Brand intrapreneurs and brand managers: in search of disruption

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Brand managers in the crucible

Building strong, disruptive brand portfolios is an important source of competitive advantage. The brand management system is the most typical organizational vehicle through which large corporations work to achieve this. However, there are some challenges with this construct in creating disruptive new brands. The competitive environment and the changing social media landscape necessitates that large firms revisit their traditional approaches to known yet dated structural models that may, in fact, be rigid when it comes to creativity and innovative flourishing taking place. Success starts with a mindset that considers new brand venture management (intrapreneurship) as a type of commerce distinct and unique from existing brand management in the firm. The latter is not superordinate to the former, yet the former cannot usurp the latter, as the ability to fund and explore *new* ventures stems from having a healthy core business.

In a large-scale new product development benchmarking study across 105 business units undertaken by the American Productivity and Quality Center in 2004, it was found that not only were new products accounting for a smaller percentage of total corporate sales (28 per cent in 2004 vs 33 per cent in 1990), but that true disruptive, "new-to-the-world" product development had given way to a preoccupation with minor modifications, product tweaks and line extensions (new-to-the-world products having fallen from 20.4 per cent in 1990 to 11.5 per cent in 2004 (Cooper and Cooper, 2005). The authors ascribe this to a predilection for racing to market, thus favoring "low hanging fruit", fast and easy-to-do projects, reacting to salespeoples' urgent requests and a resource crunch (too many projects and not enough quality resources available). In only 15.2 per cent of businesses were there adequate marketing resources assigned to new product development (Cooper and Cooper, 2005).

The challenge of creativity and new brand creation inside large traditional brand management structures push large firms to complement internal efforts with strategic inter-organizational arrangements and/or intrapreneurial efforts. The paper now turns to the topic of strategic brand venturing as a potential complement to the brand management system.

Strategic brand venturing

Historically, large firms have resorted to acquiring entrepreneurial brand firms to access growth and disruptive brand franchises. However, acquisition is not only costly but often the culture and ethos of these acquired mission-driven brands get "synergized" away, leaving the acquirer with short-term savings, but at the expense of huge strategic costs. An alternative to outright acquisition has been proposed, called *strategic brand venturing* (SBV). Strategic brand venturing has been defined as "a strategy and capability of

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venturing with entrepreneurs to access brands and marketing know-how that possess disruptive value" (Van Rensburg, 2012, p. 4). The term "disruptive" is used in the sense that the new brand creates a category or marketing idea new to the world or new to the industry that incumbents initially either do not notice or do not value. At least three growth vectors of strategic brand venturing are possible:

1. *Equity investments* – This involves the large incumbent firm taking an equity stake in promising new brand companies run by autonomous external entrepreneurs, with an option to acquire the brand at a later stage.
2. *Intrapreneurship* – Here corporations launch internally developed new brand incubations using entrepreneurial approaches (e.g. recruiting an external entrepreneur, leveraging an entrepreneur "in-residence" or inviting internal corporate entrepreneurs to act as brand missionaries).
3. *New business models* – This encompasses new business models that especially capitalize on entrepreneurial skills to pioneer disruptive new brands such as franchising, spin-outs and alliances.

Because the first strategic vector (equity investments) has already been dealt with in detail in the literature (Van Rensburg, 2013), this paper will focus on the second strategic vector of brand intrapreneurship based on recent empirical work involving strategic brand venturing inside US-based operating units of six large consumer product and service corporations with revenues between $4 and $25 billion. In addition to documentation and observation, 21 semistructured interviews were conducted with senior-level executives. All interviews were recorded with interviewee permission and, subsequently, transcribed and analyzed. Within-case and across-case analyses were performed using the spiral methodology described by Creswell (2007). The remainder of this paper provides insight into the strategic brand venturing approach pursued in those firms studied that subscribed to a simultaneous strategy of external and internal brand venturing.

Curating brand intrapreneurs

For the autonomous entrepreneurial brand firm, its complete team of people can be devoted to the start-up venture. However, for the large corporation, it must divide its time and its human and capital resources between established brand management businesses and new brand ventures. An ambidextrous organization design that separates, yet incorporates within the same operating unit, *newstream* activities (strategic brand venturing activities) from *oldstream* activities (existing brand management) is required and was evidenced in our case studies. Distance from the core is desired for focus reasons and given the different nature and rhythm of strategic brand venturing activity. Incorporation is also required so that transparency between streams is possible and so that the unit can access and leverage core system resources and capabilities. What follows is a selective distillation of key strategic and organizational imperatives derived from the case research.

Galvanic and savvy leaders

Selection of the right galvanic leader in any organizational endeavor is crucial and often transcends other factors. Livesay (1989, p. 3) puts it this way:

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> History has shown repeatedly that, given the right manager, any form of organization can work or be reorganized until it does work, whereas the wrong people can cripple the most vigorous firm despite the presence of a structure thought to be self-correcting.

