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INTRAPRENEURSHIP, STARTUPS & INNOVATION: A COMPREHENSIVE USERS MANUAL

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Abstract

Today's mostly mistaken overuse of the terms Intrapreneurship, Startups & Innovation, indicates that an academic in-depth review focused exclusively on them is actually needed. Since it seems quite simple to identify them, this work main objective is to define these three concepts focusing mainly on their own characteristics. The basic difference between intrapreneurship and entrepreneurship is that the first one is innovative activity that happens within an established company, whereas the second is pursued through a new firm (i.e. a startup) founded primarily for that purpose. One of the most challenges that all intra/entrepreneur face is the need to growth. As growth is a crucial everlasting part of all organizations, it implies continuous increase of sales, purchases, number of employees and profits, among many others. Innovation is considered one of the main sources for enterprise growth but also finding the right strategy to implement this innovation. Most of the organizations' innovation are derived from inside. Innovation is a new service, product, an adaptation of the already existing, a new process involved in their creation, or for instance a new or different way how to get the costumers. Only once the change is finally delivered to the market and available for the interested actors it might be considered properly as an Innovation, otherwise it remains just as an idea or invention. In order to clarify Intrapreneurship, Startups & Innovation meanings and to provide the reader with as general as accepted definitions, several examples will be shown, mainly from author's own professional and academic career. Moreover: some practical suggestions will be shared, since we are talking about doing business, that means the real world.

Keywords: Intrapreneurship, Entrepreneurship, Startups, University Hub, Innovation

INTRODUCTION

The basic difference between Intrapreneurship and Entrepreneurship is that the first is innovative activity that happens within a large, established company, whereas the second is pursued through a new firm (for instance a startup) established primarily for that purpose.

Ibrahim (2016), argues that an intrapreneur is commonly thought of as an employee inside a large corporation who stays in-house to pursue her idea rather than leaving to form a startup. According to Blanka (2019) intrapreneurship has increased in Importance due to the crucial role of entrepreneurial employees with regard to innovation and competitive advantage, but research concentrating on individual intrapreneurial employees is rare. She distinguished between corporate entrepreneurship, entrepreneurial orientation and intrapreneurship.

While intrapreneurship is widely researched from the viewpoint of managers, it is scantly investigated from the standpoint of employees. Up to date, researchers overlooked employees' perceptions concerning the quality of support they receive from their organisation and its impact on their intrapreneurial behaviour.

An *intrapreneurial venture* can start from the very scratch, but sometimes if the company has the required resources to purchase it ready, then makes the decision to engage in a plug-in process by purchasing a firm. This kind of inorganic growth (M&A) avoids wasting time, trial and error´s costs and personal risks.

As per Neesen & Caniels (2019), the literature on intrapreneurship is dispersed and in need of an integrated overview of the characteristics and behaviors of intrapreneurial employees. They found that innovativeness, proactiveness, risk-taking, opportunity recognition as well exploitation and internal or external networking are important behavioral dimensions of intrapreneurship. A certain skillset, a perception of their own capabilities, personal knowledge, past experience, the relation with the organization, motivation, satisfaction and intention are the determinants of intrapreneurial behavior.

Itzkovich & Klein's (2017) findings indicated that organisational support is positively correlated with intrapreneurship and that organisational support fully mediates the relationships between incivility and intrapreneurship.

Parker (2009) explored the factors that determine whether new business opportunities are exploited by starting a new venture for an employer (*nascent intrapreneurship*) or independently (*nascent entrepreneurship*). He found that entrepreneurs tend to leverage their general human capital and social ties to organize ventures which sell directly to customers, whereas intrapreneurs disproportionately commercialize unique new opportunities which sell to other businesses.

Braunerhjelm, Ding & Thulin (2017) introduced *The Knowledge Spillover Theory of Intrapreneurship*, examining how labour mobility impacts innovation distributed by firm size. They provide new evidence that knowledge workers' mobility has a positive and strongly significant impact on all firms' innovation output, measured as patent applications. According to their findings, the patterns and effects do however differ between large and small firms. Furthermore, for small firms, intraregional mobility of knowledge workers who have previously worked in a patenting firm (the learning-by-hiring effect) is shown to be statistically and economically highly significant, whereas only limited impact could be detected for firms losing knowledge workers (the learning-by-diaspora effect).

Antoncic & Antoncic (2011) demonstrate that organizational performance, growth and development depend considerably on entrepreneurship in existing organizations (intrapreneurship) and intrapreneurship employee-related antecedents.

