

# Taking Advantage of Intra-entrepreneurial Innovation Before Open Innovation

*António Rodrigues*

*(ISEC Lisboa, School of Management, Lisboa, Portugal)*

**Abstract:** It is often thought that entrepreneurship refers only to the creation and start-up of new businesses, but there are different kinds of entrepreneurial activity. There are those who create companies and there are those who transform or improve them.

The “intrapreneurship” refers to the initiatives of employees within an organization to face something new without anyone asking. Therefore, the “intrapreneur” focuses on innovation and creativity, and transforms an idea into a profitable business operating within a corporate environment. The “intrapreneurs” are “internal entrepreneurs” that go after the objective of the organization.

Open innovation, or also called collaborative innovation, is a strategy born at the beginning of this century and based on collective intelligence.

While most companies have been developing closed innovation, hiring professionals in their offices with the intention of solving all their research, development and innovation (R&D&I) problems, with total secrecy and always fearing the leakage and leakage of knowledge abroad, the most innovative companies today involve employees, customers, students and other companies in their innovation processes taking advantage of collective intelligence. Open innovation also includes working with government agencies, networking organizations and universities.

The news highlights the insufficiency of the traditional innovation system to maintain the competitiveness of organizations in the current ecosystem. Another system is necessary to capture value from various sources of innovation located both inside and outside the organization and this is done through the openness of the organization abroad by first recognizing and valuing intra-entrepreneurial innovation.

**Key words:** intrapreneurial innovation; open innovation; organizational culture

**JEL code:** M10

## 1. Open Innovation

Over the past 50 years, innovation models have evolved from simple linear models to more complex, systemic and interactive models. Traditionally, innovation has been framed above all within the Research and Development (R&D) department of organizations, so a directly proportional relationship was established in which the higher investment in R&D, the higher levels of innovation were obtained. Innovation has traditionally been

focused on the industrial sector, treating innovation only from the perspective of technological innovation.

The innovation processes of organizations must offer an answer both to the unpredictability of the markets and to the opportunities currently available. The world has changed, it is no longer the same as a few years ago where everything was more or less stable and predictable. There are now a number of external factors that force organizations to manage their processes in a different way, in a much more open way.

Various scholars of open innovation have different nuances of what an open innovation system is, but in the end open innovation means that organizations can make use of external resources and best practices to complement the value of their own assets. innovation, obtaining greater return on investment.

According to the AT Kearney report (Joachim Ebert, Sumit Chandra & Andreas Liedtke, 2008), there is no company large or innovative enough to be a leader in innovation without collaborating with a set of partners.

In this new environment, organizations need to lead and properly interpret the opportunities in their innovation networks, in addition to flexible skills to capture customer needs, assimilate new capabilities and execute them.

The transition from a closed innovation model to a more open one requires not only changes in the innovation process itself. The changes must be structural, from the organizational culture to the business model, through technologies, intellectual property management etc.

The effectiveness of open innovation is not limited to a few elite companies. It makes more efficient use of internal and external knowledge of all types of organizations (Chesbrough, 2014).

According to a study by the consultant AT Kearney (Matthieu Chanville et al., 2008), the most successful organizations are committed to open innovation. They are organizations that work with a much larger network of partners and collaborate both up and down in the value chain.

## **1.1 Aspects That Contribute to Open Innovation**

### **1.1.1 Globalization**

In a world where globalization is already a fact and competitors are lurking from across borders with hardly comparable competitive advantages, organizations need to be excellent in order to continue competing. The market is the world and competitors can access the local market of another organization. The good news, on the other hand, is that the portfolio of potential new customers has increased. Customers can be anywhere in the world.

### **1.1.2 Loss of Competitiveness**

The R&D models of the twentieth century are increasingly marginalized by market strength. High investments do not guarantee commercial success in an ecosystem where users can switch to an alternative product easily and without warning.

Industries therefore need to maintain their competitive advantage through collaboration with their natural allies (technology centers, universities), but also with their own competitors, users and workers.

