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Accenture Management Consulting
**Corporate Innovation
Is Within Reach:
Nurturing and Enabling
an Entrepreneurial Culture**

A 2013 study of US companies and
their entrepreneurial cultures

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Innovation Is Hiding in Plain Sight

Innovation has been a hot topic in the management meetings of companies for most of the last decade. Although it's common to hear executives report that their employees are not creating enough new ideas to help the company grow, the reality is that most companies must work harder at nurturing, creating and enabling an entrepreneurial culture that encourages the very innovation they seem to crave. In fact, the best sources of innovation and creative thinking might well be hiding in plain sight.

Many companies say they are increasing their efforts to build a work environment that inspires innovation and creativity. New research from Accenture, however, indicates that corporations and their employees are at odds as to how big employers can best support the entrepreneurial interests of their workforce.

Closing the gap between what entrepreneurs expect from their employers and what companies are willing or able to provide is critically important as the US economy continues to regain some of its footing. Our study reveals that far from a shortage of entrepreneurial ideas, many corporations may have a surplus of them. But we know that ideas in the abstract are inherently unprofitable—innovation relies more on monetizing ideas than simply having ideas. One key challenge for companies remains: how to channel employee idea creation to reward effort and rapidly test, grow or kill an idea during commercial implementation.

All the right pieces exist for making this happen. The study uncovered tremendous enthusiasm in employee populations for creating ideas. Part of the solution lies

in bringing both sides—employees and companies—together so that they are not working independently of each other or at cross-purposes. Only a fraction of innovation actually delivers competitive advantage. In fact, according to another recent Accenture study of executives in the US, France and the UK, just 18 percent believe their company's innovation delivers a competitive advantage. That study of over 500 companies revealed a risk-averse approach to innovation that resulted in incremental improvements rather than the creation of new products and services.¹

The need for an ambitious and collaborative approach is apparent when we look at the nature of today's innovation. The initial waves of digital and Internet technology innovation were disruptive, but they often gave incumbents time to consider their options versus the disruptors. Film photography saw digital coming for years. Today, however, digital technologies can create new business models and prove catastrophic for incumbents because there is virtually no time to react. This is further explained in Accenture's recent paper on what we call Big Bang

Disruption. For example, within 18 months of Google launching its beta app, Google Maps Navigation, the GPS device market lost as much as 85 percent of its market cap.²

To gain a better understanding of how the US workforce and small business owners view the importance of entrepreneurialism in large corporations and how companies support the generation of innovative ideas, Accenture commissioned a survey of 600 corporate employees, 200 corporate business decision makers and 200 self-employed individuals. Our goal was to find the answers to a number of key questions:

- How important is an entrepreneurial attitude among employees of large corporations?
- How much is it currently valued by US companies?
- In what ways can large organizations foster an entrepreneurial attitude among young employees, and what are the benefits of doing so?

1 Accenture, "Why Low-Risk Innovation Is Risky," May 12, 2013: http://www.accenture.com/us-en/Pages/insight-low-risk-innovation-costly.aspx?c=mc_prposts_10000040&n=otc_1013

2 Paul F. Nunes and Larry Downes, "Big Bang Disruption," June 2013: <http://www.accenture.com/us-en/outlook/Pages/outlook-journal-2013-big-bang-disruption-innovators-disaster.aspx>

Poor Support for Entrepreneurial Employees Can Squash Idea Generation

Employees Actively Contribute Ideas but Are Frustrated by Lack of Company Support

Employees of big corporations are eager to be entrepreneurial: More than half of those we surveyed (52 percent) have pursued what they deem to be an entrepreneurial idea within their company. Of those employees,

72 percent had an idea implemented and 83 percent say they will likely pursue another (Figure 1). The difference between ordinary employees and business decision makers—C-class executives, vice presidents and directors—is perhaps less than might be expected. Business decision makers with longer careers and more decision-making power are most likely to have pursued an idea (75 percent), but a healthy 45 percent of corporate employees have already pursued ideas, indicating a great deal of entrepreneurial potential from all levels.