Proposals for new deals/ventures are frequently presented directly to the Board of Directors or to the CEO by external brokers, and analyzed by managers and experts employees, what is called a descendent path. The CDO firstly will request a in-depth evaluation, but later, in case he/she shares the project, will endorse and recommend the new business opportunity. Then, the Board of Directors have to decide if to commence it from the very scratch or to seek for a company (the target firm) which fits better with their own strategy. The task can be assigned to an external broker, or to an expert employee.

The previous, as the market (shareholders, eventual investors, customers and suppliers) usually rewards a good evaluated M&A when is announced, since it represents a threat for current competitors as well a barrier for potential ones. The descendent path is easier for the managers as the new project already passed the filter of the Board, therefore is expected from them a professional report with several amendments and changes but usually sharing this eventual acquisition.

The direction can be exactly by the contrary an ascendent road, when the idea is presented by an employee and later assigned to the Business Development Department. Intrapreneur's idea must be turned into a detailed plan. Assuming the Business Plan draft an employee presented (even informally) has a strong basis, accurate figures and it´s aligned with companies timing, goals and culture, then the new venture proposal will be moved forward by the managers and finally the project probably will be approved by the Board of Directors. Take note this ascendent path is even harder than those faced by entrepreneurs when looking for investors as the Board of Directors will commonly accept only very attractive new ventures that promise profits above the company's current one. Intrapreneurial ventures need as much analysis as entrepreneurial ones do, yet they are rarely accepted. Instead, inside large firms, new business get proposed in the form of capital budgeting request.

Commonly, a Business Plan never has been submitted that did not promise returns in excess of corporate hurdle rates, even exagerating predicted outcomes. Altringer (2016) at the *Harvard Business Review* argues that intrapreneurial projects fail between 70% and 90% of the time, but a good explanation for this rate might be the expected very high returns demanded from the managers' Business Plan in order to approve any ascendant path project, therefore the predictions are not conservative enough. Anyway, despite not reaching BP goals these "failed" ventures level of success is more than acceptable.

Intrapreneurship, like at any new venture, is requested to decide what to do:

- An entirely new idea, product, service, process, approach?
- An improved version of something that already exists?
- Cheaper than the others?
- More reliable as to delivery or after-sales service?
- More readily available to local customers?
- More suitable for an unsatisfied niche?

Before sharing your venture idea with your current company is suggested to consider:

- Your level at the company, type of labor contract and seniority.
- Is expected from you to rise such kind of projects? Are you working at the BD Division?
- Is your supervisor updated from the beginning related this idea? Is he/she supporting you?
- Is your direct staff and peer sharing your intention to present the project?
- Is the project aligned with the culture of the company?
- Is it the right moment to present a new venture? Have you checked your superiors' timing?
- Is this future project invading other managers areas?
- Do the project suits with company timing or is better to defer any presentation?
- Is this project aligned with the company strategy? Is it affordable?
- Is the CEO looking for new ventures or is he/she comfortable with the current situation?
- Has your immediate audience (peers and managers) a strong academic background?
- Is the company a familiar one?
- Is it controlled by an as independent as professional Board of Directors?

Even in your first informal presentation you must be clear, brief, logical, truthful, back up words with accurate figures.

ENTREPRENEURSHIP & STARTUPS

Even entrepreurs are outsiders due their Independence level, they are not lone wolves at all. As sustained by Baum (2000) Porter (2005) and Mehra (2006) among many others, entrepreneurs have long considered interpersonal networking key for promoting their new ideas, especially in high tech circles.

According to Ellison (2007) more and more of this networking activity is shifting towards the virtual world. Communication through online social networks, such as Facebook, LinkedIn, Twitter and Instagram has become a major means of staying in touch with friends and business partners, complementing, and even substituting established communication channels such as e-mail and phone, not to mention all the current pandemic restrains that difficult personal interactions.

There are several possible startup definitions, the most recognized worldwide is that of a new venture that has a strong amount of innovation and is configured to grow rapidly in a scalable and repeatable business model. Specifically, startup can be innovative both for the business model itself and for the level of innovation of its products or services.

A startup can increase its size, and therefore its customers and its business volume, even exponentially without the use of proportional resources, therefore must be able to exploit economies of scale. Repeateable business model means that can be in different places and at different times without being revolutionized and only making small changes.

At the very beginning only the Hi-tech businesses active in the web or in the digital markets were defined as startups, being later extended to all new innovative manufacturing companies.

