

INVESTOR'S BUSINESS DAILY

Article Title: "To Start A Business Within A Business, Focus On Firm's Culture "

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Here's something you can bet on: If a firm fails to innovate, it dies.

It doesn't matter if the company is large or small. Innovation is critical to long-term survival. The idea seems simple enough. But for large companies, the challenge is often overwhelming.

There are two key ingredients in devising new business strategies: favorable company culture and an understanding of the process of developing new ideas.

"A company really has to look at its culture," said Joel Block, founder of Agoura Hills, Calif.-based management consultancy Growth-Logic Inc. "They need to ask themselves: Do we have the personalities and the people to launch something new? Do they have the sense of what the process is going to be like? Have they done it before? Have they succeeded at it before?"

Block says if the company culture doesn't encourage staff to be entrepreneurial, the firm is probably better off looking outside for businesses with new concepts that it can snap up and integrate into its business.

A healthy dose of patience also is needed. "Every new idea has to go through a cycle," Block said. "There are no shortcuts. But big companies are notorious for wanting to take shortcuts. The need to show results quickly is very great."

Some large firms are dynamic enough to move through the cycle faster than others. But the real success stories don't cut corners.

Companies that want to generate new business ideas from within have to commit time and money to the process and be willing to implement the projects.

According to a recent Harvard Management Update article, "Starting New Businesses Inside the Organization," there are three aspects of a successful process.

First, set up a plan that guides employees with ideas. Without a plan, your system is little more than a suggestion box. While that may be a good start, it won't get you too far past the generation of ideas.

Second, intrapreneurship - creating new ventures from within the company - needs incentives and a safety net. Those who fail should have a soft landing, such as getting their old jobs back.

Third, follow up on new ventures. Building a business from within isn't the same as building a unit with venture capital that eventually gets sold or spun off. Once the initial idea for a new strategic direction passes muster, it needs leaders who are business builders to draw up budgets,

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management processes and monitor revenue and other metrics.

Large firms that do it right reap the benefits. Take ChoicePoint Inc. The firm took in \$656 million last year providing businesses and government with identification and background checks.

Chief Operating Officer Doug Curling cites two recent ventures that came from within the company. One is the National Criminal File, a comprehensive search of multiple criminal record sources. The records include the Federal Fugitive file, state and county criminal record repositories, ChoicePoint proprietary criminal record information, and prison, parole and release files from state Department of Corrections and other state agencies.

Employees who were trying to come up with ways to offer data to lower-paying clients - those who couldn't afford ChoicePoint's pricier products and services - designed the National Criminal File.

The idea could not have come at a better time. With ChoicePoint's pre-employment background check business pinched by the sluggish economy and slowdown in hiring, it needed new streams of income.

Curling says many departments had to come together for the venture to take shape.

"Our workplace solutions team got together with our technology folks and public records group and they just did it," Curling said.

Once the team got the idea on paper, it developed a sample and prototype of the product and met with management. Curling says the team took about 90 days to put the concept together.

"The project got started in August 2001, but once 9-11 happened they accelerated their efforts," he said. "So the product launched in November and is now a multimillion dollar source of revenue."

ChoicePoint's Adam project is another example. While it brings in no revenue, it shows how staffers work together to generate new ideas. Workers toiled nights and weekends to develop the fax and wireless system connected to the National Center for Missing and Exploited Children. To date, Adam has helped return 25 children to their homes.

If the process at ChoicePoint seems quick and painless, it's because it is, Curling says. He says that's typical of tech firms that have to innovate at a rapid speed.

"We don't have committees for everything and three-ring binders that spell out procedures," he said. "We generally discuss things face to face, nose to nose."

At any company, when staffers are encouraged to think of new ventures, there's always a chance they will pressure someone else.

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The result often is office politics. Staffers who are not involved or feel like they're simply being told to follow a plan in which they had no part may complain or find ways to sabotage it.

The threat can also come from the top. In firms where managers rule with an iron fist, a project can be stopped dead through lack of funding or a refusal to give up control.

Block says one way to avoid this pitfall is to enroll as many people as possible in the project. "People want to feel that they are contributing," he said. "Nobody wants someone to install something on top of them."

At ChoicePoint, Curling is more blunt about territorial policies. "Our company culture not only tolerates stepping on toes; it almost encourages stomping on them. We call it constructive tension," he said. "But we make sure there are good motives behind it."