### **1.1.3 More Demanding Users**

Users have ceased to be simple consumers of products where their way of acting with respect to the product was passive and have become much more active. So active that we could say that they also play the role of producers. Therefore, a new concept, that of “prosumer”, has appeared to designate those who create goods, services or experiences for their own use or enjoyment, rather than to sell or exchange them.

According to Tapscott and Williams (2007) talk about “prosumption” as a union of the concepts of production and consumption. Under this paradigm, the company provides users with a framework of participation and it is the latter who ultimately evolve the product with their decisions. Therefore, the main function of the company is to evolve its creation in the direction marked by consumers.

#### 1.1.4 Democratization of Technologies

The democratization of technology is evident when in the developed countries the level of adoption of new technologies increases rapidly and in developing countries the level of adoption is really high.

As access to powerful new digital, electronic and new media technologies becomes easier and easier thanks to innovation and the constant decline in prices, the creation of value, products and good content are no longer the exclusive heritage of large corporations or teams of financially equipped investors. And if we combine this factor with that of globalization and the ability to be in touch with the world through the Internet, we obtain great potential for the massive collaboration of passionate people who carry out their own professional activities, but who do so in their free time and therefore without receiving a salary in return.

According to Charles Leadbeater (2004): “there are going to be more professional-amateurs (pro-am) in different facets of life that are going to mark an important influence in society: socially, politically and economically. For pro-ams, pleasure is not passive but active and participatory consumerism”.

#### 1.1.5 A Very Fast World

We live in a world that moves at high speed, time has become a fundamental factor when developing any activity.

## 2. Intrapreneurial Innovation

At present, the introduction of constant technological changes together with the growing competition have created a new environment for organizations. The use of creativity and innovation allow companies to maintain or gain a recognized position in the market. They therefore require entrepreneurial agents with the ability to manage innovation permanently within the organization. However, companies do not always encourage entrepreneurship or create an adequate climate that allows them to take advantage of the innovative skills that employees may have. It is common to find the loss of employees with an entrepreneurial mindset, who are demotivated by bureaucratic organizations, as well as a devaluation of the contributions, suggestions or projects presented by the agents of the organization.

They are then proactive individuals with a high need for realization. Therefore, openness towards new opportunities is one of the dimensions of intrapreneur activity. This strategic behavior allows generating new businesses within the same organization.

In 1992, The American Heritage Dictionary recognized the popular use of a new word, intrapreneur, with the following meaning: “Person within a large company, who assumes direct responsibility to transform an idea into a profitable end product through innovation and taking risks assertively”. The “intrapreneurship” is currently known as the practice of a corporate management style that integrates approaches that involve risk taking and innovation, as well as reward and motivational techniques that are more traditionally related to the world of entrepreneurs. The term “intrapreneurship” was used in the mass media for the first time in February 1985 by Time magazine in its article “Here comes the Intrapreneurs” and then the same year by another leading publication in a quote by Steve Jobs, President Apple Computer, in an interview in the Newsweek article of September 1985, where he said:

“The Macintosh team was characterized by what is now known as “intrapreneurship”; Only a few years before this word was invented, a group of people essentially went back to the garage, but within a large company. ”

The need to achieve entrepreneurial behavior seems extremely important in a world in constant evolution and growing competition, thus becoming a good of high value for all types of companies. This is because organizations that have lost their entrepreneurial spirit sooner or later stagnate, since they are surpassed by more dynamic companies. Inertia and conformism can be harmful, so it is necessary that the entrepreneurial spirit is revived within the organization and the emergence of a true internal entrepreneur is encouraged, with high proactivity against the new scenarios that the company lives (Veciana Verges, 1996).

The corporate process, also known as venture-management, is the activity that aims to generate new business for the company that performs it through the development of new innovative business projects within it. It is generated by an entrepreneur within the framework of an organization, known as intrapreneur. He is the person who assumes personal responsibility for the organization to which he belongs, through the innovation of concepts, products or services, whether through the renewal of existing structures, the formation of new ones or the creation of new products or production or management processes (Kuatko & Hoegestts, 2001).

