

# MIT Sloan

## Management Review

**Robert C. Wolcott and Michael J. Lippitz**

---

# The Four Models of Corporate Entrepreneurship

# The Four Models of Corporate Entrepreneurship

CEOs talk about growth; markets demand it.<sup>1</sup> But profitable organic growth is difficult. When core businesses begin to flag, research suggests that fewer than 5% of companies regain growth rates of at least 1% above gross domestic product.<sup>2</sup> Creating new businesses, or corporate entrepreneurship, offers one increasingly potent solution. According to a recent survey, companies that put greater emphasis on creating new business models grew their operating margins faster than the competition.<sup>3</sup>

But how can established organizations build successful new businesses on an ongoing basis? Certainly, the road is littered with failures. The iPod should have been a Sony Corp. product. The Japanese corporation had the heritage, brand, technology, channels — everything. But it was Apple Inc.'s Steve Jobs who recognized that the potential of portable digital music could be unlocked only through the creation of a new business, not just a better MP3 player.

To investigate how organizations succeed at corporate entrepreneurship, we conducted a study at nearly 30 global companies (see “About the Research,” p. 76). Through that research, we were able to define four fundamental models of corporate entrepreneurship and identify factors guiding when each model should be applied. This framework of corporate entrepreneurship should help companies avoid costly trial-and-error mistakes in selecting and constructing the best program for their objectives.

## What is Corporate Entrepreneurship?

First, though, what exactly is corporate entrepreneurship? We define the term as the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parent's assets, market position, capabilities or other resources. It differs from corporate venture capital, which predominantly pursues financial investments in external companies. Although it often involves external partners and capabilities (including acquisitions), it engages significant resources of the established company, and internal teams typically manage projects. It's also different from spinouts, which are generally constructed as stand-alone enterprises that do not require continuous leveraging of current business activities to realize their potential.

---

*Robert C. Wolcott is a fellow and adjunct assistant professor of innovation and entrepreneurship and Michael J. Lippitz is a research fellow with the Center for Research in Technology and Innovation at the Kellogg School of Management, Northwestern University, in Evanston, Illinois. Wolcott is also a cofounder of the strategic consultancy Clareo Partners LLC. Comment on this article or contact the authors through [smrfeedback@mit.edu](mailto:smrfeedback@mit.edu).*

Companies have four ways of building businesses from within their organizations. Each approach provides certain benefits — and raises specific challenges.

Robert C. Wolcott and  
Michael J. Lippitz

Corporate entrepreneurship is more than just new product development, and it can include innovations in services, channels, brands and so on.<sup>4</sup> Traditionally, companies have added value through innovations that fit existing business functions and activities. After all, why would they develop opportunities that can't easily be brought to market?<sup>5</sup> Unfortunately, this approach also limits what a company is willing or even able to bring to market.<sup>6</sup> Indeed, the failure to recognize that new products and services can require significantly different business models is often what leads to missed opportunities. Corporate entrepreneurship initiatives seek to overcome such constraints.

In the past, companies have tried to implement corporate entrepreneurship by emulating an innovation leader. Such approaches, however, often failed. It was one thing to recognize that “organizational slack” was a key factor enabling 3M Co.'s success — 3M allowed its engineers and scientists to spend 15% of their time on projects of their own design — but it was quite another to implement slack at organizations with incentives and processes that thwarted such flexibility. As 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!”

#### Four Models

Clearly, what works for one company will not necessarily work for another. Through our research, we have identified two dimensions under the direct control of management that consistently differentiate how companies approach corporate entrepreneurship. The first dimension is organizational ownership: Who, if anyone, within the organization has primary ownership for the creation of new businesses? (Note: Responsibility and accountability for new business creation might be focused in a designated group or groups, or it might be diffused across the organization.) The second is resource authority: Is there a dedicated “pot of money” allocated to corporate entrepreneurship, or are new business concepts funded in an ad hoc manner through divisional or corporate budgets or “slush funds?”