Although such big percentages suggest that large US corporations are a hotbed of employee entrepreneurialism, a look behind the numbers shows that employees clearly want more help from their employers to generate new ideas. While nearly half the employees (49 percent) say management support is very important to the generation of entrepreneurial ideas, only one in five (20 percent) believe their company delivers it. And although 42 percent consider tolerance of failure from management is very important, only one in every eight employees thinks their company is good at that (Figure 2).

Figure 1. Those who have pursued one entrepreneurial idea are likely to pursue another, and perceived success rate is strong regardless of job level

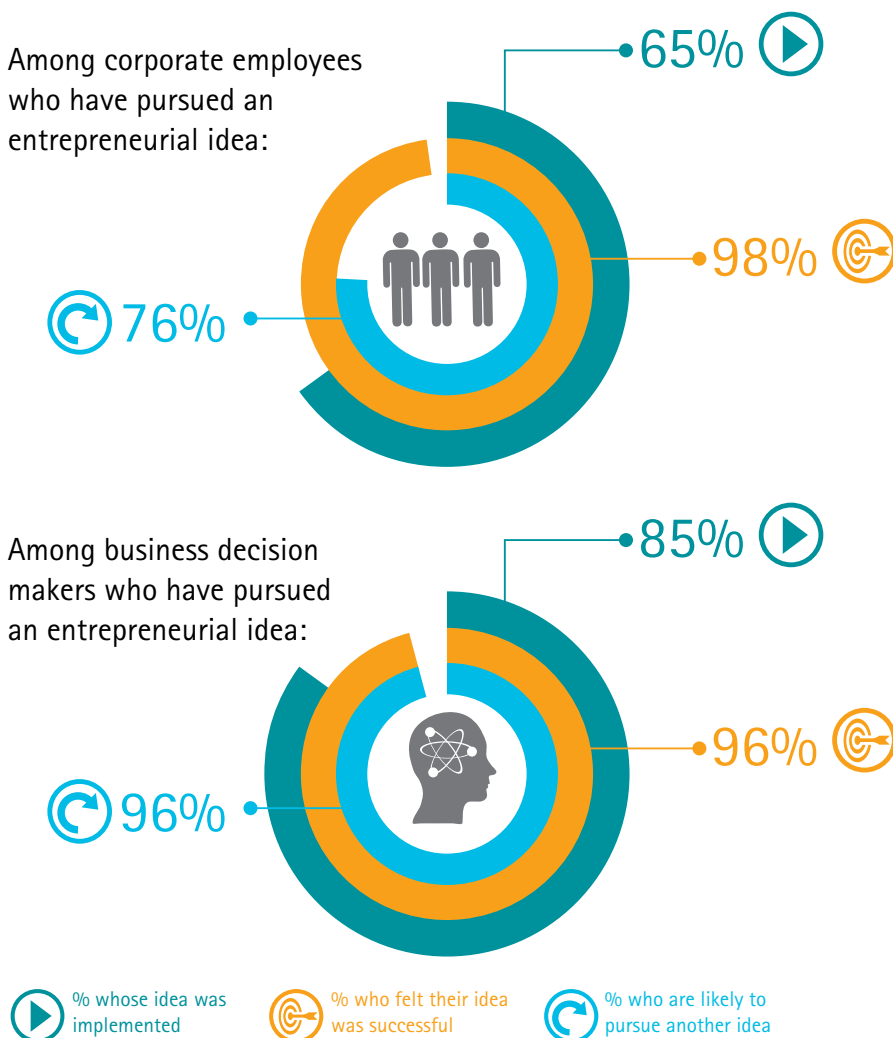


Figure 2. Nearly half say support from management is critical, but only one in five believes their company delivers it

