

## THE PROCESS OF INNOVATION IN THE CORPORATE INTRAPRENEURSHIP

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*Abstract: Being the entity that is bringing the business risks and responsibilities and that is launching technologies of high productivity and new products required by the market, the entrepreneurship is considered to be the engine of the economic development. Nevertheless, the innovation and changing are defining issues of entrepreneurship. Usually, the entrepreneurship is associated with small business set up by a person capable of fighting with all obstacles and to put into practice an innovative idea in the sector of products manufacturing or services. But, a large organization (corporation) may be challenged to identify and encourage the employees who have creative and business skills to take the role of an entrepreneur inside the organization, remaining employed and becoming a, so called, intrapreneur. In this context, based on the literature review and on own observation and judgment, this paper is aiming to underline the main characteristics of the intrapreneurship and the intrapreneur and the relation between the intrapreneur and the corporation. Some discussions on the process of intrapreneurship are provided, and finally, a conceptual model of the process of innovation in the corporate intrapreneurship is proposed.*

*Keywords: innovation, intrapreneurship, intrapreneur, innovative corporation, model the process of innovation*

### 1. Introduction

The entrepreneurship is considered to be the engine of economic development, which takes over the risks and responsibilities of a business. "Recently-founded enterprises are today considered to be the main important engines of economic, technological and social changes in the life of nations" (Volkman et al., 2010). US development is due to the entrepreneurial economy because it created the conditions for launching new technologies and products with increased productivity and satisfaction of market demands. In Europe, within the framework of the reorientation of the Lisbon strategy by the EU Commission in 2005, the encouragement of the entrepreneurial spirit in education and the culture as well as supporting the new business formation and promoting the growth of young enterprises have gained special significance" (Volkman et al., 2010).

The entrepreneurship, in simple terms, means the launching and managing a small business (Mariotti & Glackin, 2010) and the entrepreneur is a person able to overcome the obstacles to the implementation of an innovative idea in the new products and services sector.

Not all the initiatives to set up a new business fall within the concept of entrepreneurship. In other words, ownership of a business, novelty and small size is not necessarily the characteristics of entrepreneurial spirit. Real entrepreneurs are those who create something different from what has been done before, they are the ones who change or transform values and transfer resources to a high productivity area (Negut, 2010). Change and innovation are the defining elements of entrepreneurship.

Drucker (1993) states that the entrepreneurs are not necessarily owners, but may also be employees of enterprises. Many employees of large businesses with entrepreneurial talent have left to set up

their own businesses. A classic example is the two employees of Xerox (John Warnock and Charles Geschke) who, frustrated by the rigidity of the culture and lack of support for their innovative ideas within the company, left it and launched Adobe system, a business that now earns USD 4 mild revenue.

But a large organization (corporation) can be challenged to identify and encourage employees who have creative and business skills to take on the role of entrepreneurship within the organization and remain its employees. Successful examples are Sony, Facebook, Google-Gmail, General Motors, Hewlett-Packard (HP), Microsoft, Intel, Oracle, and others. These allow between 15-20% of working time for employees to work on their own innovation projects. This type of employee is called intrapreneur.

Creating innovation is perceived as an important means of establishing and maintaining the competitive advantage as well as a method for initiating corporate renewal (Russell, 1999). The advances in the information technology and technical sciences provoke the corporations to keep the change the organizational culture (Doval, 2014) and to cope with innovation.

The innovation consists in transforming a successful commercial invention. The innovation starts with an idea of one or more people, which is transformed through an iterative and chaotic process, through many returns and bottlenecks and becomes a prototype subject to several technical tests, then through marketing activities to bring life to the customers (Slimane, 2009). Another definition of the innovation is “the practical refinement and development of an original invention into usable technique or product or, a process in which creativity is applied to every facet of an organization’s value chain, from beginning to the end, to develop new and better ways of creating value for customers” (Maital & Seshadri, 2007).