Together the two dimensions generate a matrix with four dominant models (see “Four Models”): the opportunist (diffused ownership and ad hoc resource allocation); the enabler (diffused ownership and dedicated resources); the advocate (focused ownership and ad hoc resource allocation); and the producer (focused ownership and dedicated resources). Each model represents a distinct way of fostering corporate entrepreneurship. A closer look at the models illustrates how they help companies build corporate entrepreneurship in different ways.

**The Opportunist Model** All companies begin as opportunists. Without any designated organizational ownership or resources, corporate entrepreneurship proceeds (if it does at all) based on

### About the Research

Since the late 1990s, organizations as diverse as IBM, DuPont and Cargill have been developing new approaches to corporate entrepreneurship. To make sense of such initiatives, we asked those companies and others — nearly 30 — about numerous descriptive dimensions regarding their programs for creating new businesses. These dimensions ranged from contextual factors, such as market maturity and technology intensity, to the structural and cultural characteristics of the parent company, consistent with the dimensions commonly examined in the academic business literature. Our objective was to design a framework useful for managers and, after testing various approaches, we arrived at the framework described in this article.

the efforts and serendipity of intrepid “project champions” — people who toil against the odds, creating new businesses often in spite of the corporation.

Consider Zimmer Holdings Inc., a medical device company headquartered in Warsaw, Indiana.<sup>7</sup> Zimmer has R&D organizations that undertake new product development but no formal organization or dedicated resources for corporate entrepreneurship. So when trauma surgeon Dana Mears had an idea for minimally invasive surgery for hip replacements, he presented and explored it informally with Zimmer manager Kevin Gregg. The two then got the go-ahead from top management (including CEO Ray Elliot), who approved the use of company resources for concept development and experimentation. The new medical approach required innovations in training, so the company established the Zimmer Institute, and by 2006 more than 6,000 surgeons were being trained there in a dozen different types of minimally invasive surgical procedures. The resulting improvement in patient outcomes (and hence lower total costs) has led to some private insurers paying a premium for certain Zimmer procedures. Today, that new business has helped Zimmer achieve superior overall growth despite severe industry pricing pressure.

The opportunist model works well only in trusting corporate cultures that are open to experimentation and have diverse social networks behind the official hierarchy (in other words, places where multiple executives can say “yes”). Without this type of environment, good ideas can easily fall through organizational cracks or receive insufficient funding. Consequently, the opportunist approach is undependable for many companies. When organizations get serious about organic growth, executives realize they need more than a diffused, ad hoc approach. As a result of its past success with minimally invasive surgical procedures, Zimmer has instituted more formalized development practices for

bringing new businesses to market. As such, the company has begun to evolve beyond the opportunist model.

**The Enabler Model** The basic premise of the enabler model is that employees across an organization will be willing to develop new concepts if they are given adequate support. Dedicating resources and processes (but without any formal organizational ownership) enables teams to pursue opportunities on their own insofar as they fit the organization’s strategic frame. In the most evolved versions of the enabler model, companies provide the following: clear criteria for selecting which opportunities to pursue, application guidelines for funding, decision-making transparency, both recruitment and retention of entrepreneurially minded employees and, perhaps above all, active support from senior management.

Google Inc. is the poster child of the enabler model. Kevall Desai, a Google program manager, describes his company in the following way: “We’re really an internal ecosystem of entrepreneurs... sort of like the [Silicon] Valley ecosystem but inside one company.” At Google, employees are allowed to spend 20% of their time to promote their ideas to colleagues, assemble teams,

explore concepts and build prototypes. Project groups form on the fly, based on requirements defined by the teams themselves. An initial core team typically includes a project manager, technical lead, product marketing manager (for competitive analyses, focus groups, market targeting and so on), user-interface designer, quality-assurance specialist and an attorney (for privacy, trademark and other legal input). If the team believes it has a winner, it appeals to the Google Product Council for funding. This group, which includes the company founders, top executives and engineering team leads, provides broad strategic direction and initial resources. Successful project teams receive assistance from the Google Product Strategy Forum to formulate their business models and set milestones. Importantly, Google applies no preconceived criteria or hurdle rates to the projects. As long as a project appears to have potential and maintains the interest of Google employees, it can continue.