Employees need more support from management

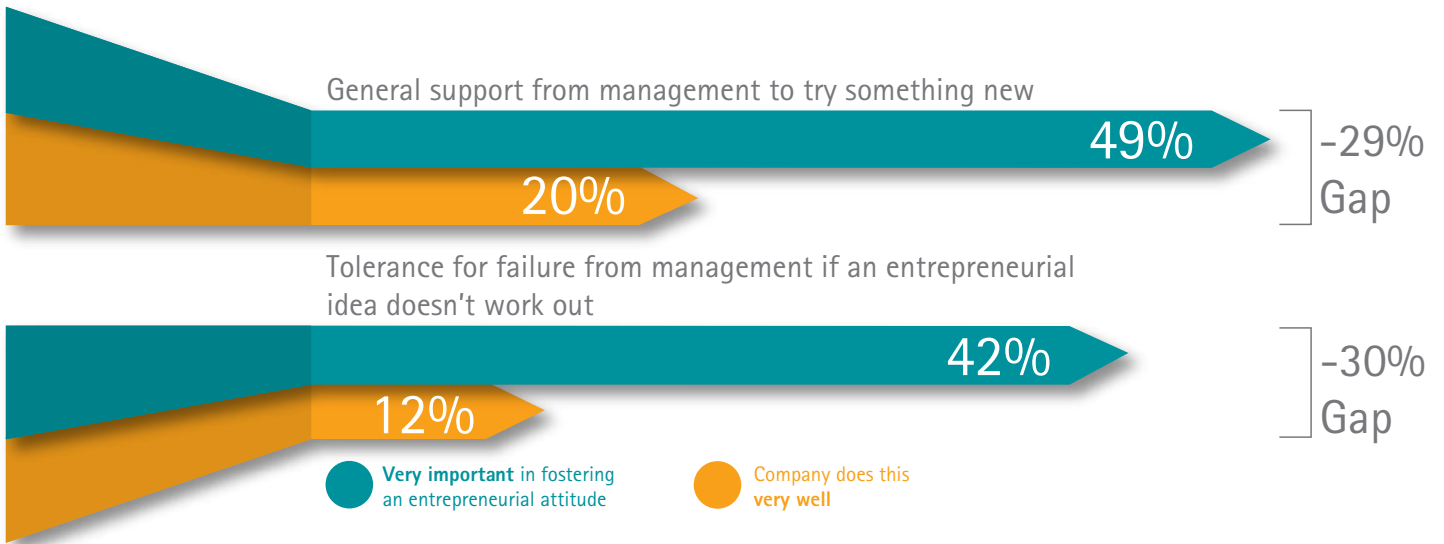
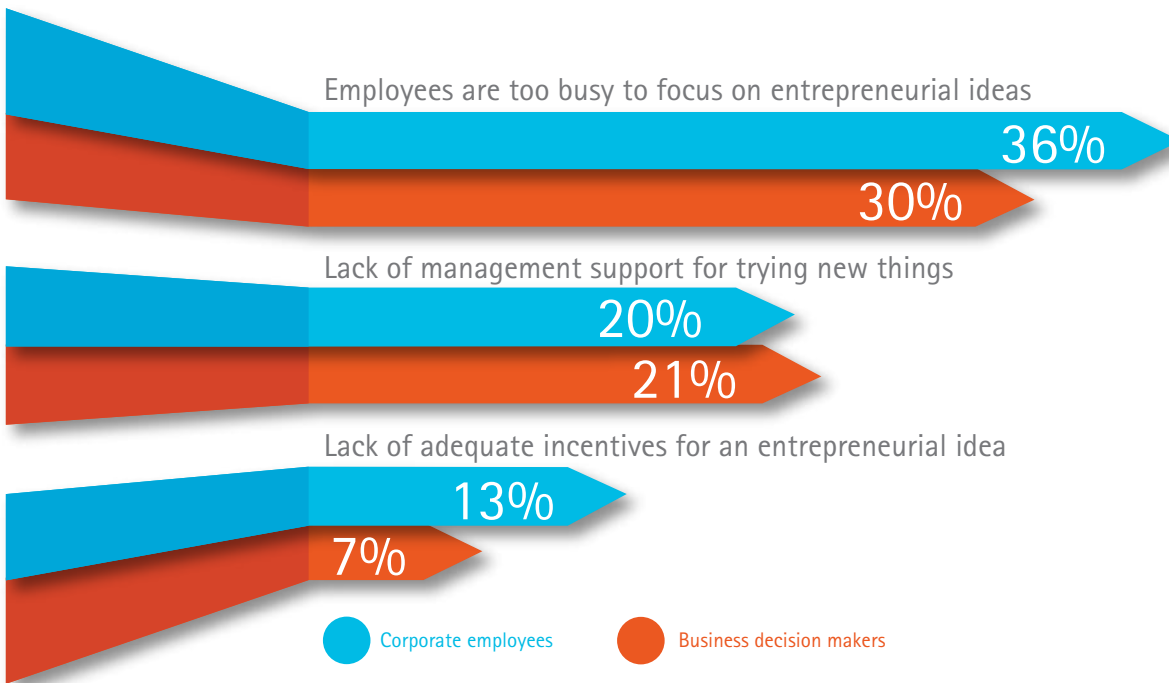