Innovation is associated with risk and uncertainty, which is probably why the great economist Schumpeter defined innovation as a "creative chaos". In any case, corporations create a competitive advantage through innovation, including exploring their new strategies in their strategies. The innovation is rising when the person has the conditions of calm to be able to think freely and to focus on the idea. “One of the paradoxes that have innovation at their core is the clash between the need for free, unfettered creativity, together with the need for focused, systematic discipline...” (Maital & Seshadri, 2007).

In this context, briefly presented below, this paper is aiming to underline the main characteristics of the intrapreneurship and the intrapreneur and the relation between the intrapreneur and the corporation. Some discussions on the process of intrapreneurship are provided, and finally, a conceptual model of the process of innovation in the corporate intrapreneurship is proposed.

## **2. Characteristics of intrapreneurship and intrapreneur**

The term intrapreneurship is a neologism that results from the contraction of the *internal* and *entrepreneurship* terms. It was popularized by consultant Gifford Pinchot in the middle 80s (Pinchot, 1984). The term gave birth to a stream of scientific research.

There are many definitions of the concept according to the terms used to designate almost equivalent phenomena, corporate entrepreneurship, internal corporate venturing and intrapreneurship (Bouchard, 2009), of which:

*Corporate entrepreneurship:*

- The process by which enterprises engage in diversification through internal development (Burgelman, 1983; Burgelman, 1984);
- Formal or informal activity whose purpose is to create new activities through the innovation of the process or product and the development of new markets (Zahra, 1991);
- An organizational process that allows the transformation of individual ideas into collective action through uncertainty management (Chung & Gibbon, 1997).

- The process by which an individual or a group of individuals in association with existing organizations creates a new organization and causes renewal or innovation within these organizations (Sharma & Chrisman, 1999);
- Description of entrepreneurial behaviors in medium and large size organizations (Morris & Cauratko, 2002).

#### *Internal corporate venturing*

- Creating new activities within an existing organization with the help of product or market innovation (Block & McMillan, 1995);
- Funding an activity developed by a relatively autonomous team and endowed with its own operating rules through an existing company to innovate new technologies (Bain & co).

#### *Intrapreneurship*

- Implementing an innovation through an employee or employees under the control of an existing organization (Carrier, 1983).
- To undertake an existing organization (Pinchot, 1996).
- Applying entrepreneurial skills and approaches within or through an existing enterprise to improve internal functioning or market development (Saetre, 2001).

The definition proposed by Sharma & Chrisman (1999) is perhaps the most eloquent because it presents the characteristics of the intrapreneurial process and its results and highlights the existence of a partnership between the entrepreneur and the organization (Bouchard, 2009).

The intrapreneurship can also be understood as a way of innovation specific and very different from institutional innovation (Bouchard, 2009), such as:

- Can be adopted by anyone in the organization.
- The legitimacy of projects is established along the way.
- The project financing is uncertain and conditional.
- The projects are based on the efforts of several individuals, informal networks, and ad-hoc procedure.
- The personalization and improvisation are the keywords.
- Important direct rewards/sanctions.
- The intrapreneurship is not working like a research team; it is the action of an individual (or a small group of individuals).

The main characteristics of an intrapreneur, stated by Bouchard (2009) are the followings:

- He/she acts as a partner and not as a thorn for the organization, which implies autonomy and personal commitment;
- He/she does not intervene as a specialist but involves all the aptitudes on all plans over the long term, going from project management to marketing techniques, finance, technical aspects, and others;
- He/she can not rely on a predetermined budget but must "sell" the project inside;
- His/her ability to mobilize resources and support, as leverage on an informal network may lead to success;
- He/she works on his project or in parallel with his official activities or sometimes against his superior;
- He/she is rewarded if his/her project is a success, but he/she must also personally assume the consequences of the failure.

### **3. Relations between the intrapreneur and the corporation**

In the intrapreneurship is born a special and complex association between the intrapreneur and the corporation.

