people. The average intrapreneur is not what Blake and Mouton of managerial grid fame described as a 9:9—that is, a person totally committed both to people and to production and able to satisfy both commitments without sacrificing one or the other.

Although concerned intrapreneurs exist, when a conflict arises their priorities generally lie on the side of getting a quality job done on time rather than on meeting people’s needs. This attitude does not derive from disrespect for their people; it is just that they do not consider their own or anyone else’s comfort nearly as important as getting the job done. They expect the impossible of themselves, and consider almost no sacrifice too great. They expect almost as much of others as they do of themselves. They tend to be puzzled by people who work with less than total dedication and who have standards that fall below excellence.

Dick Nadeau was, according to many, the undisputed intrapreneur of the Du Pont automatic chemical analyzer. The ACA was created when a competing company, Technicon, had just developed highly efficient continuous-flow equipment for preparing large batches of standard blood chemistry profiles. Du Pont wanted to enter the market with a different idea for an automated machine that would do single blood chemistry tests as needed. According to his former boss, Don Sutherland, Dick ran the project despite the fact that he was not in charge of it. As Don says, “Dick did not let anything stand in his way, he just drove the thing. He drove his bosses, the manufacturing organization, and the marketing. The people who worked with him built shields around themselves in order to cope with this guy. And I think it was the only way it was going to happen. The secret of Dick’s success was his unswerving focus on the business objectives of the ACA.”
Managers must be willing to put up with a lot to let effective intrapreneurs do their work. Dick gave Du Pont what has become a $300 million business. That is worth a few bruised sensibilities. Now that he’s gone, they even miss him. As one Du Pont executive said wistfully, “Where is Dick Nadeau when we need him?” There are intrapreneurs like Art Fry of 3M whose gentleness of manner and concern for others is palpable. If people get in his way, he goes around them. The difference is merely one of style.

PUTTING INTERNAL PRIORITIES FIRST

The intrapreneur’s theme song ought to be “I Did It My Way.” Although they are guided by their customers, intrapreneurs also feel the need for their project’s completion personally.

When Michael Kranfus, head of the SVO (Specialty Vehicle Operations)—Ford’s performance car skunkworks—set out to build a new Mustang to compete with the likes of BMW, the Ford bureaucracy had some difficulty dealing with his design philosophy. Michael stresses the importance of building a car that “feels right.” “If you can’t sit in a car and know whether it feels right or not,” he says, “you shouldn’t be building cars.” Using an informed posterior rather than formal market research, Michael and his team built a car so good that it was simultaneously on the cover of Road and Track, Car and Driver, and Motor Trend, which hailed it as better than the BMW.

Most intrapreneurs become successful pursuing ventures that have become deeply and personally meaningful. They believe that the world needs the product they propose, that it will be a valuable contribution. Matt Sanders, an intrapreneur from Convergent Technologies, says this:

Everyone says that you ought to start a business, be your own boss, and make a pile of money. I think those things are great, but it doesn’t make you want to get up every day and do the things you need to do to start a business.
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The only thing is believing in what you are doing from a personal viewpoint. You are driven by a sense of wanting to see it when it’s all done and a successful, profitable business.

Dick Nadeau echoes this sentiment. “During the building of the ACA, I turned up my nose at a lot of offers for far more money in other companies. What drove me was not the money, but the psychic income of seeing a possibility out there in the market and watching it grow—of watching the people grow with it.

“The ACA was something really new. Du Pont wasn’t known in the clinical testing field before and there was great pleasure in seeing it become what it is today.”

Venture capitalists have a special name for entrepreneurial candidates who are dedicated to becoming wealthy by whatever means rather than to a specific enterprise. They call them “promoters,” and avoid them like the plague. They lack the long-term commitment needed to overcome the inevitable times of trouble. Venture capitalists have become adept at testing for true commitment and dedication. They ask trick questions, offering the entrepreneur a chance to abandon the venture and jump into another, supposedly more lucrative project. They like to observe the entrepreneur over time before investing. Unlike promoters, whose new ideas come and go like the clients in a brothel, real entrepreneurs and intrapreneurs stay married to their ideas, often keeping and improving the same vision for years. The equivalent of promoters in the world of intrapreneurs have given intrapreneurs a bad name by lacking follow through. One way of making sure you do not become one is to address only ventures that have a powerful personal meaning.