Figure 3. There are a number of obstacles getting in the way of entrepreneurial thinking



The good news is that 55 percent of those surveyed believe their companies are more supportive of entrepreneurialism than they were five years ago. The bad news is that employees say they still face a number of obstacles. As shown in Figure 3, when asked what the biggest barrier to entrepreneurialism is at their organization, approximately one-

third (36 percent) believe it's that their job keeps them too busy to pursue new ideas, 20 percent say it's the lack of management support for trying new things and 13 percent say their company does not provide incentives—bonuses or other monetary compensation—for generating successful ideas.

Additionally, more than half (53 percent) believe their company does not support ideas from all levels of the workforce, which implies that leadership limits its expectations to business decision makers alone. And as shown in Figure 4, three in four (77 percent) say that new ideas are rewarded only when they are implemented and proven to work. As a result, more than one in four (27 percent) have avoided pursuing an idea with their company for fear of negative consequences.

Business decision makers are especially likely to say an entrepreneurial attitude is very important among individuals within a larger organization (69 percent) compared to corporate employees (54 percent), so while senior management at large corporations understands the importance of entrepreneurialism, it's evident from our study that they need to consider steps to better foster entrepreneurialism and relay its importance to their staff. Indeed, more than two-thirds (69 percent) of

these budding entrepreneurs believe large American companies may risk losing their entrepreneurial lead over foreign competitors in the next decade unless they do more to encourage employees to develop new ideas.

Building a Culture of Innovation

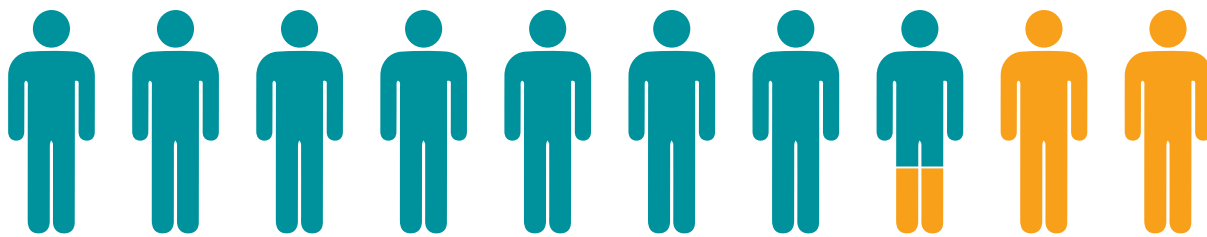
While corporate support for encouraging entrepreneurialism varies greatly, many companies do place a premium on helping their employees develop innovative ideas. Two notable examples are Google and 3M. In the September 2011 issue of its quarterly magazine, Think Insights, Google notes that it is "passion, not perks" that fosters a culture of innovation.³ And David Lawee, the company's vice president for corporate development, was quoted in a New York Times article as saying: At Google, entrepreneurs "have to think bigger." The

article points out that Google backs up that mantra by providing resources, including infrastructure, money, time and people, "but most important, a vision that tests most entrepreneurs to think bigger than they ever have before."⁴ In the past, Google has even given employees the opportunity to spend 20 percent of their time working on pet projects, which is how Gmail and AdSense, two of the company's most successful products, were developed.⁵

Similarly, 3M has allowed employees to spend 15 percent of their time on projects and research that go beyond their core responsibilities, which is when multilayer optical films and silicon adhesive systems for transdermal drug delivery were created. 3M, which prides itself as fostering a "Culture of Innovation," also provides seed money of \$30,000 to \$75,000 called Genesis Grants to employees for developing ideas over a 12-month time period.⁶

Figure 4. Three in four say their company only rewards an entrepreneurial idea if it works

At my current organization, an entrepreneurial idea is rewarded...