Among the difficulties presented by the intrapreneurship, some authors state that it is a system in which large companies choose the idea, finance it, choose the person who will carry it out and then keep the property (Shulman et al., 2011). Others consider that an independent entrepreneur has another cost structure and another mentality. He is aggressive and very proactive. However, if someone is paying a stable salary then the incentive to undertake is restricted. Additionally, they argue that large companies generally do not attract innovative employees because they are not interested in being there.

We are in an environment that increasingly demands higher levels of competitiveness, which requires a great innovation strategy, defined within a great concept that includes the entire organization and its environment. A useful innovation for the company, that is operable, that gives results. For this there must be a culture of continuous improvement that accepts errors and small advances as well as large ones. A culture of research and continuous pairing between sources and opportunities must then have proactive management towards the continuous search for opportunities and be sensitive to future challenges and market demands.

The innovation is initiated by a certain type of person within the organization, which Pinchot defined as intra-entrepreneur. When these people start new companies we call them independent entrepreneurs, within large organizations we call them internal entrepreneurs; This term was born from the lack of innovation within companies; according to Lombriser, the concept of intra-entrepreneur has recently emerged as a response to the lack of innovation and competitiveness of large corporations. For Peter Drucker, innovation is the specific function of the entrepreneurial spirit, both in an existing company or in a public institution and in a new business, set up by a single person in the kitchen of his home.

All of the above implies the need to achieve mental and cultural openness in organizations, including a thorough review of the assumptions on which the management of learning, creativity and innovation rests, as well as the intra-entrepreneurs who learned in the program. they become facilitators of the stages required for innovation based on internal entrepreneurs.

Since the beginning of the last decade of the twentieth century, the expression “organizational learning”<sup>1</sup> and, lately, the theories on “Knowledge Management”, conquered the covers and the best spaces of publications

---

<sup>1</sup> Concept that first appeared in a publication by Miller and Cangelotti (1965).

specialized in organizational theory, business and administration.

The vast majority of authors on this controversial issue seem to agree on three basic principles:

- In all organizations, because they are social, there are practices of organizational learning, totally or partially.
- The phenomenon of learning takes place uniquely in terms of speed, content and scope in each organization.
- Organizations that seek to facilitate, rather than block or over-control learning practices among their employees, have a greater opportunity to achieve their goals.

The theory based on knowledge is defined as the set of processes that use knowledge for the identification of existing intangible assets, as well as for the generation of new ones.

Taking into account what is stated in the theory of resources and capabilities, knowledge is presented as a basic strategic resource that we can locate primarily in people (human intelligence), in the organization (values, culture, management styles, methods of work) and in the market or environment surrounding the organization (customers, suppliers, distributors).

Knowledge management is, in short, the management of intangible assets that generate value for the organization. Most of these intangibles have to do with processes related in one way or another to the acquisition, structuring and transmission of knowledge. Therefore, knowledge management has its main tool in organizational learning; It is a dynamic or flow concept.

### **3. Intrapreneurial Innovation in the face of Open Innovation**

If, on the one hand, open innovation allows organizations to reduce costs in innovation processes, causing the acceleration of innovation and the development of new products and services, thus increasing profits and market share and increasing the creativity of the organization itself.

On the other hand, it is necessary to cultivate a culture of innovation and intrapreneurship that can produce new ideas and new ventures. However, the strategy necessary to develop this type of culture cannot be completely organic. It must be carefully designed and actively managed. This implies the implementation of systems and programs that encourage and encourage employees to develop ideas, collaborate, experiment and even dream, and then ensure that they can share the benefit if their idea is implemented or marketed.

It is not about valuing one more to the detriment of another, both can coexist, but in terms of valuation of the collaborators and in a talent retention optics, first take advantage of the capabilities of the collaborators inspiring people to think beyond their position immediately, encouraging them to take risks within a predefined framework and allowing them to participate in any economic gain as a result of their work.