SETTING SELF-DETERMINED GOALS

Intrapreneurs are self-determined goal setters who often take the initiative to do things no one asked them to do. No one, for example, told Chuck House to test market the rejected
FAA monitor for other purposes. One consequence of this goal setting is that intrapreneurs, like entrepreneurs, are self-appointed to their tasks. As this characteristic becomes more widely recognized, the appointment of intrapreneurs to their projects will surely go the way of the arranged marriage.

The goals intrapreneurs set for themselves are concrete and measurable. They are set in weekly increments initially and range, with objectives, through five- to ten-year plans. "A prototype in three months, three customers in six, and full-scale production at a rate of $5 million per year in sixteen months—by the end of three years we will have a $30 million business and 10 percent profit": these would be but a fraction of the timed and measurable goals an intrapreneur would use to direct and judge his or her progress. You can increase your chances of intrapreneurial success by practicing self-determined goal setting.

SETTING HIGH INTERNAL STANDARDS

The inner-directedness of entrepreneurs extends not only to goal setting but also to setting quality standards. When Art Fry was making Post-it® Note Pads, he finally got the quality to the point where others thought it was good enough. He remained unsatisfied, driving himself and those around him to find new processes and new formulas that met his own personal standards of excellence. In his eyes this has been a successful strategy. "Competitors can't maintain our quality, and so we remain the dominant vendor." Intrapreneurs gain little satisfaction from adhering to standards imposed by others, and may ignore them. They are famous for neglecting documentation. At the same time they will set for themselves very high internal standards in the areas they consider important. This constant striving for excellence, when combined with a good measure of impatience and a lack of respect for tradition, seems to produce superior new products and services in almost unrealistically rapid times.
OVERCOMING (NOT AVOIDING) MISTAKES AND FAILURE

Successful intrapreneurs tend to be confident about their skills and the prospects for their businesses. “If you dwelt on the possibility of failure, you would never start,” says Dick Nadeau. “The [intrapreneur’s] question is how to make it work, not whether it will.”

Even when it is obvious to everyone around them that they have failed, intrapreneurs often see it differently. With a background of optimism, they confront failure not as a personal disaster but as a learning experience. Two major factors contribute to this tendency to view failure positively:

1. They don’t admit they are beaten, and view failure as a temporary setback to be learned from and dealt with, not as a reason to quit.
2. They see themselves as responsible for their own destiny. As a result they don’t tend to blame their failure on others, but rather to focus on the part that was under their control and wonder how they might have done better.

Dealing with mistakes and failure is very important to the intrapreneur, because doing new things is bound to lead to mistakes and even major blunders. You can work on adopting an intrapreneurial attitude toward these events by asking, when something goes wrong, what you can learn from it.

MANAGING RISK

The confidence to assume personal risk is a touchstone by which venture capitalists test entrepreneurs. Some demand that their entrepreneurs accept reduced salaries and even take second mortgages on their homes or deplete their savings to
invest in the venture. They do this not so much to reduce their own exposure as to test and enlarge the commitment of the entrepreneur. The theory is that when everything you own is on the line, it is hard to walk away if suddenly the going gets rough or you get a better offer. The head of new ventures for one of the ten largest U.S. firms was so taken by this principle that the question “Would you take a second mortgage on your home for this idea?” has become his way of asking about the depth of intrapreneurial commitment.

Given the rewards usually available to intrapreneurs, a second mortgage is too much to ask; but intrapreneurs also have to take risks to push forward new ideas. Some companies are experimenting by formally asking intrapreneurs to take risks, much as venture capitalists ask their prospective entrepreneurs to do. For example, Intel asked the intrapreneurial group that developed its highly successful bubble memory to forgo their Intel profit sharing in exchange for a bonus system based upon the group’s performance. This meant going for more than four years without profit-sharing checks while their peers received very significant bonuses. But their abstinence paid off when the bubble memory group achieved its objectives. Its participants received bonuses that put them well ahead of their peers who took no risk.