77%

Only once it has been fully implemented and **proven to work**

23%

Even if the output of the idea is **not yet proven**

³ Think Insights: September 2011: <http://www.google.com/think/articles/passion-not-perks.html>

⁴ "Our Workplace: How Three Companies Innovate," New York Times, March 17, 2012: http://www.nytimes.com/2012/03/18/business/how-three-companies-innovate.html?_r=3&

⁵ Forbes: Google's Best New Innovation: Rules Around '20% Time': <http://www.forbes.com/sites/johnkotter/2013/08/21/googles-best-new-innovation-rules-around-20-time/>

⁶ "A culture of innovation" and "Time to Think," 3M: http://solutions.3m.com/innovation/en_US/stories/time-to-think

http://solutions.3m.com/3MContentRetrievalAPI/BlobServlet?lmd=1349327166000&locale=en_WW&assetType=MMM_Image&assetId=1319209959040&blobAttribute=ImageFile

The Talent Attrition Equation

The first indication that corporate America could possibly lose its entrepreneurial edge would likely come in the form of employees opting to jump ship when their innovative ambitions are thwarted. In our view, employees should not fear suggesting new ideas; they should be encouraged to do so. Companies might consider a managed process of idea generation that rewards risk taking and effectively harvests entrepreneurial ideas.

To succeed at a macro level, companies will likely need to accept a degree of failure at the micro level, and they should consider encouraging innovation throughout the workforce by incentivizing risk taking and rewarding efforts—not just outcomes.

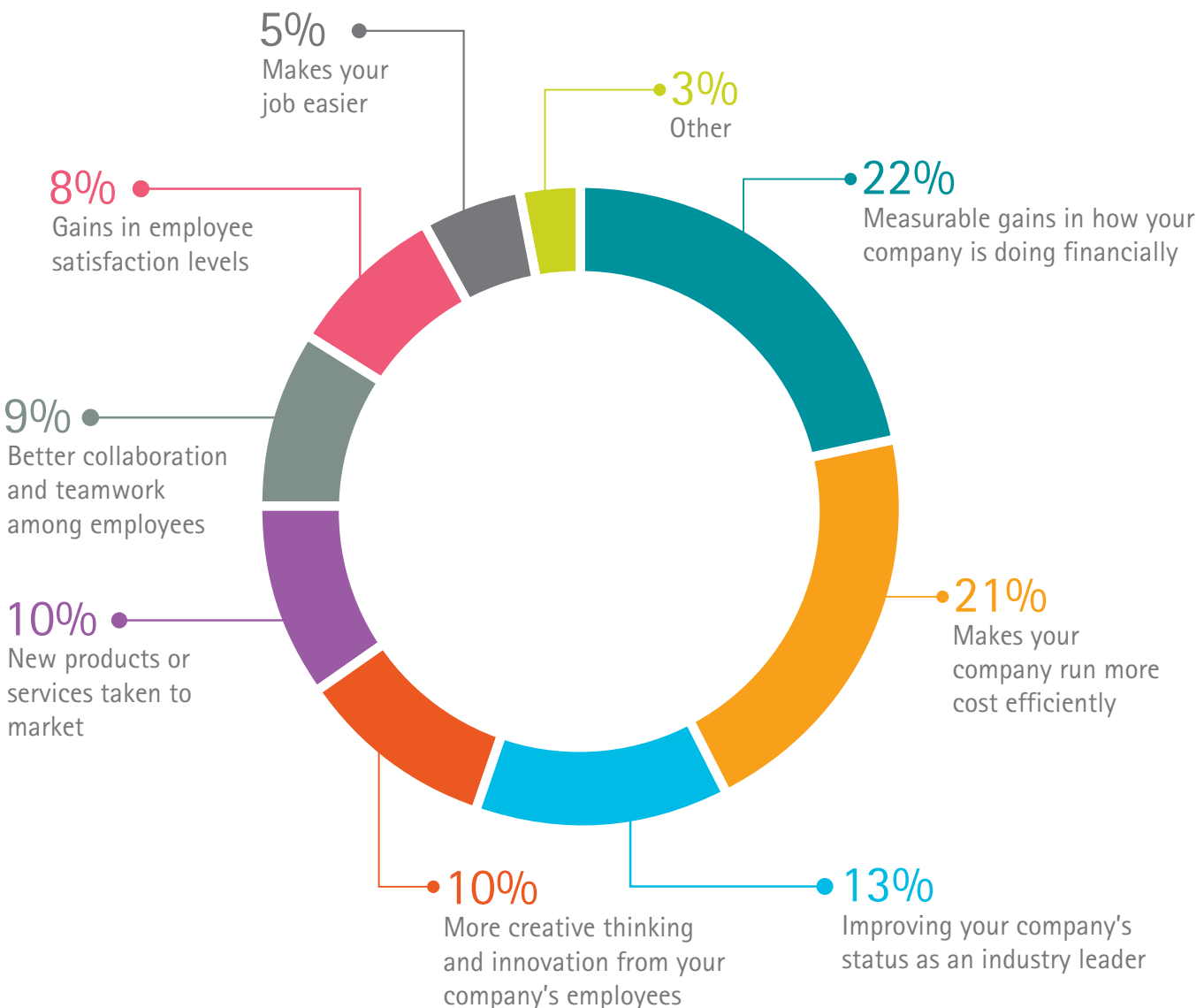
Yet, as shown in Figure 5, the survey reveals that corporations have set a very high bar for measuring the success of an entrepreneurial idea. It seems that employees believe the three most important determinants of success are achieving measurable financial gain, making the