On the one hand, the intrapreneur is the employee of the corporation and responds according to his/her contract of employment to all the stipulated obligations. From the point of view of

entrepreneurship, he/she provides the corporation with vision, personal knowledge of business, passion, perseverance, leadership skills, creativity and ability to link the idea or project with the organization's strategy and business, acting in the name and the benefit of the corporation on ethical grounds.

On the other hand, the corporation transfers the responsibility for the project to the intrapreneur, with the inherent risks, but at the same time makes available the resources of the organization and offers a framework where he/she feels free to create and give the full selves to the idea.

While the entrepreneur feels motivated to be able to value his innovative idea, the organization offers incentives and encourages him/her to complete the project successfully. Entrepreneurial posture is considered to influence firm performance directly and to be influenced by environmental characteristics, the business and mission strategies of the firm, and organizational variables such as resources and competencies, structure, culture, and top management values (Russell, 1999).

#### **4. The process of intrapreneurship**

The literature is offering a few models of the intrapreneurship process. A model that explains the intrapreneurial process based on a review of past theoretical and empirical research is proposed by Hornsby (1993). Later on, Deloitte (Kolev et al., 2015) has conducted a research based on interviews with successful intrapreneurs and innovation managers and concluded with five insights regarding the intrapreneurship:

- The intrapreneurship describes a bottom-up, person-centered approach to develop innovators who are employed in a company.
- The intrapreneurship brings talent, a new culture, competitive advantage and growth to a company.
- The intrapreneurs are not created; they must be sought and recognized in the company.
- The intrapreneurs know the company's rules and violate them.
- The intrapreneurship requires a different approach to the management (support, autonomy and responsibility, motivation, resources, communication, decision delegation, compensation).

The process of intrapreneurship is based on three important stages: (1) the intrapreneur has a vision; (2) the intrapreneur prepare and sell the idea to the organization and (3) based on the organization's resources the intrapreneur implement the project, making independent decisions, circumventing corporate barriers and the bureaucratic hurdles (Kolev et al., 2015).

Bouchard (2009) proposes an intrapreneurial route consisting of a succession of major stages. The major stages of the intrapreneurial route are (fig.1): (1) the detection of an opportunity; (2) obtaining an initial support; (3) obtaining an official agreement; (4) materialization of the project; (5) eventual exit.

##### **(1) Detection of an opportunity**

Opportunity detection refers to any action or project of the entrepreneur that could improve the performance of the corporation, such as competitive advantage, reputation, productivity, internal climate, costs and more. Thus, sources of opportunity to which the contractor may call may be the weakness of competitors (prices, quality, etc.), customer needs, raw material prices, technological innovation, use of creativity techniques, social issues, etc. An excellent idea can sometimes be a stalemate due to technical problems, exorbitant costs, and too tight a market. Therefore, it is useful to carry out an early evaluation of the opportunity, by testing the concept and realizing forecasts of the profitability threshold. Early evaluation avoids launching into a project that does not deserve to reformulate and improve the initial concept before engaging in its development. Since the entrepreneur belongs to an organization, it is necessary to strategically align

the opportunity with the strategic objectives of the organization. The co-transporter must also know what the strengths and weaknesses of the organization are in order to orientate their creativity in a good direction and to identify appropriate opportunities.