Leadership of three organizational kinds occurred in the case studies:

1. the senior executive sponsor(s) of strategic brand venturing (SBV);
2. the SBV leader heading the entrepreneurial unit inside the large firm; and
3. the leader of the single intra-corporate brand venture.

Executive sponsors and ombudsman. For any sustainable venturing endeavor, the visible and active support and sponsorship of senior management starting with the chief executive officer is critical. As the executive puts it:

> You need to be committed fully. And the CEO needs to be committed and to understand what the risks are and where the friction points are going to be and they need to support the venture team fully (President, Venturing Unit – Echo Corporation).

Appointing a venturing ombudsman to represent the interests of strategic brand venturing across all its manifestations inside the large corporation is also advised. The ombudsman ensures interoperability between the core business and the venturing unit in terms of decision rules, face-offs and governance, thus diminishing indecisiveness, inaction, politics and personality-turf battles. However, senior executives who oversee a strategic brand venturing strategy must themselves be capable of transformative vision and demonstrate a willingness to attach themselves to the good and the bad of venturing. It is worth repeating the axiom that "you can't expect to achieve significant change unless you are willing to change something significant".

SBV unit leader. One common observation noted in the case studies was the importance of the political and strategic nous of the overall SBV unit leader. SBV leaders constantly engaged in a range of interlocking activities and shrewd strategic shifts to avert rupture and maintain survival and health of the SBV unit. Savvy leaders accomplished this through building dependency linkages, risk reduction linkages and grafting strategic relevance. On the other end of the spectrum, venture unit leaders who were less successful navigators or displayed undue arrogance for their special status attracted resistance from functional and divisional management:

> Our functional people weren't as empathetic as they should have been and [the venture unit] was more arrogant than I thought they would be. And hence there was a division where the larger organization felt insulted by [the venture unit] doing things blatantly to say we're different than you [. . .] (Chief Executive, Bravo Corporation).

Intra-corporate venture leaders. Passion trumps seniority in intrapreneur selection. Self-nominating volunteers were often better venture leaders than top-down appointees. A different type of person is required to run internal ventures, and the temptation to prematurely "upgrade" a promising new brand project to a more experienced executive should be resisted. It is better to keep the passionate, albeit junior brand intrapreneur intact and empowered for as long as possible. They will succeed because of their "all in" commitment and ownership of the idea. Administratively minded and trained marketing managers inheriting a new brand project from a junior brand intrapreneur are less comfortable with ambiguity and risk. They do not bring the requisite ownership required to get a new business off the ground,

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as their commercial recipes are predicated on the antithesis of entrepreneurship: large budgets, strong internal support, larger teams, hierarchical endorsement, extensive market research, being accustomed to highly defined formal processes (stages and gates, financial modeling, scientific and regulatory due diligence) and criteria designed for brands with pre-existing demand patterns versus disruptive new brands whose demand patterns by nature are difficult to gauge in early adopter phases. An elite entrepreneur made the following comment on the requisite skills for brand incubation:

> I have seen some of these large company guys with their reductionist, very analytic behavior depending heavily on consumer insights and coming up with exactly the wrong conclusion for us. Even though they are rationally derived, and the little guy has to have defenses up against that, but for the big guy, really a little bit of a hubris is necessary (Elite entrepreneur partnering with Foxtrot Corporation).

Strategic program design

A common pitfall is to treat new venture units the same way as regular operating units. This is based on a flawed understanding of the fundamental differences that exist in temperament and mission between the two organizational forms.

Newstream organization. In a few cases studied, a separate business unit led by a seasoned operating executive was created with equal reporting status to existing brand marketing groups. The units were tasked with focusing on "new and next" by investing in external brand entrepreneurs (equity or full acquisition), crafting new business models and launching internally developed brands led by intrapreneurs.

> From an organization standpoint probably the single most important thing that management did was treat it as a business unit [. . .] The chairman of [Alpha Corporation] is intimately familiar with and supportive of the group and structurally that was a really important thing. We want to replicate as much as we can the entrepreneurial model that we saw externally, but keep all the advantages that a [large] company can bring in enabling growth of emerging brands [. . .] (SVP Business Development, Venturing Unit – Alpha Corporation).

System agnosticism. Firms are often constrained by legacy go-to-market systems. New brands that require nurturing and incubation and a high-touch marketing model are often incompatible with the design and demands of a high velocity existing system. The intrapreneur must be able to leverage a third-party ecosystem of manufacturing, selling and distribution when appropriate without being tied to legacy corporate systems and capabilities, thus avoiding certain liabilities of largeness or core rigidities (e.g. "we can only launch brands this way"). The benefits of this are aptly summarized by one executive:

> It allows us to be a lot more efficient by having this strong ecosystem because we're not burdened with the cost of operating all those different entities that are in the ecosystem. We can access the ecosystem in a marginal way from our investment in time and energy and money (Director of Route-to-market and Incubation – Alpha Corporation).