The term startup should not be confused with the start-up phase of an enterprise, which indicates the company's first phase of life, in which the entrepreneur begins to delineate organizational processes and investments.

Founders' first and hardest issue to face is funding, required to cross the Valley of Death. According to the "Californian Model", a startup can grow rapidly only if it succeeds in gaining big capital. To receive them, you often need to resort to third party resources, Business Angels, Venture Capital funds, who accept to take part in the venture risk only in exchange for quotas.

In order to convince any potential investor they need to present a strong Business Plan. The process of creating a BP is essential for successfully completing a project as it:

- Enables founders to enhance their reflection and planning skills.
- Increases the chances of success in launching a business.
- Helps guide risk-taking.

- Supports the performance of certain activities during the initial phase.
- Has a positive influence on founders' entrepreneurial competences.

The economic life of a startup can be subdivided essentially into 5 stages:

1. *Pre-seed*: It is typically the initial period, following the conception of the idea in which the entrepreneur evaluates the feasibility of the project and begins to examine the market opportunities and the competencies it possesses. Usually this stage ends with the Business Plan, the document used as a guide to the development of subsequent activities.
2. *Seed*: it is the period of time necessary for the technical-qualitative development of the project. Startup: Execution phase in which the company launches all its effects on the market where the product or service can be sold and you can count the first customers and the first revenue.
3. *Growth*: where the number of customers and sales increases and with them also the turnover. At this stage, additional capital injection may be needed to meet growing demand. At this stage the risks associated with the firm tend to be reduced, as we have multiple data available to analyze and study our reference market.
4. *Exit*: the strategy that involves selling the shares of the business, an action that affects investors, those who have focused and believed in a particular business idea, and that now want to quantify and obtain a return.

Startups can provide many advantages that established companies are craving for. KPMG (2014) sustains that startups can teach corporations new concepts and techniques, which help them to survive in the changes of their business environment.

According to Bonzom & Netessine (2016), corporations have 3 main reasons to cooperate with startups: the need to change, win-win outcomes and clear short-term or long-term value drivers.

As per the Helsinki Chamber of Commerce (2016) the need for fast development causes pressure for established companies to cooperate with startups.

On the other hand, startup founder main goal from the very scratch is to be acquired by a large company.

Moeller (2016) identifies 6 measures which can be used to predict the probability of a target startup to be acquired:

1. Growth: Target companies have higher growth than non-targets. The growth "premium" of targets becomes even higher during market downturns, recessions and periods of economic uncertainty.
2. Profitability: Private target companies are more profitable than private non-targets, whereas public target companies are less profitable than public non-targets.

3. Leverage: Private target companies are significantly more leveraged than private non-targets, while public targets have lower levels of leverage than public non-targets.
4. Size: Private target companies are significantly larger than private non-targets, whereas public targets are significantly smaller than public non-targets. Private targets are 63% larger than private non-targets.
5. Liquidity: Target companies have lower levels of liquidity than non-targets. Companies in the bottom two deciles for liquidity are on average 35% more likely to become acquisition targets in any given year than companies overall.
6. Valuation: Public target companies have lower valuation multiples than public non-targets. Public companies in the bottom three deciles for valuation are on average 30% more likely to become acquisition targets in any given year than public companies overall.

INNOVATION

One of the most challenges that all intra/entrepreneurs face is the need to growth. As previously said, growth is an essential part of all organizations, it implies continuous growth of sales, purchases, number of employees, profit and thus the normal growth of the enterprise.

Innovation is considered one of the main sources for enterprise growth but also finding the right strategy to implement this innovation Most of the innovation that are part of the organizations are derived from inside the own organizations.

Freeman & Soete (1982) sustain that *"The industrial innovation involves technical design, manufacturing, administrative and commercial activities related to the marketing of few (or improved) products or with the fi rst commercial use of a new (or improved) process or equipment".*

*As per G*ardiner (1985): *"…innovation does not only mean commercialization of a signifi can't advantage at the highest technical level (radical innovation), but it also includes taking advantage of small changes in the know-how (improvement or incremental innovation) …"*

Drucker (1985) argues that: *"innovation is the special tool of businessmen to utilize change as an opportunity for a different activity or service. It is possible to appear as a discipline, to be learned, to be practiced".* He argued that innovation is the tool of entrepreneurship. In addition, both innovation and entrepreneurship demand creativity, while the last is a process by which a symbolic domain in the culture is changed.