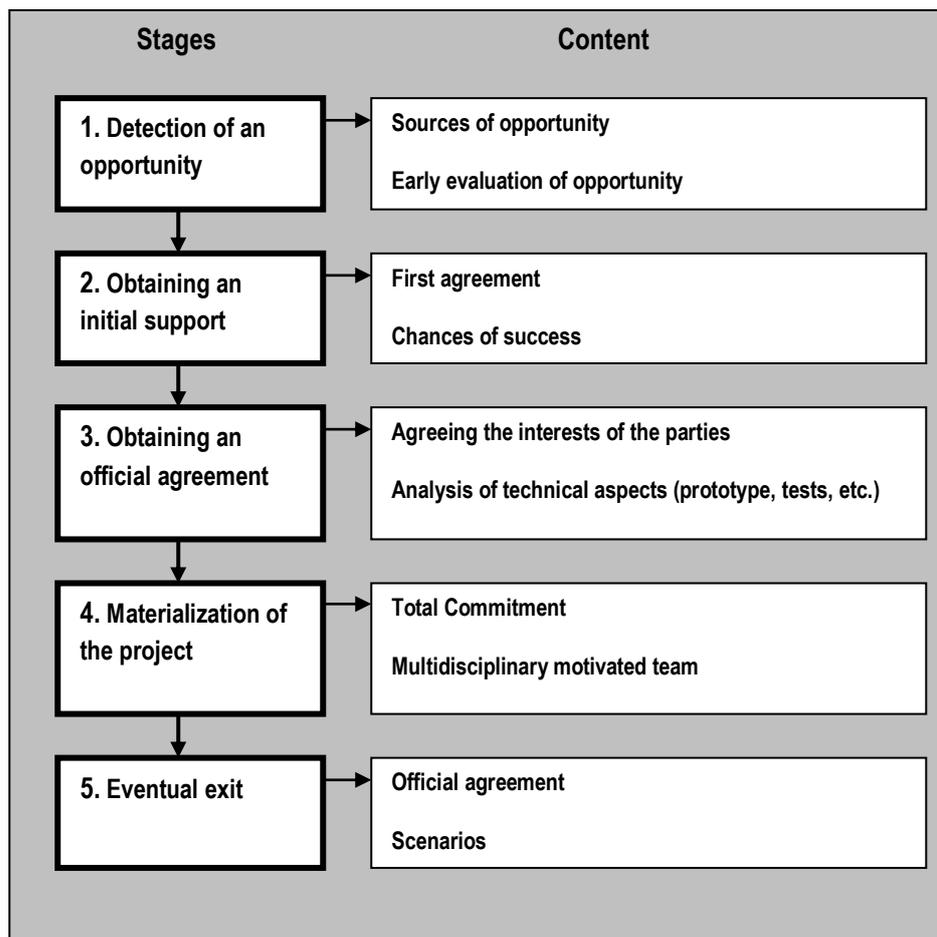


Fig.1 Intrapreneurial process

Source: a synthesis upon Bouchard (2009)

## (2) Obtaining an initial support

Depending on the degree of initial autonomy of the contractor, which depends, on the one hand, on the means necessary to start a project outline, and on the other hand on the ability to mobilize resources on an informal basis, obtaining the support of the organization can take various forms. Refining concepts, designing a prototype and drafting a business plan can be done either by relying on the support or official support of a key actor, whether in the shadow, relying on informal networks and resources Accessible through them. But sooner or later the entrepreneur will face the limits of the informal approach and will need to seek support at the top of the organization's decision. Its successful chances increase if:

- the entrepreneur is known and appreciated by hierarchical superiors;
- the project is attractive and aligned with the strategic objectives of the management;
- the organizational context is globally favorable.

Of particular importance is the finding by the sponsor of the sponsors. If it has problems of visibility, reputation or experience, the contractor must quickly find one or more protectors. Lack of experience, lack of knowledge of key actors and their interests or absence from the network can be major obstacles to successful intra-entrepreneurship. To compensate for these deficiencies, the advice and protection of influential managers are essential.

### (3) **Obtaining an official agreement**

If in the second stage the entrepreneur relies on diplomacy, at the stage of obtaining an official agreement from corporate leadership, he/she will try to manage the project. The official agreement implies:

- Increasing engagement of the entrepreneur who now has to work on his project, continuing to fulfill his usual tasks;
- Managing a mini team of contributors;
- Allocating a minimum budget for the needs of the project;
- Increasing visibility of the project and, consequently, the manifestation of the first true organizational strengths.