LOYALTY TO LONG-TERM BUSINESS OBJECTIVES

The goals intrapreneurs set for themselves include five- and often ten-year visions of what the business will become. To be sure, their plans include concrete measurable goals for the shorter term, but their short-run actions are always guided by the long run.

Once when things weren’t going well, the powers that be put a one-month hold on Art Fry’s Post-it Notes project. Art immediately exploded, “We can’t do that, it will cost us a million dollars!” His boss, amused but suspecting Art had something up his sleeve, asked, “How do you figure that,
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Art?" "Well," replied Art, "in a few years we'll be selling more than a million dollars a month of these things. If we wait a month now, we'll miss one of those million-dollar months later."

Art's quick response to the proposed delay illustrates the way he references every business decision to its long-term business significance. Many business leaders bemoan the lack of long-term thinking in American business management. Short-term thinking is not surprising when managers are judged on quarterly returns, but we can count on our intrapreneurs to consider the long run. Intrapreneurs struggle to meet targets set not by outsiders but by their own internal priorities, which are driven by the need to achieve their long-term goals. They will use what freedom they have to ensure the corporation's future growth.

Most of the peculiarities of the intrapreneurial personality can be understood by considering the pressures of combining in one person both a strong visionary and an insatiable doer who cannot rest until his or her vision is made manifest on earth as it is in his or her mind. These pressures not only explain their drive but also their intolerance of being told what or how to do. While they are open to information and ideas, they have all the orders they can stand from their own internal imperatives. The drive to realize the vision explains their dedication and willingness to perform any task, no matter how mundane, if that is what is needed to make the intraprise succeed. The characteristics of the intrapreneur are compared and contrasted in the table that follows.
## WHO IS THE INTRAPRENEUR?

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<th>Traditional Managers</th>
<th>Traditional Entrepreneurs</th>
<th>Intrapreneurs</th>
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<tbody>
<tr>
<td><strong>Time Orientation</strong></td>
<td>Responds to quotas and budgets, weekly, monthly, quarterly, annual planning horizons, the next promotion or transfer.</td>
<td>End goals of 5-10 year growth of business in view as guides. Takes action now to move next step along way.</td>
<td>End goals of 3-15 years, depending on type of venture. Urgency to meet self-imposed and corporate timetables.</td>
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<tr>
<td><strong>Action</strong></td>
<td>Delegates action. Supervising and reporting take most of energy.</td>
<td>Gets hands dirty. May upset employees by suddenly doing their work.</td>
<td>Gets hands dirty. May know how to delegate, but when necessary does what needs to be done.</td>
</tr>
<tr>
<td><strong>Skills</strong></td>
<td>Professional management. Often business-school trained. Abstract analytical tools, people-management, and political skills.</td>
<td>Knows business intimately. More business acumen than managerial or political skill. Often technically trained if in technical business. May have had former P&amp;L responsibility in corporation.</td>
<td>Very like the entrepreneur, but the situation demands greater ability to prosper within the organization. Needs help with this.</td>
</tr>
<tr>
<td><strong>Courage and Destiny</strong></td>
<td>Sees others in charge of his or her destiny. Can be forceful and ambitious, but may be fearful of others' ability to do him or her in.</td>
<td>Self-confident, optimistic, courageous.</td>
<td>Self-confident and courageous. Many intrapreneurs are cynical about the system, but optimistic about their ability to outwit it.</td>
</tr>
<tr>
<td>Attention</td>
<td>Primarily on events inside corporation.</td>
<td>Primarily on technology and marketplace.</td>
<td>Both inside and outside. Sells insiders on needs of venture and marketplace, but also focuses on customers.</td>
</tr>
<tr>
<td>---------------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Risk</td>
<td>Careful.</td>
<td>Likes moderate risk. Invests heavily, but expects to succeed.</td>
<td>Likes moderate risk. Generally not afraid of being fired so sees little personal risk.</td>
</tr>
<tr>
<td>Market Research</td>
<td>Has market studies done to discover needs and guide product conceptualization.</td>
<td>Creates needs. Creates products that often can’t be tested with market research—potential customers don’t yet understand them. Talks to customers and forms own opinions.</td>
<td>Does own market research and intuitive market evaluation like the entrepreneur.</td>
</tr>
<tr>
<td>Status</td>
<td>Cares about status symbols (corner office, etc.).</td>
<td>Happy sitting on an orange crate if job is getting done.</td>
<td>Considers traditional status symbols a joke—treasures symbols of freedom.</td>
</tr>
<tr>
<td>Failure and Mistakes</td>
<td>Strives to avoid mistakes and surprises. Postpones recognizing failure.</td>
<td>Deals with mistakes and failures as learning experiences.</td>
<td>Sensitive to need to appear orderly in corporation. Attempts to hide risky projects from view so can learn from mistakes without political cost of public failure.</td>
</tr>
<tr>
<td>Decisions</td>
<td>Agrees with those in power. Delays decision until gets a feel of what bosses want.</td>
<td>Follows private vision. Decisive, action-oriented.</td>
<td>Adept at getting others to agree to private vision. Somewhat more patient and willing to compromise than the entrepreneur, but still a <em>doer</em>.</td>
</tr>
</tbody>
</table>

