

Entrepreneurship and Innovation in the Organisation

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Introduction

Innovation and entrepreneurship are two important factors for an organisation to become more successful and sustain its competitiveness in business. A company as large as Procter & Gamble certainly knows what entrepreneurship and innovation means for the organisation. Entrepreneurship helps the organisation become more dynamic and responsive to changes. Innovation is its tool to maintain the organisation's dynamism and responsiveness to changes in the market.

Entrepreneurship "is the pursuit of opportunity beyond the resources you currently control" (Welsch, ed. 2003). In other words, entrepreneurship is the constant pursuit for better, higher quality organisational performance. Procter & Gamble displays such characteristic as can be seen with its large and diverse portfolio of businesses and organisation. The company, while being a giant organisation, continues to practice corporate entrepreneurship and constantly hunts business opportunities and resources beyond what it currently have. Hence, the company continues to grow and being respected for its innovative entrepreneurial practices.

Whilst Procter & Gamble is widely known as a giant marketing organisation, behind the success of its marketing activities is innovation. Management expert Peter Drucker (1985) stressed that innovation is the specific instrument of entrepreneurship. As early as 1950s, the management guru already acknowledged the importance of innovation saying that apart from marketing, innovation is the second function of a business in that the company must continuously provide better and more economic goods and services so that the organisation will continually grow (Drucker 1954). P&G exemplifies a large and diverse organisation that practices these two functions.

The practices of Procter & Gamble will be essential in understanding how entrepreneurship and innovation will aid an organisation to grow bigger. Based on these practices by P&G, an individual manager or employee can have a reflection on how he/she can apply these into his/her organisation. The individual manager can learn from the P&G practices on entrepreneurship and innovation. Hence, this paper will attempt to discover how entrepreneurship and innovation activities can affect the organisation's growth and how managerial functions can influence these activities.

The Entrepreneurial Innovative Organisation

Entrepreneurship principles are basically the same with a single entrepreneur starting his/her little business and a large corporation like the Procter & Gamble (Drucker 1985). Whilst it is a common notion that the entrepreneurial pertains and applies only to small or family-owned businesses, it is as necessary for big corporations as well. With the current conditions wherein new markets are opening up and new technologies are being developed, it is necessary that large corporations must continue to innovate and adopt entrepreneurial principles. In the words of management guru Peter Drucker:

Today's businesses, especially the large ones, simply will not survive in this period of rapid change and innovation unless they acquire entrepreneurial competence (1985, p. 144).

Indeed, entrepreneurship is important in that it allows the company, large or small, to position itself in the rapidly changing market environment. Entrepreneurship gives flexibility to an organisation to adapt with the trends and conditions of the market. Thus,

entrepreneurship is a tool and a resource that could give added value to a company's operations and products.

The entrepreneurial process or activity is reiterative and emphasises personal evaluation, planning, acting and reassessing (Cunningham and Lischeron 1991). It means that the company must continually study its strategies and actions and learn from it. Every individual member of the organisation must also be dynamic and responsive to changes so that the organisation can move forward and grow. The members of the organisation must be action-oriented and must have the ability to identify opportunities for innovation. The entrepreneur is forward-looking and is not afraid of change or risk. Change is the locomotive of innovation and risk is its necessary ally. Without taking risks, innovative ideas and practices cannot prosper, not even a step can be done. As such, most especially with regard to large organisations, entrepreneurship and innovation goes hand-in-hand and cannot be done without the other.

Innovation, as Drucker (1985) points out, is the specific tool that the entrepreneur must use to exploit changes and spot opportunities. It does not simply mean inventing new products but goes beyond that. Innovation is the formation of new ideas and concepts and creatively turning such idea or concept into actual or real practice that could produce results. The objective of being innovative is to sustain the organisation's competitiveness and maintain advantage. It is in being that innovative that the company can respond to changes and thus grow or maintain its competitiveness in the industry.

At the heart of the organisation's aims to achieve its objectives is the individual. Every individual brings unique capabilities and characteristics that the organisation must

tap and channel to meet the organisation's objectives (Hall and Johnson 2004). It is through tapping the individual's creativity that the entire organisation can build its core competencies and foster a culture of innovation and entrepreneurship. "An innovative culture is impossible to create; a more effective way is to nurture enterprising individuals" (Hall and Johnson 2004, p. 3). Hence, every organisation must recognise its individual member's creativity and uniqueness, and the individual must be ready and willing to commit himself/herself to the achievement of the company's objectives. Thus, through these principles, the company can as well become an intrapreneur organisation.