The success factors at this stage are:

- *Taking into account the interests of the stakeholders* in the design of the project allows the neutralization of the resistance and even the active cooperation of the interested parties.
- *The development of a well-designed prototype* as the development of a convincing prototype, the management of a pilot experiment or the development of tests is the essence of the entrepreneur's activity and may require more intense engagement and significant resources. Instead, the slightest technical imperfection can disqualify the project.
- *Drawing up a good business plan.* The business plan has several important functions:
  - Its elaboration constitutes a heuristics that allows the entrepreneur to clarify, improve and verify the validity of his concept;
  - The plan must persuade decision makers to invest in the project;
  - It will serve as a strategic plan in the successive phases of project implementation.
- *A constant effort to promote the project.* In most cases, the contractor's project may be in competition with other projects that can be equally attractive. At this stage, it is about convincing the management of the intrinsic value of the project and demonstrating its superiority and urgency.

### (4) **Materialization of the project**

The project's milestone marks an important turning point in the intra-traineeship and has a more irreversible character than the previous stages: for the enterprise, as a result of the investment with which it has to agree and for the contractor as a result of the total commitment before it has to be his own. The intransigent will need a motivated multidisciplinary team. His / her priorities are evolving. Design and communication become less important, now it's about allocating resources, managing a team, meeting deadlines and achieving results. But he/she must have fruitful ties with the rest of the organization because the success of the project depends not only on the work of the team but also on the cooperation of a multitude of internal actors (IT, legal, production, sales, etc.) to persuade them and to mobilize them. The operational phase is the moment of the project's truth and requires flexibility and risk control as the guidelines and project features can change considerably if the changing context demands or the factors that have been omitted so far. An intrapreneur must be pro-active, flexible and know to take certain risks.

### (5) **Eventual exit**

This last step is not mandatory because the intra-project project sometimes becomes an activity that the initiator will naturally continue to manage and develop over time. But the entrepreneur must anticipate a possible exit, prepare scenarios, and be prepared to expose his expectations as skillfully as possible.

**5. A Model of the process of innovation in the corporate intrapreneurship**

Innovation is the main success story of a corporation, and in turn, the intrapreneurship is the main way to bring novelty to the corporation. On the basis of the context presented in the chapters above, the conceptual model of the innovation process in the corporate intrapreneurship (figure 2) is configured.

The intrapreneurship cannot be considered but in the innovative corporations having open minded management towards innovation. Such an organization has a well-defined strategy based on innovation and creativity and adapts its strategic needs to market requirements (products or services, technologies, processes, and systems), but also to its own (growth or survival) goals. Even under these conditions, intrapreneurs encounter a series of obstacles that do not relate to the innovative project or idea, such as envy of colleagues or superiors, refusal of more resources, change of senior management and loss of sponsorship, changing the preferences of the beneficiaries and others.