It is not enough for companies to simply encourage employees to innovate internally. They must implement programs and processes that provide workers with the means, motivation and opportunity to do so. However, beyond this, instilling an intrapreneur mentality requires that people at all levels of an organization reflect on the objective of the work and the parameters of the workplace. Decades ago, it would have been unthinkable for an employee to devote more time to the development of a new idea than to fulfill its main function. However, in the current environment, this new idea can end up generating much more value than the product of the employee's daily work.

Corporate entrepreneurship programs cannot be installed once and for all, but they need to be evaluated and reformulated promoting links with the external environment. If the results are not satisfactory then the company can in an open innovation perspective work with its network of partners that collaborate both up and down in the value chain.

In sum, in the open innovation processes, the task of incorporating and/or mixing external knowledge with that existing internally in the organization is key.

#### **4. Conclusion**

Companies are committed to innovating in their various business units to be able to meet these needs. One of the trends to innovate and undertake within the same company is to bet on an intrapreneurship strategy.

Intrapreneurs have a creative and innovative vision like any entrepreneur, the difference is that they apply their proposals in the company where they work.

One of the great taboos in the field of intrapreneurship is, how to carry it out in practice? Many of the big companies are already opening up to this new concept, which breaks with what is established, to change and be more flexible by giving their workers the opportunity to be proactive by simulating a start up within the company.

According to Victoria Balboa<sup>2</sup>, “Internal entrepreneurs can resume existing projects and promote them. There are many cases where a collaborator, realizing the potential in a product or service that is not necessarily in his area, adopts it, turns it around and makes it a success”.

That is why applying this concept can motivate companies to look for new projects and pay attention to their future with new products and/or services.

a) The possibility of having the necessary resources for the realization of new projects, favors the motivation of the employees to initiate entrepreneurial actions.

b) The permanent commitment of senior management towards an entrepreneurial culture is vital for the development of corporate entrepreneurs.

In line with a corporate venture capital strategy or instead, companies must look inward for innovation. Employees prove to be smart and capable intrapreneurs who require the means, motivation and opportunity to develop their ideas. Not all companies must invest in startups to ensure growth in constantly changing markets. Future-looking companies will invest in the ideas and native talent of their organizations to deploy a startup culture that helps them grow internally.

In the first place, it must be innovated from the inside out, in order to give value to all those ideas and own innovations offering them to the market. Second, innovate from the outside in, that is, allow access to external knowledge that is in line with the company's business model.

Open innovation will go beyond collaboration between two companies. In the future, the design and management of innovation communities will become more relevant (Chesbrough H., 2014).

Therefore, we can say that open innovation is based on dialogue between internal and external stakeholders. Currently it is not possible to innovate without the collaboration between the different participants of a company such as: the employees themselves, customers, suppliers, etc. As a result, business limits are diluted, allowing the integration of internal resources with others from other companies that will provide greater value.

---

<sup>2</sup> Head of Marketing Communications & PR de Edenred México.

## References

- Castrillón M. G. (2014). *Cómo Impulsar La Innovación Intraemprendedora*, Universidad Empresa. Colombia.
- Chesbrough H. (2014). “Innovación abierta. Innovar con éxito en el siglo XXI”, in: *Reinventar la Empresa en la era Digital*, Madrid, BBVA.
- Fernández V. C. (2011). “Innovación y el espíritu emprendedor”, EOI.
- Kuatko D. and Hoegestts R. (1992). *Entrepreneurship a Contemporary Approach* (2nd ed.), USA, Driden Press.
- Shulman J. M., Cox R. A. and Stallkamp T. T. (2011). “The strategic entrepreneurial growth model”, *Competitiveness Review: An International Business Journal*, Vol. 21, No. 1, pp. 29-46.
- Tapscott D. and Williams A. D. (2007). “Wikinomics: La nueva economía de las multitudes inteligentes”, Ediciones Paidós Ibérica.
- Veciana Verges J. (1996). “Generación y desarrollo de nuevos proyectos innovadores”, *Economía Industrial*, Vol. 310, España.