The Significance of Intrapreneurship

Intrapreneurship connotes that an organisation is into the venturing process by developing new business opportunities from within the existing businesses and provides for the necessary resources in order to make the venture viable. The difference between an intrapreneur and an entrepreneur is that the former develops new business inside an existing business while the latter is developed from the outside (Oden 1997) but the principles and rules are the same. An intrapreneur can see opportunities from the existing business and can innovate from it. The intrapreneur has the ability to spot improvements in the existing business and develops new ideas from it.

It is more common to develop new business ideas outside of the existing business. Entrepreneurs can easily recognise opportunities outside the business. However, developing new business concepts from the organisation's current and existing businesses can be a little bit more difficult. Organisational changes will

necessarily result from it. Strategy adjustments and implementing such adjustments could entail drastic measures. It also involves an overhaul of the corporate culture.

The factors indicated above constitute the barriers to innovation and intrapreneurship. Stiff management procedures and strict compliance with established rules serve as the greatest barriers to the successful implementation of innovative ideas and concepts. Innovation requires flexibility and acceptance of change, up to the corporate level. If the obstacles are not addressed, innovative ideas will not prosper.

However, an intrapreneur, just like an entrepreneur, will not be afraid to take the risks especially if the venture is viable and the conditions are ripe. The intrapreneur is willing to take the risks if the benefits are more rewarding. Intrapreneurship, like entrepreneurship, can provide value-enhancing qualities to the organisation. It certainly improves the current businesses that the company is currently undertaking. Intrapreneurship strengthens the company's position in the market as well. Taking as an example the Procter & Gamble organisation, it can be seen that intrapreneurship can provide sustainable competitive advantage for a company.

The Procter & Gamble Example

Procter & Gamble is a good example of an entrepreneurial and intrapreneurial organisation. It can be seen on the discussion below how the company becomes an entrepreneurial organisation based on its activities and practices. P&G, as an organisation, displays traits that show its entrepreneurial characteristics. It is a company that fulfils the criteria of being an entrepreneurial, intrapreneurial and innovative organisation. In fact, most of its marketing activities and operational processes are characterised by the creation of innovative ideas, concepts and products. The company

continues to venture into new businesses from its existing businesses and develops new businesses from outside its current portfolios.

Procter & Gamble: Brief Background

Procter & Gamble is one of the world's leading and most admired companies. The Cincinnati, Ohio based company ranked 10th in the 2007 Fortune Magazine's "Top 20 Most Admired Companies" and placed 23rd among the world's largest companies in terms of revenue in 2008. P&G consistently belongs to the top ranks in both surveys by the said magazine. The company has been hailed by many organisations due to its successful marketing campaigns that make it an industry-leading organisation.

Currently, Procter & Gamble's operations are divided into business units operating globally. These are the Beauty, Health and Well-Being and Household Care. (Yahoo! Finance 2009). Some of the company's well-known products are the Head & Shoulders, Gillette, Oral-B, Ariel, Tide, Pampers, Pringles and Eukanuba brands. These brands are known across the globe and across all segments of the population. The company's success in marketing has been imitated by other companies. In 2008, P&G reported a sales record of \$83.5 billion with net earnings of \$12.075 billion (P&G 2008).

Evident in P&G's success is its continued competitive advantage gained through cost-leadership, product innovations and competent management. As stated earlier, the company continuously pursues opportunities and trends in the market through organisational entrepreneurship and innovation. Procter & Gamble can be said to be one of the most innovative marketing companies until today.

Corporate Entrepreneurship and Intrapreneurship in the P&G Organisation

As defined above, entrepreneurship is the constant pursuit for resources beyond what a company already has. It implies that both an individual and an organisation must identify an opportunity and must seek broader resources from society (Stevenson in Welsch, ed. 2003) to pursue and succeed in the said opportunity. Drucker pointed out that the entrepreneurial or the practice of entrepreneurship requires different management from the existing and that the individual entrepreneur has to deal with its own roles and commitment to the organisation (1985, p. 141). Thus, corporate entrepreneurship and the individual entrepreneur must necessarily innovate and seek improvements in the organisation's current business processes and operations.