At any given time, Google typically supports more than 100 new business concepts in various stages of development, and information about the projects is maintained in a central, searchable database. Managers estimate that approximately 70% of the projects

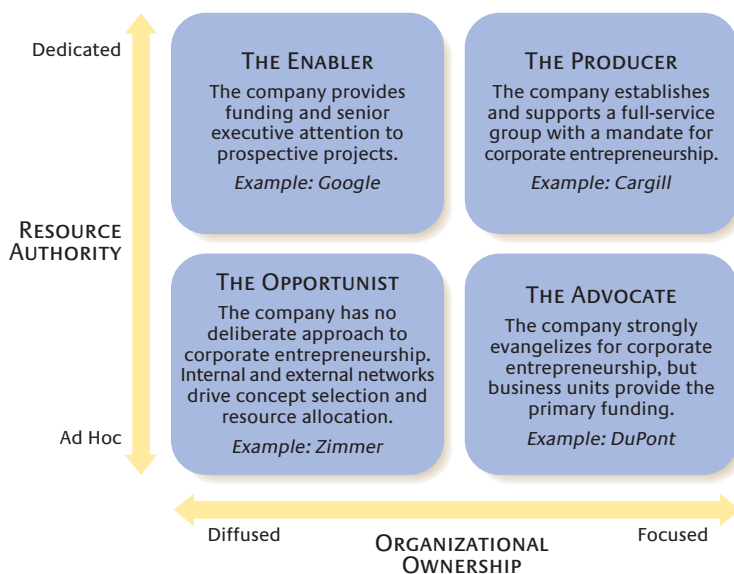
support the company’s core business in some fashion, 20% represent emerging business ideas and 10% pursue speculative experiments. If a project succeeds, team members can receive substantial bonuses (called Founder’s Awards), sometimes in the millions of dollars.

Google’s entrepreneurial culture, dynamic market and extraordinary access to capital make the company difficult to replicate. Nonetheless, other organizations have had success using the enabler model. The Boeing Co. and Whirlpool Corp., for example, have found that dedicated funds for innovation combined with clear, disciplined processes for allocating those funds can go a long way toward unlocking latent entrepreneurial potential. Well-designed enabler practices also have the side benefit of exposing senior management to ambitious, innovative young employees, allowing the company to identify and nurture future leaders.

But firms should be aware that the enabler model is not just about allocating capital for corporate entrepreneurship. Personnel development and executive engagement are also critical. Google spends an extraordinary amount of time and effort on recruiting. To be hired, a program manager or senior engineering candidate might go through 20 interviews in multiple stages before the company determines whether that individual has the right combination of “entrepreneurial DNA,” broad technical talent and intellectual agility. Executive

## Four Models

Two dimensions under the direct control of management differentiate how companies approach corporate entrepreneurship. The first is organizational ownership: Who within the company has primary ownership for the creation of new businesses? (Note: This responsibility can be focused in a designated group, or it can be diffused across the organization.) The second is resource authority: Are projects funded from a dedicated corporate pool of money or in an ad hoc manner, perhaps through business-unit budgets? Together the two dimensions generate a matrix with four dominant models: opportunist, enabler, advocate and producer.



engagement is essential for people to trust that the process of corporate entrepreneurship is being taken seriously — that is, the company will indeed pursue the development and commercialization of good ideas. Without sufficient support from senior management, promising concepts can end up as casualties of conflicts with established businesses. Another danger is that the enabler model could degenerate into “bowling for dollars,” in which people apply for funds for ordinary business-unit projects or for ideas that they are not really seriously interested in pursuing.

**The Advocate Model** What about cases in which funding isn’t really the issue? In the advocate model, a company assigns organizational ownership for the creation of new businesses while intentionally providing only modest budgets to the core group. Advocate organizations act as evangelists and innovation experts, facilitating corporate entrepreneurship in conjunction with business units.