Creative headcount resourcing models. Some firms had designated headcount allocations that were hard to change or required many procedures and approvals to increase. Having the ability to hire field marketing teams is key in any entrepreneurial brand-building endeavor. One group used the advent of an acquisition to retain a separate limited-liability

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company legal structure to channel recruitment and human resource decisions through this entity. This enabled a much more flexible expand–contract approach based on brand intrapreneurial requirements and pipeline activity.

Venture capital financing models. Venture funding should be based on milestone achievement such as consumer, retailer and value chain proof points. Lean budgeting coupled with an internal corporate environment that is munificent versus hostile encourages entrepreneurial spirit and creativity. Through vision casting, resource bundling, inexpensive experimentation and ecosystem creation, the innovative brand intrapreneur achieves milestones and navigates short-term resource limitations propelled by a passionate belief in their strategic quest.

Portfolio disrespect. Clear white spaces are best, but fusions and hybrids of existing categories should be included in the remit. Mining the seams between categories was often the entry point for the innovative brand. Obvious watch-outs here are that incumbent brand managers will claim they can do the same innovation under an existing brand name. While this may be true, a brand can only stand for so many things. Additionally, the brand has a core that must be protected from rivals and when pressure intensifies, and often funding used to support the initial line extension gets pulled to fortify the core of the brand. Entrepreneur brands usually don't have a brand portfolio and therefore don't care about cannibalizing. Ideally the intrapreneur should have the same mindset, as it is better for a large firm to compete with itself than to be cannibalized by others.

Lean forward failure. Senior management and, in particular, the venturing ombudsman should encourage experimentation of a *lean forward* nature versus conservative *safe bets* nature. Failure should be totally acceptable and even encouraged. Nothing of significance will ever be created without repeated attempts at boundary-defying acts. For instance:

> Business development executives can't be afraid of finding the cliffs, of finding the danger zones, of spending some money and some maybe some personal expense. We're going to lose some guys out there. . .but what the company gains is a clear path to what might be potential growth opportunities. . .We just recalibrated and we said we're going to continue to pursue X, Y and Z activities and we did (Business Development Director, Venturing & Innovation Unit – Charlie Corporation).

Serious failure can be truncated through a staged venture financing approach, as the brand project progressively de-risks and proves itself. In the one firm studied, where SBV was probably at a more mature stage, a "failure" rate of 75 per cent for brand intrapreneurial projects was acknowledged as a very creditable accomplishment. Success in this instance was defined as defying the 97 per cent industry new brand failure rate and breaking through a $10 million revenue threshold, posting double-digit growth and achieving number one or two share position in target consumer or market segments.

Compensation. Surprisingly, no innovative approaches to compensation were encountered in the study. While several companies had examined various models, none had actually implemented an entrepreneurial compensation approach for fear of negative reaction from the core business. While there may be issues here, large firms must find new compensation and reward models if they genuinely want to encourage corporate entrepreneurs and allow intrapreneurs to invest some of their own funding in ventures, or creating phantom stock, etc.

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Dispersed not disparate entrepreneurship. One case study revealed several organizational units attempting to conduct SBV activity with very little intra-unit sharing and strategic choreography. This “menagerie” approach seemed to lack senior awareness and sponsorship according to one mid-level executive when we probed about the need for coordination:

> I think it’s got to be somebody who is a VP who really believes and sees the disconnect and then can see the order that is available to us in the future if we take a leadership role and organize all of this. But [Delta Corporation] is very decentralized (Manager, Corporate Venturing Unit – Delta Corporation).

While dispersed entrepreneurial activity is desirable within an organization, there needs to be some architecture that guides venturing. This will ensure that the activities leverage synergies and knowledge, that perceptions of venture failure are managed within an organizational learning perspective, that a common relationship approach is adopted with external entrepreneurs and that strategic clarity exists on innovation charters between the mainstream business and new venture unit(s).

In one case study, due to a lack of strategic alignment on the role and guardrails of the venture unit, the core business launched a new brand idea originally waived by the venture unit, adopting many of the emerging brand marketing principles originally pioneered and espoused by the same venture unit. Internal competition was allowed to unfold that led to sub-optimal resource utilization and questionable feelings between organizational members. Commenting on the internal competition, the chief executive of the venture unit mused:

> I think it really was the lack of strategic clarity in regards to what [the venture unit’s] role and purpose was [. . .] (Chief Executive, Venturing Unit – Bravo Corporation).