Who is the entrepreneur?
### WHO IS THE INTRAPRENEUR? (Concluded)

<table>
<thead>
<tr>
<th></th>
<th>Traditional Managers</th>
<th>Traditional Entrepreneurs</th>
<th>Intrapreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who Serves</strong></td>
<td>Pleases others.</td>
<td>Pleases self and customers.</td>
<td>Pleases self, customers, and sponsors.</td>
</tr>
<tr>
<td><strong>Attitude Toward the System</strong></td>
<td>Sees system as nurturing and protective, seeks position within it.</td>
<td>May rapidly advance in a system, then, when frustrated, reject the system and form his or her own.</td>
<td>Dislikes the system but learns to manipulate it.</td>
</tr>
<tr>
<td><strong>Problem-Solving Style</strong></td>
<td>Works out problems within the system.</td>
<td>Escapes problems in large and formal structures by leaving and starting over on own.</td>
<td>Works out problems within the system, or bypasses it without leaving.</td>
</tr>
<tr>
<td><strong>Family History</strong></td>
<td>Family members worked for large organizations.</td>
<td>Entrepreneurial small-business, professional, or farm background.</td>
<td>Entrepreneurial small-business, professional, or farm background.</td>
</tr>
<tr>
<td><strong>Relationship with Parents</strong></td>
<td>Independent of mother, good relations with father, but slightly dependent.</td>
<td>Absent father or poor relations with father.</td>
<td>Better relations with father, but still stormy.</td>
</tr>
<tr>
<td><strong>Socioeconomic Background</strong></td>
<td>Middle-class background.</td>
<td>Lower-class background in some early studies, middle-class in more recent ones.</td>
<td>Middle-class background.</td>
</tr>
<tr>
<td><strong>Educational Level</strong></td>
<td>Highly educated.</td>
<td>Less well educated in earlier studies, some graduate work but not Ph.D. in later ones.</td>
<td>Often highly educated, particularly in technical fields, sometimes not.</td>
</tr>
<tr>
<td><strong>Relationship with Others</strong></td>
<td>Hierarchy as basic relationship.</td>
<td>Transactions and deal making as basic relationship.</td>
<td>Transactions within hierarchy.</td>
</tr>
</tbody>
</table>
PROFILE

MICHAEL PHILLIPS: Intrapreneuring in a Service Industry

From a position of relative obscurity at the Bank of California, Michael Phillips launched a string of major banking innovations including consumer certificates of deposit, simplified checking accounts, and Master Charge, which he played a major role in establishing. How he was able to do this is the result of a "loophole" that makes intrapreneuring in service organizations simpler than intrapreneuring new manufactured products: Because the cost of developing a new service can be relatively low, Michael was able to launch many of his innovations before management found out about them. When they did he was able to show them successes rather than ideas, and thus it was too late for them to object.