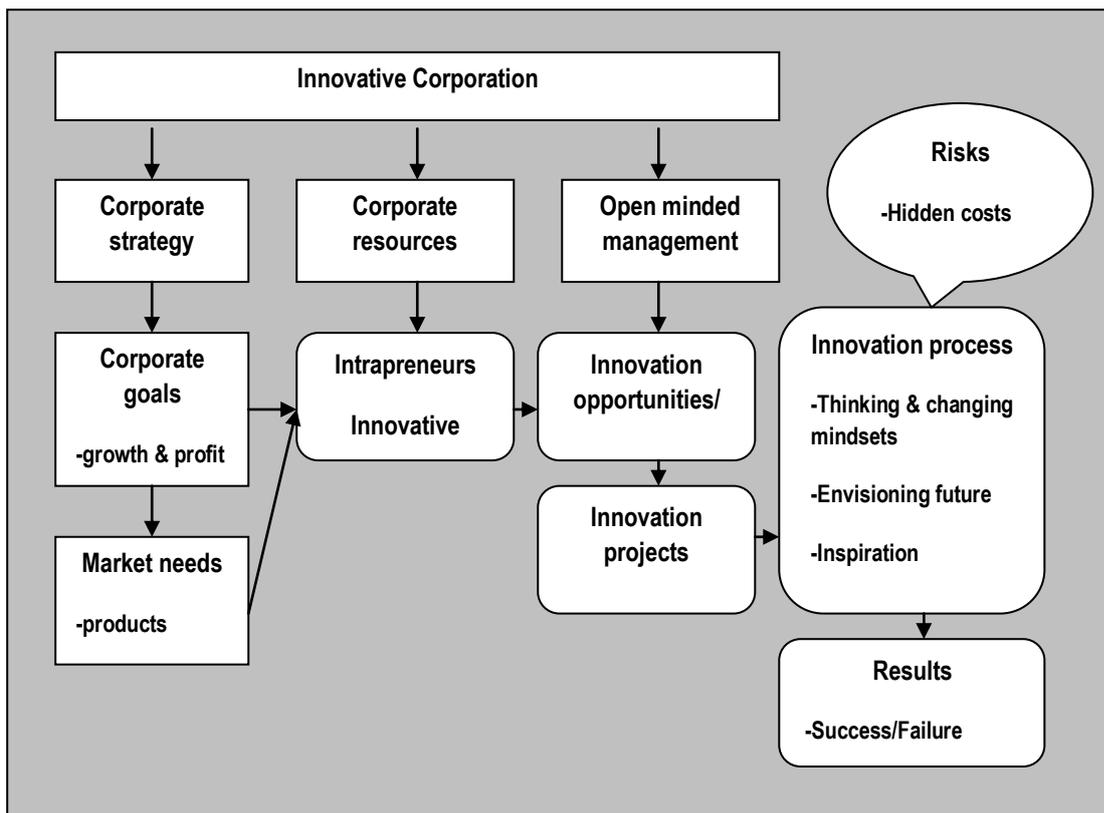


Fig.2 The model of the process of innovation in the corporate intrapreneurship

The innovative corporation allocates the necessary resources to the contractor and his team that discovers innovation opportunities and develops projects to meet all challenges. The innovation process consists of thinking & changing mindsets; envisioning future; inspiration; action learning; focusing on voices; creativity applied and tests & checking.

The intrapreneur is assuming all the risks inherent to the project, such as hidden costs, market rejection, under-expected technical parameters, system hurdles and others. As Maital & Seshadri (2007) have underlined, “the greatest risk is to attempt to avoid risk”.

The results of the innovation process can be: the success, when the idea put into practice creates value or failure when the idea is finally inefficient.

This model is useful for the innovative corporation and for the corporations that are willing to become innovative. Carrier (1996) stressed that “it is somewhat surprising that the research into intrapreneurship has so far concentrated exclusively on large organizations, even though small businesses face the same need for innovation if they are to be mainly competitive”. Having in view this statement, the proposed model could be extended to be used by the small business, as well.

### Conclusions

In order to gain competitive advantage and develop successful businesses, most corporations take the innovation into consideration either through their own research centers or in partnership with other corporations. Some employees with original ideas want to value them in their own business, so they leave the company and become entrepreneurs. In order not to lose employees who identify an innovation opportunity, have original ideas and passion in developing and implementing these ideas, some corporations support them through motivation and recognition and provide them with the necessary resources. In these corporations, employees become entrepreneurs for the benefit of organizations, i.e. intra-entrepreneurs. The corporation creates the conditions for the entrepreneur to get ideas to become a project for the organization’s benefit.

The intrapreneur considers his dream as being possible to become a reality and puts his creative capacity, passion, and talent in that project and assumes the entire responsibility and the associated risks. If the project is successful, the intrapreneur can become a manager in delivering the innovative products or services or the innovated technological process.

The intrapreneurship can be implemented by any organization (corporate or small business), with the condition that the opportunity and innovative idea of the intrapreneur to fit into the organization's strategy, the organization has the necessary resources and it wishes to motivate him/her.

The proposed model of the process of innovation in the corporate intrapreneurship can be a useful tool for the managers.

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