Flexible operating models

Venture management requires counter-cultural commercial and go-to-market approaches some of which are delineated below.

Market entry philosophy. The approach should be to think big initially, to start small and then to scale intelligently as risk is reduced. In terms of retail outlet selection, the targeting strategy should aim to go narrow and deep versus wide and mass. The first imperative is to build the brand and its devoted following in a limited geography, to test and refine the mix and only scale as the brand is de-risked.

Consumer and retailer intimacy. Keep brand intrapreneurs close to the consumer and the retailer. No intrapreneur will succeed closeted in a separate room (*even if creatively decorated!*) but away from the pulse of live customers and shoppers. Typical immersion activities included:

- driving with distributors on route trucks and learning about what brands and packs move;
- what merchandises and displays best; and
- what packaging works on shelf and whether the variant/color codes enable picking in the back room.

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In addition, it is about interfacing directly with consumers at sampling events such as a "road show" and learning by personal immersion what stands out about the brand proposition, what gets consumer interest, what questions and turn-offs do consumers have, what labeling works best, what ingredients really matter, etc. All these lessons come through personal proximity and intimacy. Typical brand entrepreneurs go through this and it is rare that the classical brand manager samples anything live to a real consumer. The brand intrapreneur absolutely must architect the brand this way versus relying on traditional focus group research, or even the more contemporary techniques and ethnographies summarized in written reports with colorful fonts and paraded by the litany of marketing and research agencies calling on brand managers.

Epistemology. New learning was made possible in several ways. For instance, the presence of side-by-side external and internal brand venturing activity inside a single organizational unit enabled role modeling and effective assimilation and application of entrepreneurial marketing skills inside the large corporation. Brand intrapreneurial learning and activity flourished readily, and challenges against corporate inertia were substantive and "heart-felt" based on experiential proximity to successful external entrepreneurs. This *outside-in* knowledge was basically transformed into *inside-out* action and results. For example, one vice president noted:

> They really helped shape our brand building model, our route-to-market thinking. . .and understanding the tightness between cash, decision-making and action [. . .] being very thoughtful about how to spend our resources [. . .] and to put them against the consumer to ladder up the growth of a business (VP Venturing unit – Alpha Corporation).

External ventures offer superb learning laboratories for aspiring intrapreneurs or general managers. In one case, executives were placed in entrepreneurial brand ventures to assimilate brand culture in advance of the parent exercising the option to acquire. Talented executives within an entrepreneurial firm worked alongside brand entrepreneurs and took responsibility for key functions such as chief operating officer or heads of sales, finance or marketing. Large, complex organizations often drive deeper specialization in roles and have fewer roles for associates that offer broad-based, general management competence building. Commenting on this developmental opportunity, one senior executive said:

> In mature or large legacy businesses it's tough to get experience working in either high growth, speculative businesses or new businesses. Working in the [venture group] is an opportunity for an executive to make 30 decisions in a day and know that 10 are not going to be right, and when they go [back to the core business] they won't be so fearful of making decisions outside of the normal paradigm (Chief Administrative Officer – Alpha Corporation).

Confusing small with strategic. The research indicated that one of the traps facing venture groups derives from their very essence – their focus on small, emerging brands and businesses. The parent organization can be tempted to toss existing small (and mostly troubled) brands and businesses into the venture group to fix because they mistakenly construe their competence as "managing small". However, while venture groups, by definition, focus on emerging brands, not all small brands are emerging! Legacy small brands may be fatally flawed, be under-invested in, have lost their social cache and require major salvage work. This is not a good use of a venture group's limited resources and is not in keeping with its strategic mandate to focus on "new and next".

Conclusion

Although the notion of a venturing team within corporate marketing departments is not a new idea *per se*, the business community has been relatively silent about brand venturing until quite recently (McWilliams, 2010; Rowe, 2011; Rifkin, 2012). This paper attempts to stimulate fresh debate and practice.

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The paper proposes a corporate entrepreneurship strategy of creating and/or accessing future disruptive brands via a dedicated strategic brand venturing unit. Unlike previous literature on new venture units, this approach entails the simultaneous pursuit of external brand venturing (making equity investments in autonomous brand entrepreneur firms) and internal brand venturing (curating brand intrapreneurs with a sole focus on new brand creation as distinct yet complementary to brand managers with a sole focus on the current brand portfolio). The dual pursuit of both vectors is recommended based on the assimilation and exploitation of entrepreneurial marketing know-how that accrues to the venture unit when involved in external brand venture investments. The paper enumerates several prescriptions for nurturing brand intrapreneurs based on empirical case material.

Keywords:
Growth,
Corporate entrepreneurship,
Brand intrapreneurs,
Brand managers,
Brand portfolios,
Intrapreneurship,
Strategic brand venturing

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