In 1966, after leaving a position in the market research department he helped found at the Bank of America, Michael spent four years as director of market research at the Bank of California, then the seventh largest bank in the state. His title suggests that he had a prominent position, but few in the bank believed that marketing was important. However, just because a position is perceived as powerless and unimportant doesn’t make it a poor base for intrapreneuring. The bank’s senior executives never bothered Michael because it never occurred to them that what he was doing mattered.

As director of market research, Michael wasn’t satisfied just to find customer needs and then tell others about them, hoping someone would then develop the new services to fill the needs he had identified. A true intrapreneur, he took responsibility for the entire effort, from beginning to end, working to invent the services and to make them happen. To do so he worked with a team in marketing including his boss, Bob Person, and the director of advertising, Bob Jaques.
EXPANDING A JOB DESCRIPTION

The consumer certificate of deposit was typical of Michael's kind of intrapreneuring. He was motivated by a personal ideal: to provide a better savings vehicle for older people. As the head of marketing research, he had assembled groups of older bank customers with substantial savings and asked them to discuss their investment needs. Many of them said they had heard of "certificates of deposit," but they knew very little about CDs except that they were a desirable form of investment, but suitable only for investors more sophisticated than themselves.

Beginning with the typical tasks of his job, Michael had to determine why these customers were putting their money in 4 percent savings accounts instead of 5 1/4 percent CDs. He discovered from his market research groups that customers were puzzled by the term "certificate," since in most cases the actual certificate or bank-book type record had been replaced by a ledger entry held somewhere in the bowels of the bank. Furthermore, the fact that CDs were sold only in large denominations such as $10,000 intimidated many potential customers, including many who had savings accounts far larger than that.

But Michael did not stop with discovering these facts, as his job description warranted. He went much further in his research. There was, he found out, no legal or operational reason why certificates of deposit could not be offered in smaller denominations; rather, the intimidating certificates were based on a long-standing tradition in commercial banking that Michael abhorred—that dealing with individual customers was unprofitable and somehow beneath the dignity of a proper banker. Michael, on the other hand, saw consumer certificates of deposit as an opportunity to better serve customers and attract substantial deposits by offering them a higher return. His idea was simple: to create and advertise a certificate of deposit in small denominations ($500).

Michael approached Bob Jaques, the advertising director, with his idea. Jaques agreed to help at once because he wanted advertising projects that produced measurable results and provided clear feedback, such as, in this case, dollars of certificates sold. Bob Person also liked the idea, having found his career to be most satisfying when he could champion a creative project. These men formed Michael's basic team, but others in the bank had to be sold on the certificates as well.
Who Is the Intrapreneur?

The biggest hurdle could have been getting the bank to approve the procedures for processing the new instrument. These procedures had to be highly efficient if the smaller denomination CDs were to be profitable. New streamlined procedures needed to be designed, which could take months or even prove to be "impossible" if the task were given to a skeptical or overworked operations staff. Michael made it easy for the operations staff to buy into his idea by doing most of the work himself and by labeling everything "a temporary procedure to handle the market test." As a result, operations could certainly approve the test with little effort, especially since they reserved the right to redesign the process should the test prove successful.

Next, Michael created instructional language on the certificate that was comprehensible to the layman. When he showed the certificate to one of the bank's younger lawyers, "whom I could identify with and talk to," treating it as something insignificant rather than as something new, he quickly got his wording approved.

He took the certificates to the printer himself. He wrote the instruction sheet for the branches on how to handle the new consumer certificates of deposit during the "market test." With the exception of a few minor changes, which Michael did not resist, all anyone had to do was agree.

The result: In their first quarter, the new certificates brought $40 million in new deposits into the bank.

You would think that the marketing people would have been honored for attracting these new deposits. Yet, Bob Person says, the senior bank officers chided him for his concern with consumer deposits, suggesting instead that he go out and attract customers like Lockheed. The irony was that a few months later Lockheed proved to be insolvent, while the individual customers kept buying the new CDs.

INTRAPRENEURING A NATIONAL SERVICE:
MASTER CHARGE

Michael's biggest intrapreneurial venture was one that challenged his political skills perhaps more than his creativity. Back when he was just starting out at the Bank of California, Michael dropped in to visit his counterpart at Wells Fargo. Much to his surprise, he found the marketing people from Crocker and the United California Bank also there. "Whatever you guys are doing, I want to be in on it," he said with a smile. They were reviewing a proposal from
Melvin B. Salveson, a college professor from Los Angeles.