Consider E.I. du Pont de Nemours and Co., the 200-year-old global conglomerate. In 1999, CEO Chad Holliday realized that the company needed some new thinking because, even though margins and returns had improved during the prior six years, growth had declined. So Holliday asked DuPont veteran Robert A. Cooper to head a small internal group that focused on company growth, and the result was the Market Driven Growth initiative.

The program provides employees with a wide range of assistance, everything from idea conceptualization through commercialization. For instance, it includes a four-day “business builder” session that helps people generate and prioritize different business concepts. After this, a team will typically spend from four to eight weeks developing a detailed business plan, including a 180-day “contract” with senior management to address major uncertainties of the proposed concept. Then the team and a facilitator from the Market Driven Growth program will present the plan to business-unit leadership for approval.

Success within one business unit has a way of building interest

from others, and over time teams like those at DuPont can become critical change agents. Although consultants can help the process, ultimately the best advocates come from a company’s veteran ranks — those who are well-known, respected and experienced in making change happen within the organization. As DuPont’s Cooper recalls, “I thought I’d spend most of my time helping design and build new businesses.... Instead, I spent at least half my time advocating.”

The core of the Market Driven Growth program is currently staffed with five full-time employees. Becoming part of this group has become a sought-after opportunity for up-and-coming managers who want to gain senior-level exposure and have a direct impact on the company’s growth. Although DuPont’s senior executives actively and openly support the program, they have never mandated its adoption by the company’s different business units. To win that support, the program worked with leaders from the business units early on to help define the mission, growth domain and criteria for opportunities they would be willing to fund. In 1999, DuPont’s corporate headquarters invested in the process development and the pilot engagements to allow the program to gain credibility, but after that each business unit had to pay its own way. Today, DuPont still doesn’t require its business units to participate, but they do so because they recognize the value of the initiative. One of the program’s early supporters was Ellen Kullman, then group vice president for DuPont’s safety and protection businesses, who has since become an enthusiastic champion of the initiative. By 2005, Kullman noted, “We have nearly a half a billion dollars of new revenues we would not have had had it not been for this program.”

**The Producer Model** A few companies such as IBM, Motorola and Cargill pursue corporate entrepreneurship by establishing and supporting formal organizations with significant dedicated funds or active influence over business-unit funding. As with the enabler and advocate models, an objective is to encourage latent entrepreneurs. But the producer model also aims to protect emerging projects from turf battles, encourage cross-unit collaboration, build potentially disruptive businesses and create pathways for executives to pursue careers outside their business units.

To pursue corporate entrepreneurship, Cargill Inc., the \$75 billion global agriculture products and services company based in Wayzata, Minnesota, has established its Emerging Business Accelerator.<sup>8</sup> As David Patchen, the group’s founder and managing director, recalls, “Prior to the EBA, we lacked a clearly defined process for pursuing opportunities that fell outside of the scope of existing business units and functions.... We needed a new approach to complement our business units and Cargill Ventures [an internal venture group].”

Managers often don’t know what to do with new concepts that don’t fit an existing business, and incentives typically discourage

**Executive engagement is essential for employees to trust that the process of corporate entrepreneurship is being taken seriously and that good ideas will indeed be developed and commercialized.**

## Three Deliberate Approaches to Corporate Entrepreneurship

In the opportunist model, corporate entrepreneurship proceeds (if it does at all) based on the efforts of “project champions” who toil against the odds, creating new businesses often in spite of the corporation. In the enabler, advocate and producer models, corporate entrepreneurship is actively managed but in different ways.