According to Porter (1990): *"enterprises acquire a competitive advantage through acts of innovation. They approach innovation in its broader sense, including new technologies and the new way to do things".*

The term innovation may refer to the process-conversion of an idea into a merchandised product or service, a new form of business organization, a new or improved functional production method, a new product presentation way (design, marketing) or even to a new service rendering method. Innovation may also refer to the design and construction of new industrial equipment, the implementation of a project with a new ew management or may refer to a new way of thinking to deal with a situation or a problem.

Technological progress and the parallel sociond economic changes take place through the realization of innovation. A society's ability to innovate constitutes a mechanism of renewal and development as innovation regards every aspect of any economic or productive process.

Innovation at organizations is mainly realized either by developing Innovation while entrepreneurship is about finding new creative solutions to address demanding challenges at all societal levels through looking upon problems from new perspectives and using resources in different original combinations in established as well in brand new firms.

Therefore, innovation is a new service or product, an adaptation of the existing, a new process involved in their creation, or even a new or different way how to get the costumers, for instance. Only once the change is finally delivered to the market and available for the interested actors it might be considered properly as an Innovation, otherwise it remains just as an idea or invention.

Entrepreneurship demonstrates the innovation by putting the idea or concept into practical use with the infusion of resources, be it capital or support of institutional leadership.

Christensen (1997) sustains that well-managed large corporations cater to existing customers and improve upon existing products rather than pursue disruptive innovations that create new products and new demand. To create an innovation climate inside a firm (promoting instead punishing new ideas) is crucial. Moreover, to facilitate innovation is required an according ecosystem.

Just for instance, Kandel (2018) argues that the Israeli technological innovation ecosystem is one of the most dense and active of its kind in the world, calculating the expenditure on R&D as a percent of GDP, the number of innovative companies per capita, VC investments per capita, or as a percentage of GDP.

As per Kohler (2016) the disruptive innovations in many industries start off in a bottom-up direction from startups, especially regarding technology and digitalization. That's the reason why it is relevant for established companies to collaborate with startups and keep up with the developments of the industry. Examples of such disruptive, digital innovations with a startup origin are the nowadays worldwide taxi service app called Uber.

Mocker (2015) sustains than open innovation, digitalization and new technologies are common reasons for established companies to start engaging in startup activities. According to Bain (2015) the need for regeneration and innovativeness applies to any industry.

Bonzom & Netessine (2016) sustain than even an established consumer goods company as Diageo uses startups in their accelerator program in order to generate new spirit brands, even though the company is not connected to technology at all. Experience shows that entrepreneurial disruptive innovations invade or occupy the large corporation's space.

Christensen (2017) claims that solving the *Innovator's Dilemma*, and having a large corporation pursue a concurrent sustaining/disruptive innovation approach, requires reducing 2 important *asymmetries* that exist within large corporations, these are:

1. *Asymmetric motivation:* only caring about upstream movements to higher-end products and customers.
2. *Asymmetric information:* organizational hurdles that prevent disruptive threats and potential responses to them from filtering up from employees to senior management.

First, should a corporate employee come up with a disruptive innovation at work, it may be unclear whether he/she owns it or whether her employment agreement assigns property rights to the corporation. The employee is then faced with a dilemma of her own. On the one hand, he/she could pursue intrapreneurship, which means disclosing the innovation to the superiors and putting the ownership question front and center. As an alternative, the employee can leave the corporation to form a startup, and probably have an easier claim to the innovation. Therefore, it takes an innovative employer (one with an intrapreneurial mindset) to assure an employee that she will reap the rewards of disclosing her idea and staying in-house.

Second, an employer must commit to intrapreneurship in another way: compensation.

Third, an employee gets a psychic reward from "going it alone" and becoming a successful entrepreneur that a large corporation may be unable to match. It is unclear whether an employee would feel the same sense of personal accomplishment. On the other hand, for risk-averse employees who know that most startups fail, the compromise of being able to pursue an innovative idea while keeping a steady paycheck favors intrapreneurship.

Finally, intrapreneurship ventures fail due the previous mentioned "Innovator's Dilemma", as corporate executives often bet the future of billion-dollar enterprises on an innovation.

In their article, Camelo-Ordaz & Fernandez-Alles (2011) analyze how the intrapreneur's demographic characteristics and personal values influence innovation performance in small creative firms. They have demonstrated that the intrapreneur's previous experience in developing and commercializing creative products and services, together with an Entrepreneurial Value System, constitute characteristics that positively affect a firm's innovation performance. Their paper made two main contributions: First, research on factors that stimulate innovation in small creative firms is scarce. Second, the article applies a cognitive approach integrating demographic characteristics and personal values, aspects that are rarely jointly explored in entrepreneurship research.