Salveson's proposal was simple: The banks they represented could join to offer a charge card to compete with Bank Americard, then only seven years old. He suggested that the three banks subscribe to a new company he was forming to issue the cards and to process the transactions for the banks. When Michael saw the proposal he exploded. Knowing the bank credit business from his experience at Bank of America, he explained what he thought was wrong with Salveson's plan, including such fundamentals as the omission of service charges, which were the major source of revenue. The other marketing managers were somewhat taken aback by Michael's outburst. "The reason we're not interested in Salveson's proposal isn't that we think he has planned his company badly," they said, "but that we just don't think there is any money in the credit card business."

Every industry has its basic prejudices, and banking's was the belief that all forms of personal credit are unprofitable. Fortunately, Michael knew otherwise. He pointed out that his former employer's Bank Americard had netted a $13 million profit in its sixth year. This fact astounded the other marketers and convinced them of the value of starting their own credit card consortium. In planning subsequent meetings, Michael decided against inviting anyone from his own bank because he didn't think he could convince his superiors to support the idea. The four marketers met a week later with two senior vice presidents and an executive vice president from the larger California banks (excluding Bank of America) and three lawyers.

Michael outlined how to proceed, explaining how the credit card would work, where the income would come from, and how profitable they expected it to be. He had researched what they needed to do to form a company to issue and process the transactions, and the lawyers agreed that, at first glance, the idea was viable.

At the group's request, Michael laid out the next step—hiring a consulting firm to do a detailed design of the system. One of the executives proposed a firm in New Jersey; Michael agreed, and suggested that they request a proposal right away. It was a pattern of behavior Michael would follow throughout the building of a Master Charge team. He would defer to others in everything that wasn't essential to the success of the venture. If someone liked a specific consultant, it was fine if they hired that consultant. It wasn't important to Michael to appear to be in charge; it was important only that the project succeed.
Yet when the proposal from the consultants arrived, it was clear that the firm’s knowledge of credit cards, retail merchants, and marketing bank services was limited. Frustrated and angry, Michael reached a private compromise with the firm, while at the same time not causing any rifts in his team. If the consultants limited their efforts to operations research and to designing the machinery and systems for processing the charges, Michael would design the market research and market strategy, allowing them to execute and take credit for it. Everyone’s interests were served and the “Interbank” card project, as it was called then, was under way.

Thus finding a way to influence the proceedings indirectly, Michael encouraged executive vice president Bob Dewey, then his boss, to represent the Bank of California in future discussions. Dewey welcomed this opportunity to join with his counterparts from the larger banks. Meanwhile, Michael, keeping a low profile, worked with the research company and the advertising agency on the substantive issues. Within three months of the marketers’ first meeting, they had decided on the name “Master Charge” and on the card’s design. Two months later, all of the card and slip processing was in place. And just nine months after the first meeting, the organization that was to become Western States Bancard Corporation was incorporated; it had two hundred members and was ready to begin sending out cards to members. Other banks soon flocked to join.

THE INTRAPRENEUR AS POLITICIAN

Part of what made Michael so successful in this and other intrapreneurial ventures was his political skills, stemming perhaps from his experience as San Francisco president of the Young Republicans and his work as a campaign manager for a state assemblyman. Whether by luck or design, he seems to have encountered little resistance in introducing major innovations.

“Didn’t you come up against people trying to stop you?” I asked. “No,” he replied. “I had lots of ideas I felt the bank wasn’t ready for, but I kept those to myself. The only slightly difficult one was Master Charge. I couldn’t see how to sell the idea to my management with us as the initiators so I sold it to the other banks first, and then let the camaraderie of bank officers draw us into it.” Ironically, most of Michael’s innovations were in consumer banking, although he says the chief executive officer was only
interested in commercial banking. "But if your CEO didn't care about consumer banking, why was he willing to spend money on it?" I wanted to know. "None of these projects had any cost until much later," Michael explained, "and I never paid for them myself. I always found someone else who benefited and got them to pay. For example, ideas like consumer certificates of deposit and simplified checking were seen as ways to get in deposits, so I let the departments who wanted those deposits pay."