	Enabler Model	Advocate Model	Producer Model
<b>Strategic Goal</b>	Facilitate entrepreneurial employees and teams.	Reinvigorate or transform business units; support corporate entrepreneurship teams.	Exploit crosscutting or disruptive opportunities.
<b>Essential Function</b>	Provide independent funding and top executive attention to future business leaders with new ideas.	Evangelize, coach and facilitate business units in pursuing new opportunities.	Provide full-service corporate entrepreneurship by conceiving, screening, funding, coaching, scaling and reintegrating new business concepts.
<b>Inputs</b>	Dedicated money, executive engagement, recruiting and personnel development.	Well-connected corporate veterans with a small staff of business building coaches and a CEO imprimatur.	Well-connected corporate veteran leadership with full-time staff and significant, independent funding.
<b>Outputs</b>	Proven concepts, but generally within the company’s strategic frame. (Note: Enabler programs can also help facilitate overall cultural change.)	New businesses relatively close to a business-unit core or significant business-unit process efficiencies.	Self-sustaining and/or potentially disruptive new businesses that may or may not fit any existing business unit.
<b>Success Factors</b>	<ul style="list-style-type: none"> <li>• Culture of innovation</li> <li>• Structural flexibility for teams to pursue projects</li> <li>• Well-defined executive involvement in milestone funding decisions</li> <li>• Effectively communicated selection process and criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Expertise in building new businesses</li> <li>• Significant team facilitation capabilities</li> <li>• Skill in coalition building and internal and external networking</li> <li>• Senior executive visibility and support</li> </ul>	<ul style="list-style-type: none"> <li>• Respected leadership with significant internal decision authority</li> <li>• Expertise in building new businesses</li> <li>• Explicit attention to corporate entrepreneurship executive career incentives</li> </ul>
<b>Typical Challenges</b>	<ul style="list-style-type: none"> <li>• Senior executive bandwidth</li> <li>• Maintaining coherence and discipline with respect to corporate brands.</li> <li>• Finding and satisfying project champions (that is, ensuring that enabler processes do not become a “black hole” for ideas).</li> </ul>	<ul style="list-style-type: none"> <li>• Overcoming business-unit near-term pressures</li> <li>• Finding “business builders” among executives who are traditionally rewarded more for execution than innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• Reintegrating successful projects into the core</li> <li>• Leadership succession</li> <li>• Lack of business-unit support</li> </ul>

them from absorbing near-term losses. That’s where the Emerging Business Accelerator comes in. When Cargill’s de-icing business unit identified a novel de-icing technology, the group realized it might not be well-suited to develop and commercialize the innovation. The technology — an epoxy overlay that inhibits ice formation — was going to be a high-end product that would be sold to road builders worldwide for critical applications such as bridges. But Cargill’s de-icing business unit primarily sells commodity products to transportation department agencies in North

America. So the new technology was transferred to the Emerging Business Accelerator, which brought the offering to market.

Such successes have helped the Emerging Business Accelerator become a global clearinghouse for new concepts and value propositions across Cargill. The group maintains a Web site for people to submit ideas, both from inside and outside the company. When an opportunity appears promising, the Emerging Business Accelerator develops a high-level plan, performs due diligence, recruits talent and, if approved by the group’s board of directors,

provides capital and monitors the project's progress. In the early stages, project teams focus on refining their concept, business model and market offerings. To do so, they spend considerable time with potential customers to validate the market for their products or services. Projects that achieve validation from real customers graduate into either existing or new business units.

Through 2006, the Emerging Business Accelerator has evaluated dozens of opportunities, and seven significant projects have received funding of which six are ongoing. The Emerging Business Accelerator aims to generate revenues from projects within three years so that it does not become viewed merely as a source of funds for pie-in-the-sky research. It employs many development paths: greenfield investments, patent licensing, minority investments tied to business development agreements and small acquisitions. It selects, staffs and monitors — but does not operate — new business opportunities. In essence, it manages the process but not the ideas, which helps build trust and encourages collaboration among stakeholders. Cargill has found that assigning projects to managers with other profit-and-loss responsibilities does not work, so full-time teams are created.

The producer model is not without its share of challenges and risks. First, it can require significant investments over many years. Motorola's corporate entrepreneurship group, for instance, has an annual budget in the tens of millions of dollars and a dedicated staff of more than 35 people. Second, integrating successful projects into established business units can be difficult. Project teams often become isolated and can be perceived as threats to existing business units, particularly when they have pilfered top talent. Ultimately, building credibility and trust throughout the

company is critical for the producer model to succeed. Most of the corporate entrepreneurship leaders in our study said that they spend more than half their time on communications within the company, and we have found that successful producer models are generally run by senior leaders who have mastered the art of internal corporate politics.