The Procter & Gamble organisation exemplifies this type of entrepreneurial characteristics. P&G constantly hunts for opportunities where no other organisations have yet entered. One example of an opportunity that the organisation grabbed is the adoption and improvement of its bar-coding technology. Through this venture, the company not only enhanced its outbound logistics function but has also set a new standard in the consumer products sector (Covin and Miles 1999). Corporate entrepreneurship is well-entrenched in the company in that it continues to experience organisational rejuvenation. Covin and Miles (1999) explained that organisational rejuvenation is a form of corporate entrepreneurship that seeks to "sustain or improve its competitive standing by altering its internal processes, structures, and/or capabilities" (par. 18). Procter & Gamble is constantly improving its processes and operations to maintain its current standing as an industry leader in the consumer products business.

Hence, the company continually exercising organisational rejuvenation and thus improves its value chain as well.

The company puts great emphasis to corporate entrepreneurship. Procter & Gamble declares that, "We believe it is the responsibility of all individuals to continually develop themselves and others" (P&G 2009). Based on this principle, the company encourages entrepreneurship among all the members of the organisation. The P&G management's support for and encouragement of entrepreneurship within the organisation make the organisation successful in its business endeavours across the globe. With the company elevating entrepreneurship into a corporate principle that guides the entire organisation and forms the basis of action for each member of the organisation, Procter & Gamble has thus become an entrepreneurial company. It is this corporate entrepreneurship of the Procter & Gamble organisation that must be emulated by other companies in order to succeed and gain advantage over competitors.

Procter & Gamble's Innovativeness

Apart from being an entrepreneurial corporation, Procter & Gamble is widely known for its innovativeness. Innovation is deeply embedded in corporate operations and process of P&G. "Innovation is the cornerstone of our success," the company proclaims in its organisational Values and Principles (P&G 2009). It is common to hear or see new products being developed by the Procter & Gamble. The company is always introducing new and innovative products and brands. Proof of this is its wide array of brands – some are newly developed and others are old brands that have been re-launched with new features and packaging. For example, the Gillette brand now has several types and forms, i.e. Gillette Mach 1, 2, and 3.

Not only is the product packaging that depicts P&G's innovative characteristics. Its approach toward marketing and operations also show innovations. P&G manager Jorge Montoya ('Procter & Gamble' 2004) states:

Our recent company reorganization, with a defined matrix of global category units and on-the-ground country operations, allows us to fully penetrate and understand local consumers' needs and adjust product initiatives right from the development stage to better meet those needs (par. 6).

Procter & Gamble adjusts its operations in accordance with the conditions of its markets. The company offers products that suit the needs of a certain territory or market. Hence, P&G may offer a product in a country but does not offer the same or will re-package said product in other territory. Most of these markets differ in needs and buyer preferences and as such the company offers different innovative products in each country or territory. This innovativeness allows the company to identify opportunities and pursue resources beyond what it currently has. As a commitment for innovation, the Procter & Gamble management invests billions of dollars for research and development to continuously produce new and innovative products and brands. In 2007 alone, P&G allocated \$1.8 billion or 3.5% of its Net Outside Sales for R&D. Thus, Procter & Gamble never runs out of new brands and products.

Conclusion

As can be seen from the above discussion, entrepreneurship and innovation are very important for an organisation. This is most especially true today as the world is rapidly integrating into one global market. Markets are opening up and trade barriers are slowly being removed, hence providing new opportunities for business endeavours.

Technologies are developing as well giving companies more tools to utilise for their businesses. These events warrant that the companies must respond quickly.

Changes are happening everywhere and as such companies must be responsive to changes. The conditions today warrant every organisation to become entrepreneurs and to innovate. Peter Drucker (1985) noted that, "Today, it is not only in the self-interest of the many existing big businesses to learn to manage themselves for entrepreneurship; they have a social responsibility to do so" (p. 144). Companies and its personnel must become entrepreneurs not only to maintain the business but to maintain the business world in general. In Drucker's terms, companies, especially the large ones are under the threat of destruction due to traditional, outdated business models and processes. The collapse of a big business also means the unemployment of thousands of people. Hence, companies must continue to exist in order to maintain employment, financial stability in society, social order and governmental responsibility (Drucker 1985).

The entrepreneurial organisation is therefore significant in society today. As businesses are threatened by more crises such as the ongoing financial crisis, the organisations must continually look for opportunities in order to survive and save more people as well. The companies must continue to innovate and the individual entrepreneurs must continue to develop new ideas so that the company will stay, not just to gain competitive advantage. Thus, it is in this respect that entrepreneurship is relevant not only to small companies but to large organisations as well.

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