company run more cost efficiently and improving the company's industry leadership positioning. While nearly all of these success metrics require large-scale impact, which can be difficult to achieve under the best of circumstances, more than half (51 percent) of those employees surveyed say their company has a timeline of only six months or less to determine if an idea has been successful. Three in four (76 percent), however, believe a timeline of up to 12 months would be more realistic.

Figure 5. The expected outcomes of idea generation

The bar for measuring success is high

When trying out a new idea, what do you think should be the most important factor in determining how successful it is?



Analysis of the survey results indicates that a failure to step up its support for corporate entrepreneurialism can drain a company of some of its most promising employees—either because talented individuals may opt for a job at a company that encourages new idea development, or because they decide to start their own business.

Among the 200 self-employed individuals who participated in the survey, nearly all (93 percent) of those who had worked at a corporate organization in the past say they pursued an entrepreneurial idea at their previous company. However, more than half (57 percent) of those surveyed said their employer was not very supportive or not at all supportive of their pursuits. Additionally, 30 percent of those individuals started their own business in order to have the freedom

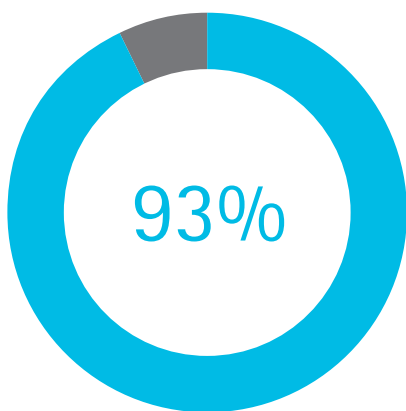
to pursue their ideas without having to focus on other projects, and about half (52 percent) say that having full control over their business is the most rewarding aspect of being self-employed (Figure 6).

While small start-ups are crucial to the US economy, so is corporate America, and it is critical that large corporations nurture new ideas within their organizations in order to prosper and grow. Fostering entrepreneurialism may not necessarily require a major overhaul of internal processes. In fact, most respondents (67 percent) believe it's possible to be entrepreneurial inside their company without disrupting the way things are done, and they believe strongly in collaboration and collaborative team building.

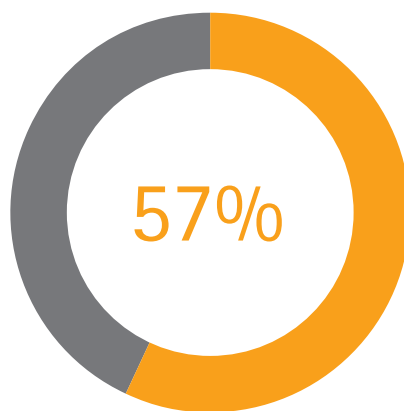
One key challenge for companies remains: how to channel employee idea creation to reward effort and rapidly test, grow or kill an idea during commercial implementation.