### Selecting the Right Model

Evolving from the opportunist model to any of the more deliberate forms of corporate entrepreneurship typically begins with a mandate for growth and a broad, clearly communicated vision. When a company's vision for growth is too narrow, it will likely end up with just incremental concepts, whereas a broader vision helps everyone think outside the proverbial box. DuPont, for instance, used the phrase "beyond the molecule" to describe its desire to go beyond traditional bulk chemicals, adding services and knowledge to its offerings.

After the vision is set, a company needs to delineate specific objectives. Is it seeking corporatewide cultural transformation or renovation of particular divisions to address either commoditization or disruptive threats? Or perhaps the problem is that people aren't effective in pursuing "white space" growth platforms. In all these cases — transformation, renovation or new platforms — what is the time frame and how specific are the goals? Are immediate, bold results required to solve a particular problem, or is the objective an evolutionary program aimed at "blue ocean" discoveries? The answers to such questions will suggest the use of one model over another (see "Three Deliberate Approaches to Corporate Entrepreneurship," p. 79).

### Getting Started

For companies that are about to embark on a new program of corporate entrepreneurship, the following high-level summary of tips should provide some guidance:

**Point the way.** Articulate a strategic vision for growth consistent with the capabilities that corporate entrepreneurship can leverage: too narrow and a company will get more of the same; too broad and people won't know where to start. When everyone knows what they're looking for, they're more likely to find it.

**Delineate objectives.** Start with a small team to clearly define and communicate the company's objectives for

corporate entrepreneurship. Is the objective to build radical new growth platforms or to renovate existing business units? Is cultural transformation part of the equation, or is the goal to unleash latent entrepreneurial talent?

**Neutralize the naysayers.** Build corporate and divisional leadership consensus through extensive communication. Understand the motivations of vested interests and determine how to collaborate with or mitigate the opposition.

**Select and support a corporate entrepreneurship model.** Companies need to select the right model (enabler,

advocate or producer), develop a team with the required capabilities and provide the necessary resources.

**Start with quick wins.** Corporate entrepreneurship is new for most companies. That's why it's important early on to build credibility with tangible performance and to learn lessons to protect programs from marginalization or cancellation.

**Evolve.** Successful corporate entrepreneurship requires adaptation in order to generate self-sustaining new businesses on a consistent basis. Objectives and contexts change over time and so must programs for corporate entrepreneurship.

Enabler programs can support efforts to enhance a company's culture. When an organization already enjoys substantial collaboration and ideation at the grassroots level, the enabler model can provide clear channels for concepts to be considered and funded. For companies seeking cultural transformation, enabler processes in combination with new hiring criteria and staff development can result in a number of employees becoming effective change agents. The enabler model is particularly well-suited to environments in which concept development and experimentation can be pursued economically throughout the organization. At Google, for instance, a Web application prototype might require only a few engineers. In companies with self-managed communities of practice and expert networks (examples include many consultancies and technology organizations), enabler programs can accelerate the commercialization of ideas that arise from networks of knowledge workers.

For companies that want to accelerate the growth of established divisions, the advocate model might be the best option. Because of the limited resources of this model, managers must tailor their initiatives to the interests of existing lines of business, and employees have to collaborate intensively throughout the organization. This enhances the potential fit of opportunities to a company's operations, but also requires leadership to ensure that projects do not become too incremental. Advocates exist to help business units do what they can't accomplish on their own but should pursue in order to remain vital and relevant. Moreover, the advocate model (as well as the producer model) can prevent corporate entrepreneurship from becoming a casualty of powerful business units or competing silos.

If a company seeks to conquer new growth domains, discover breakthrough opportunities or thwart potentially disruptive competition, then it should consider the producer model.<sup>9</sup> In general, business units are not likely to pursue disruptive concepts, and they often face strong near-term pressures that discourage investments in new growth platforms. The producer model helps overcome this, and it can provide the necessary coordination for initiatives that involve complex technologies or require the integration of certain capabilities across different business units.

