**Page 67 - encouraging innovation**

As will be discussed in Chapter 5, innovation is the specific tool of the entrepreneur. There- fore, corporations must understand and develop innovation as the key element in their strategy. Numerous researchers have examined the importance of innovation within the corporate environment.

Innovation is described as chaotic and unplanned by some authors, while other researchers insist it is a systematic discipline. Both of these positions can be true, depending on the nature of the innovation. One way to understand this concept is to focus on two different types of innovation: radical and incremental.

Radical innovation is the launching of inaugural breakthroughs such as social networking, mobile computing, cloud storage, online dating, and green technologies. These innovations take experimentation and determined vision, which are not necessarily managed but must be recognized and nurtured.

Incremental innovation refers to the systematic evolution of a product or service into newer or larger markets. Examples include microwave popcorn, popcorn used for packaging (to replace Styrofoam), frozen yogurt, and so forth. Many times, the incremental innovation will take over after a radical innovation introduces a breakthrough. The structure, marketing, financing, and formal systems of a corporation can help implement incremental innovation. It has been said that an organization, through its people, can do a thousand things 1 percent better rather than waiting to do one thing 1,000 percent better.

Both types of innovation require vision and support. This support takes different steps for effective development (see Table 3.4). In addition, they both need a champion—a person with a vision and the ability to share it. Finally, both types of innovation require an effort by the top management of the corporation to develop and educate employees concerning innovation and intrapreneurship, a concept known as top management support.

Encouraging innovation requires a willingness not only to tolerate failure but also to learn from it. For example, one of the founders of 3M, Francis G. Oakie, had an idea to replace razor blades with sandpaper. He believed that men could rub sandpaper on their face rather than use a sharp razor. He was wrong, and the idea failed, but his ideas evolved until he developed a waterproof sandpaper for the auto industry, which was a blockbuster success!

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Thus, 3M’s philosophy was born. Innovation is a numbers game: The more ideas, the better the chances for a successful innovation. In other words, to master innovation, companies must have a tolerance for failure. This philosophy has paid off for 3M. Antistatic videotape, trans- lucent dental braces, synthetic ligaments for knee surgery, heavy-duty reflective sheeting for construction signs, and, of course, Post-it notes are just some of the great innovations developed by the organization. Overall, the company has a catalog of 60,000 products.

Today, 3M follows a set of innovative rules that encourages employees to foster ideas. The key rules include the following:

• Don’t kill a project. If an idea can’t find a home in one of 3M’s divisions, a staffer can devote 15 percent of his or her time to prove it is workable. For those who need seed money, as many as 90 Genesis grants of $50,000 are awarded each year.

• Tolerate failure. Encouraging plenty of experimentation and risk taking allows more chances for a new product hit. The goal: Divisions must derive 25 percent of sales from products introduced in the past five years. The target may be boosted to 30 percent in some cases.

• Keep divisions small. Division managers must know each staffer’s first name. When a division gets too big, perhaps reaching $250 million to $300 million in sales, it is split up.

• Motivate the champions. When a 3M employee has a product idea, he or she recruits an action team to develop it. Salaries and promotions are tied into the product’s progress. The champion has a chance to someday run his or her own product group or division.

• Stay close to the customer. Researchers, marketers, and managers visit with customers and routinely invite them to help brainstorm product ideas.

• Share the wealth. Technology, wherever it is developed, belongs to everyone.

**structuring the Work environment**

When establishing the drive to innovate in today’s corporations, one of the most critical steps is to invest heavily in an innovative environment. A top-level manager’s job is to create a work environment that is highly conducive to innovation and entrepreneurial behaviors. Within such an environment, each employee has the opportunity to “step up to the plate.” The willingness and ability to act upon one’s innate entrepreneurial potential is based on a calculated assessment. Conditions in the internal work environment dictate the perceived costs and benefits associated with taking personal risks, challenging current practices, devoting time to unproven approaches, persevering in the face of organizational resistance, and enduring the ambiguity and stress that entrepreneurial behavior can create. Therefore, credible innovation is more likely in companies where all individuals’ entrepreneurial potential is sought and nurtured and where organizational knowledge is widely shared. The managerial challenge becomes that of using workplace design elements to develop an “innovation friendly” internal environment.

This concept, when coupled with the other elements of an innovation strategy, can enhance the potential for employees to become venture developers. To develop employees as a source of innovations, companies need to provide more nurturing and information-sharing activities.42 In addition, they need to develop an environment that will help innovative- minded people reach their full potential. Employee perception of an innovative environment is critical for stressing the importance of management’s commitment not only to the organization’s people but also to the innovative projects.

A firm’s internal entrepreneurial climate should be assessed to evaluate in what manner it is supportive for entrepreneurial behavior to exist and how that is perceived by the managers. When attempting to inventory the firm’s current situation regarding the readiness for innovation, managers need to identify parts of the firm’s structure, control systems, human resource management systems, and culture that inhibit and parts that facilitate entrepreneurial behavior as the foundation for successfully implementing corporate innovation.

One example of an assessment instrument that can be used is the Corporate Entrepreneurship Assessment Instrument (CEAI), which was developed by researchers Donald F. Kuratko and Jeffrey S. Hornsby to provide for a psychometrically sound measurement of key entrepreneurial climate factors.43 The responses to the CEAI were statistically analyzed and resulted in five identified factors. These five factors are critical to the internal environment of an organization seeking to have its managers pursue innovative activity. It is important to understand these factors in order to assess the organization’s readiness for corporate entrepreneurial activity. Each of the factors discussed next are aspects of the organization over which management has some control. Each is briefly defined and includes illustrations of specific elements of a firm’s environment relative to each dimension.