Figure 6. The danger for corporate America lies in losing the entrepreneurs already within their ranks

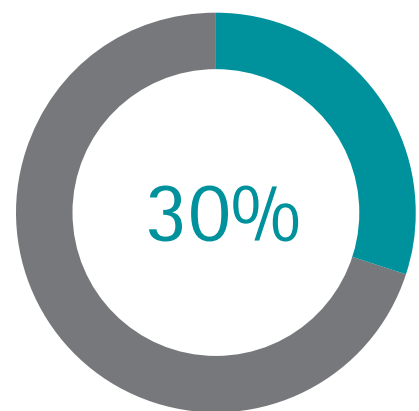
Among self-employed individuals who used to work at a corporate organization



Pursued an entrepreneurial idea within their previous company



Say their company was not very or not at all supportive of these pursuits



Say they started their own business so they would have the freedom to pursue their ideas without having to focus on other projects

Help Me, Help You: The Push-Pull of Corporate Entrepreneurialism

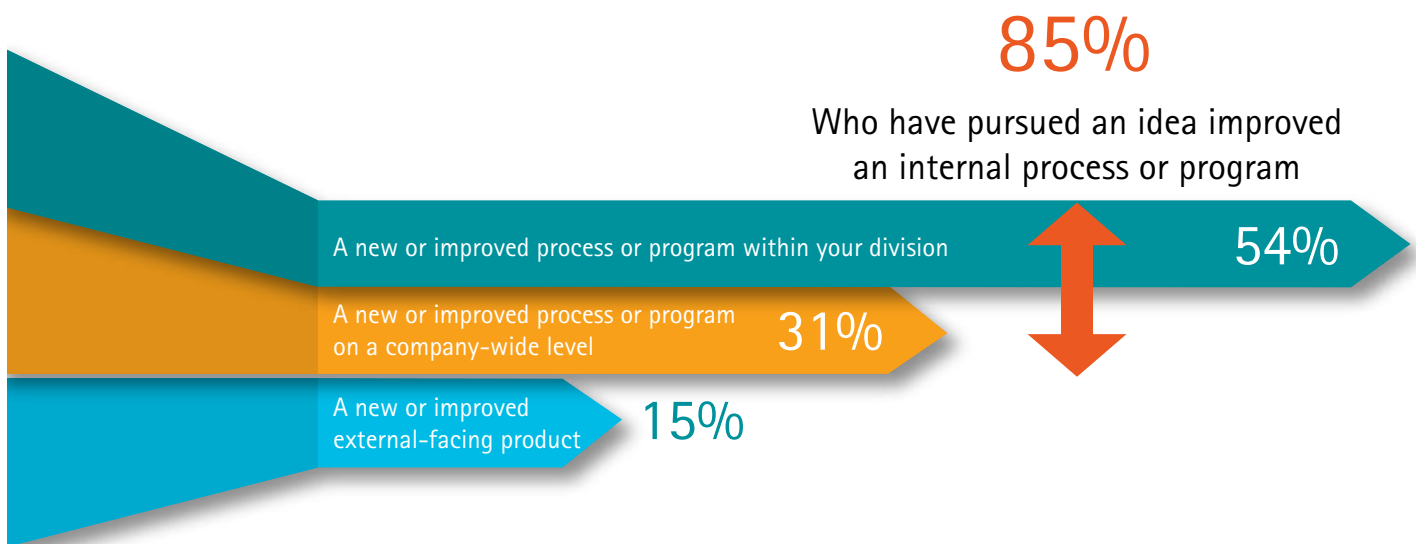
A substantial majority of respondents (89 percent) agree that an entrepreneurial attitude can have the potential to lead to new ideas that promote growth. And while a small majority believe that entrepreneurialism is a trait that is inherent for some people, almost half (47 percent) of those surveyed think that it is a skill that can be cultivated. These findings support the suggestion that employers can more actively foster risk-taking attitudes and direct staff more effectively to focus on ideas that possibly will enhance revenues and profits.