With respect to resources, the enabler model can generally be maintained in a much leaner fashion than either the advocate or producer models. Simple processes communicated company-wide, arbitrated by a senior team and managed with limited staff (sometimes just a single person) can suffice. Clearly, the dedicated team and capital required by the producer model makes it a more resource-intensive choice, but even the advocate model tends to require a significant commitment. Although advocates function without a large dedicated funding pool, they can require substantial investments in the human capital and methodologies necessary to help bring new opportunities to fruition.

**New leaders of corporate entrepreneurship initiatives are often surprised by how much time they spend talking with corporate and business-unit management. Nevertheless, such communication is essential.**

It should be noted that, particularly in large corporations, multiple models can be supported concurrently at different levels and functions. IBM, for instance, maintains a hybrid producer-advocate team — the Emerging Business Opportunities program — which has generated over \$15 billion of new revenues as of 2005.<sup>10</sup> Meanwhile, IBM's Thinkplace and Innovation Jams encourage ideation and networking in the fashion of an advocate model. Like an enabler, IBM also supports divisional processes for corporate entrepreneurship, some of which transfer projects to the Emerging Business Opportunities program for development and scaling. And IBM is fortunate to have a corporate culture that in many ways even supports an opportunist model. Distributed power bases enable corporate entrepreneurs to find pockets of interest and resources across the corporation without any structured facilitation.

### **Putting the Models to Work**

Successful companies typically start with a small, credible team and a mandate from top leadership (see "Getting Started"). The first task is to obtain consensus (or at least acquiescence) from senior management regarding objectives and a path forward. New leaders of corporate entrepreneurship initiatives are often surprised by how much time they spend talking with corporate and business-unit management. Nevertheless, such communication is essential, not only to build support for the new initiative but also to prevent internal stakeholders from regarding corporate entrepreneurship as a drain or threat to the company's established operations. Building new businesses often requires contributions from people company-wide, especially during launch and scaling, so communication remains critical even after a corporate entrepreneurship program has established a proven track record.

Each of the models requires different forms of leadership, processes and skill sets. An enabler model depends on establishing and communicating simple, clear processes for selecting projects, allocating funds and tracking progress, all



with well-defined executive involvement. Advocate models require individuals with the instincts, access and talent to navigate the corporate culture and facilitate change. Leading advocate organizations build an arsenal of facilitation methodologies, new business design tools and networks with external capabilities. The producer model requires considerable capital and staffing and a direct line to top management. Understaffed, part-time or underfunded producer teams are set to fail.

Whatever model is selected, a set of “quick wins” will help tremendously to garner initial lessons and build credibility and momentum. If all goes well, the organization should experience a significant increase in the number of proposals, but the challenge of growth is not simply about generating compelling opportunities. When opportunity throughput increases, new bottlenecks arise as scaling field-proven new businesses and finding organizational homes within the company become all the more difficult. As Albert Manzone, president of Shelf Stable Juices at PepsiCo Inc., explains, “The more we develop, the more stress we put on our delivery mechanisms ... our supply chain, channels, everything it takes to get to market and scale.” And the more distant a new concept is from the “comfort zone” of the core business, the greater the challenge.

This issue of transition and scaling is certainly not new, but it becomes increasingly vexing as companies master the front end of innovation. Unfortunately, past research offers little insight. In our study, we observed certain practices that seemed to help: considering business systems holistically and systematically up front (rather than adopting a narrow focus on technologies, products or services); selecting two or three of the core business’s focal capabilities for business system innovation and building new competencies in those areas; explicitly addressing business-unit disincentives for adopting immature businesses; and recruiting forward-thinking “business builder” managers. But much more formal, empirical work needs to be conducted in this critical, emerging area of research.

UNLESS A COMPANY IS BLESSED with the right culture — and few are — corporate entrepreneurship won’t just happen. It needs to be nurtured and managed as a strategic, deliberate act. The traditional, isolated “skunkworks” project is no longer the primary option for companies pursuing the creation of new businesses. Indeed, as IBM, Google, DuPont and others have shown, corporate entrepreneurship does not have to rely solely on serendipity and the grassroots efforts of a few “project champions.”