As per Karlsson, Rickardsson & Wincent (2019), to more fully understand the intricate dynamic relationships between diversity, innovation, entrepreneurship, and regional development there is a strong need to further develop “the economics of spatial diversity” based upon sound economic micro-foundations, the identification of a number of clear mechanisms amendable to rigorous empirical testing, including the identification of causal effects.

According to Hetzkovitz (2008) the interaction among university, industry, and government is the key to innovation and growth in a knowledge- based economy. Moreover: given the interrelatedness and complementary roles of innovation and entrepreneurship, there is need to address them together at theoretical and empirical levels within universities.

As argued by Drucker (2006), entrepreneurship and innovation are systematic behaviors, and therefore a systematic approach is required to integrate them into studies. Particularly important is to consider innovation and entrepreneurship from a knowledge perspective (creation, dissemination and application) in order to increase economic and social development, while preserving autonomy and sustainability of universities in the knowledge-based society.

As per Trimi & Berbegal-Mirabent (2012) open innovation, customer development processes, agile developments or lean methodologies have ushered in new ways to build products unlike anything we have ever experienced, facilitating the creation of technology-based firms. In addition, a new innovation paradigm: *co-innovation*, which incorporates convergence, collaboration, and co-creation in the innovation platform. All these approaches are focused on the use of quick iterations and train scheduling to build new features, products and processes. This co-innovation encourages the creation of products in a much faster time span, helping entrepreneurs to start a venture with greater assurance of success.

Traditionally innovation is viewed as taking place mostly within a single firm, however, many researches have proven that using innovation from inside the company (closed innovation) for entrepreneurial growth has its own limitations. As sustained by Huizingh (2011) the everlasting changes due to globalization improved market institutions for trading ideas, and the rise of new technologies, as well as new trends such as outsourcing, agility, and flexibility requires from organizations to leave the closed innovation approach and become network organizations.

Open innovation concept has many advantages:

- 1. It reflects social and economic changes in working patterns, where professionals seek portfolio careers rather than a job-for-life with a single employer. Firms therefore need to find new ways of accessing talent that might not wish to be employed.
- Globalization has expanded the market provoking an increased division of labour.
- Improved market institutions such as intellectual property rights, venture capital, and technology standards allow for organization to trade ideas.
- New technologies allow for new ways to collaborate and coordinate across geographical distances.

LIMITATIONS, CONCLUSIONS AND RECOMMENDATIONS

Despite the recognition of entrepreneurs' crucial role in our economic development, there are still controversies regarding the meaning and significance of their contribution. Current situation is even worse when related to intrapreneurship since is less known because it is a pretty new term, whereas entrepreneurship has a two centuries history.

Available literature on intrapreneurship (especially from an individual-level perspective) is very fragmented, and a valid measurement instrument is lacking. This review may contribute to the scarce literature written on the topic.

Due journal's article limitations, a more extended and detailed review regarding *Universities Hubs*, *Accelerators* and *Incubators* remains pending for a future research paper. Must be remarked the importance of collaborating with universities when introducing an innovation as they provide an as independent as professional support.

Further research regarding "Inclusive innovation" also remains pending as it requires a more extended article. The previous, because (despite the increasing attention paid) there is no common understanding of how the inclusive innovation notion is formed among researchers and experts.

Nowadays many companies are becoming knowledge-intensive, provoking an increased need of awareness regarding to know how the risks residing in the knowledge processes develops might impact employees' intrapreneurial and innovator behaviour.

By identifying the critical knowledge risk drivers and detailing how to manage these risks, the competitiveness of the firm can be improved. The most powerful variable residing in the knowledge processes flow is collaboration and communication among the actors involved.

When firms are part of a network, there are higher chances to expand in the market, as well to increase their size and sales. Open innovation for small firms makes it much easier to share technology with other partners. Is strongly recommended that government policies should be developed to initiate process of communication and collaboration, as well as monitoring it.

Commonly when employees promote innovation their superior's usual reply is: *"we have not resources for innovation".* By the opposite, the lack of resources should be the first reason to look for innovation inside any company. In nowadays global village we must recognize that as the industrial revolution belongs to the past, we are facing an innovation revolution.

Who wants to make sustainable business along the near future has no chance but to take part.

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