A good place to start would be to help employees learn how to generate the right ideas. A resounding 98 percent of those whose ideas were implemented believe their ideas have been successful (see Figure 1). In reality, a good proportion of employee-generated ideas just aren't good enough in management's view. And sometimes these ideas might simply be less relevant. For instance, they may be too internally focused to suit the company's external needs.

To address this, management should work with employees to focus their ideas so they are better aligned with the company's strategic goals and should provide training to help them focus on the ideas that have the best chance for success. At the same time, companies need the ability to vet and invest in the ideas that will have the greatest business impact. That means becoming a more effective clearinghouse for ideas, swiftly selecting which ideas to pursue and which to cull early. For instance, as shown in Figure 7, 85 percent of survey respondents who have pursued an idea said they were aiming to improve an internal process or program. That bias may not fit with the commercial priorities of the business. So, once they commit to investing in an idea, companies must create a safety net to identify and correct missteps and help employees get back on track when they falter.

Companies might consider a managed process of idea generation that rewards risk taking and effectively harvests entrepreneurial ideas.

Figure 7. The good news: There are ways for companies to improve



How can businesses be successful in promoting and nurturing entrepreneurialism? The answer is to create a model for corporate entrepreneurialism built on a push-pull cycle of input from the corporate environment and output of incentives for employees:

Push: Encourage senior management to incorporate appropriate levels of risk and tolerance of failure within business units; create programs to promote the company's entrepreneurial culture and clarify the rules of the game for employees; implement processes and infrastructures to enable collaborative idea generation.

Pull: Implement clear incentive policies that offer appropriate rewards for idea generation, not just successful implementation;

establish a "clearinghouse" process by which business cases for new ideas can be cleared, accelerated or shut down; create an internal ecosystem including mentors, outside business angels and venture capital expertise to accelerate assessment and commercialization.

These principles will inevitably vary between sectors and between different business models. A company that relies on digital assets—software-based businesses or those that are essentially data-driven enterprises—may have limited variable costs, allowing for lower-risk approaches. Heavy engineering manufacturers, on the other hand, may require a more rigorous approach to pursuing new ideas in order to contain highly variable costs associated with such innovation.

It is clear from this study that businesses really need to consider looking no further than their own company for entrepreneurial ideas. In doing so they are likely to be overwhelmed by ideas that they are unable to manage or channel and learn that a large volume of misdirected ideas are being pursued that create little value. It is therefore a question of effectively harvesting the ideas with potential. If companies are to become more effective clearinghouses for ideas and their swift implementation, the inevitable processes should strike a balance: Avoid dampening entrepreneurial spirit while aggressively culling ideas with less chance of success and selecting innovative ideas that will generate returns.

Survey findings at a glance

- **Everyone agrees new ideas are important.** Nearly nine in 10 respondents (89 percent of those surveyed) say an entrepreneurial attitude can lead to new ideas that promote growth in a tough economy.
- **But most don't believe the company means it.** Nearly half believe management support for being entrepreneurial is critical, but only one in five believes their company delivers it.
- **Despite the skepticism, this doesn't stop most people from trying.** Despite that perceived lack of support, more than half the respondents have tried pursuing an entrepreneurial idea within their company.
- **And of course, my idea is a hit.** Not only have a majority of employees pursued an idea, but 85 percent say these ideas have been focused on internal improvements rather than external, and 98 percent claim their ideas that have been implemented have been successful.
- **Do we make it too hard? Some don't even try it.** There's still more work to be done, however: More than one in four (27 percent) seem to have avoided pursuing an idea due to concerns about negative consequences, and three in four say their company rewards an entrepreneurial idea only if it works.
- **It's safer in packs.** More than 60 percent believe collaborative thinking, which corporations can readily support, is the best source for new ideas.
- **So let the other guy do it.** The danger for corporate America lies in losing entrepreneurs already within their ranks: Among the self-employed respondents, 93 percent pursued ideas with their previous employers, but 57 percent say their company was not very supportive.
- **Don't despair, it gets better.** The good news: There are ways to improve the current situation, and 55 percent say their companies are better at supporting entrepreneurialism than they were five years ago.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 275,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

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