In the early stages, all innovations are defined by uncertainty. If no uncertainty exists, then an organization is simply not innovating. Moreover, corporate entrepreneurs are not just creating a new product or service but changing the way a company develops, builds, markets and supports its offerings. As such, new

business creation will often compel a company to incorporate capabilities and knowledge from the outside. In fact, an effective corporate entrepreneurship program can enhance a company’s ability to absorb external knowledge and opportunities, the essence of “open innovation.”

Obviously, this kind of capability can hardly be built overnight, and corporate entrepreneurship will always be a rough-and-tumble process with few guarantees. But playing it safe is hardly the answer for those companies looking to grow organically. As Mike Giersch, vice president for strategy at IBM, explains, “You’ve got to be flexible and take some risks. Some things work and some don’t. Corporate entrepreneurship is fundamentally a learning process.”

### ACKNOWLEDGMENTS

The authors thank Mohanbir Sawhney for his recommendations in the preparation of this article, and they are grateful to Henry Pak and Geoffrey Nudd for their efforts on behalf of this research.

### REFERENCES

1. See, for instance, R. Gulati (introduction), “How CEOs Manage Growth Agendas,” *Harvard Business Review* 82 (July-August, 2004): 124-132.
2. Corporate Strategy Board, “Stall Points: Barriers to Growth for the Large Corporate Enterprise” (Washington, D.C.: Corporate Strategy Board, 1998).
3. G. Pohle and M. Chapman, “IBM Global CEO Study 2006: Business Model Innovation Matters,” *Strategy and Leadership* 34, no. 5 (2006): 34-40.
4. M. Sawhney, R.C. Wolcott and I. Arroniz, “The 12 Different Ways for Companies to Innovate,” *MIT Sloan Management Review* 47, no.3 (spring 2006): 75-81. Innovation in technologies or products might actually be just a small part of creating business value; Starbucks Corp., for example, generates innovations in customer experience. Companies can innovate on any aspect of how they do business, but it all has to fit together as a coherent system.
5. See, in particular, M.L. Tushman and C.A. O’Reilly III, “The Ambidextrous Organization: Managing Evolutionary and Revolutionary Change,” *California Management Review* 38, no. 4 (summer 1996): 8-30.
6. *Ibid.*
7. Founded in 1927, Zimmer has 6,700 employees, operations in more than 24 countries and sales of approximately \$3.5 billion in 2006. It was spun off from Bristol-Myers Squibb Co. in August 2001, becoming independent again for the first time in 30 years.
8. With nearly 150,000 employees, Cargill operates in more than 60 countries and generated income of \$1.5 billion on revenues of \$75 billion in fiscal 2006 (ending May 31).
9. C.M. Christensen and M.E. Raynor, “The Innovator’s Solution: Creating and Sustaining Successful Growth” (Boston: Harvard Business School Press, 2003).
10. Internal (nonconfidential) IBM presentation, February 2006, Armonk, New York.

Reprint 49115.

Copyright © Massachusetts Institute of Technology, 2007. All rights reserved.

# MIT Sloan

Management Review

## PDFs ■ Reprints ■ Permission to Copy ■ Back Issues

Electronic copies of MIT Sloan Management Review articles as well as traditional reprints and back issues can be purchased on our Web site: [sloanreview.mit.edu](http://sloanreview.mit.edu) or you may order through our Business Service Center (9 a.m.-5 p.m. ET) at the phone numbers listed below.

**To reproduce or transmit one or more MIT Sloan Management Review articles by electronic or mechanical means** (including photocopying or archiving in any information storage or retrieval system) **requires written permission.** To request permission, use our Web site ([sloanreview.mit.edu](http://sloanreview.mit.edu)), call or e-mail:

**Toll-free** in U.S. and Canada: 877-727-7170

International: 617-253-7170

Fax: 617-258-9739

e-mail: [smrpermissions@mit.edu](mailto:smrpermissions@mit.edu)

MIT Sloan Management Review

77 Massachusetts Ave., E60-100

Cambridge, MA 02139-4307

e-mail: [smrorders@mit.edu](mailto:smrorders@mit.edu)