Within his own company, Michael was able to lead such a charmed life in a tough corporate atmosphere in part because he had several sponsors. Among them was Bob Dewey, an older man but old in the best way—he was sensitive and wise.

"Bob didn't always grasp exactly what I was doing or why, but he felt the bank needed vitality and youth. He felt I was honest and knew what I was doing, so he backed me. He had chosen to trust me." I was not surprised to find an extraordinary sponsor behind Michael, because I have never found an intrapreneur without a protector who is willing to suspend his skepticism to see how things work out.

Nonetheless, this was not the whole answer to how an intrapreneur might gain a broad enough base of support to introduce so much change so fast. There was another factor.

While he was at the Bank of California, Michael accepted as an apprentice every trainee that he could get and kept them for as long as he could. In this way he got to know all the incoming people who were destined to become important. Even though Michael stayed at the Bank of California for only four years, some former trainees were already on or above his level by the time he left. As a result, there were managers throughout the bank who had learned his philosophy of marketing.

The third factor for his success as an intrapreneur was his natural inclination to cross turf boundaries. Indeed, Michael had almost a fetish about finding ways to be useful to every department. He was always visiting them and offering to help in whatever way made sense to them. In being helpful he spent long hours with all the department heads and learned how the bank worked.

It wasn't always easy to find a way to help. The trust department saw marketing differently from Michael. "The only thing marketing means to me is nicer chairs in the lobby," said someone from the department. Michael accepted this and asked questions about ways to improve the lobby. It turned out that what the lobby really needed was good paintings of colonial sailing ships to make the kind of old-money people who used the trust
department feel more at home. Unable to help in any other way, and dedicated to the principle of serving 100 percent of the departments, Michael wrote a memo recommending an allocation of $25,000 toward decor as a capital item in the trust department budget. The trust department got its paintings and Michael won an enemy over to neutrality.

**THE ESSENTIAL SPONSOR**

For all his efforts at helpfulness and his basic political skills, Michael still was an irritant at the Bank of California. He survived only because of the constant guidance and protection of Bob Person and the overall umbrella Bob Dewey provided. “Bob Person understood and could explain what I was trying to do in terms other bankers could comprehend,” Michael said. Bob Person recalls, “Sometimes it was quite necessary to tone Michael down.” When Michael designed the simplified checking plan, later called the “3-2-1 Checking Plan,” he wanted to call it “Honest Checking.” He came to this name because he believed there was a dishonest motive behind the complexity of the bank’s existing checking service charges. It is true that in his market research Michael found that some customers believed that checking-account plans were a conscious attempt to confuse and exploit the ordinary individual customer, but it was highly impolitic to suggest that he believed they were right. This line of reasoning was hardly flattering to the bank’s officers, and it would not have been an effective way to introduce the concept of simplified checking to them. Bob talked Michael out of the name by pointing out that only pawn shops and used-car salesmen use the word “honest” in their advertisements or names. By doing so he saved Michael from his own idealism.

Toward the end of his stay at the Bank of California, Bob Person saw his friend Dewey in an internal battle. Bob Person left the bank and bank marketing to go back into operations in another bank. Within three months, without the guidance and protection of his sponsors, Michael was fired.

Bob Person, now head of Bank Consulting Services for Coopers & Lybrand, says that banking is poorer for Michael’s departure. Once again financial institutions are struggling with change. “If Michael were still in banking there would be more exciting and imaginative new services.”

Where are the intrapreneurs when we need them? Too often
they were fired long before a need is recognized. Michael, on the other hand, has become the spiritual leader of a movement of more than eight hundred small businesses in the San Francisco Bay Area devoted to honesty and openness in business, a policy so successful that less than 10 percent of them have failed since the Briar Patch Network was founded in 1974. He is also happy and prosperous writing books like *The Seven Laws of Money* and *Honest Business*.

And in the end he has proved another point. You can use "Honest" in a title and it sells.