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INTRAPRENEURSHIP, CORPORATE ENTREPRENEURSHIP & INNOVATION: A BRIEF HANDBOOK FOR VISIONARY BUSINESSMEN

Abraham (Abi) Moskovicz, PhD
Facultad de Economía y Negocios
Universidad del Desarrollo, Chile
abraham.moskovicz@udd.cl

Abstract

Today's mistaken overuse of Entrepreneurship, Intrapreneurship, and Innovation, chiefly in business and academic discussions, indicates that a review focused on these topics is needed. These concepts will be defined, adding the idea of Corporate Entrepreneurship, focusing mainly on their characteristics. The fundamental difference between intrapreneurship and entrepreneurship is that the former is an innovative activity within an established company. In contrast, the latter is pursued through a new firm (i.e., a startup) founded primarily for that purpose. This work removes the current belief about startups' relevance in the global economy. This seems crucial since ventures launched in already existing companies account for more than 95% of millions of dollars invested in new ventures. An innovative idea started by an existing company can be an Intrapreneurship or a Corporate Entrepreneurship. Any venture raised in an existing company is almost always a Corporate Entrepreneurship, not an Intrapreneurship. As Executive Director, the author used to reject innovation due to the lack of resources, staff, and time; now, he realizes the opposite: there are precise reasons to innovate. Most organizations' innovations are derived from within. They can be a new service or product, an adaptation, upgrade, or improvement of an existing one, a new process involved in its creation, or, for instance, a new process or even a different way to attract customers. This work also aims to help you identify, beyond any hesitation, Invention, Creation, and Innovation.

Keywords: Corporate Entrepreneurship, Intrapreneurship, Innovation, Technological Change

INTRODUCTION

A brief Introduction to Corporate Entrepreneurship & Intrapreneurship

The fundamental difference between Intrapreneurship and Entrepreneurship is that the former is an innovative activity within an established company, whereas the latter is pursued through a new firm.

Ibrahim (2016) argues that an intrapreneur is commonly considered an employee inside a large corporation who stays in-house to pursue her idea rather than leaving to form a startup.

Blanka (2019) sustains that intrapreneurship has increased in relevance due to the crucial role of entrepreneurial employees in innovation and competitive advantage. She distinguished between corporate entrepreneurship and intrapreneurship. An internal venture can start from scratch, but if the company has the required resources, it may decide to engage in a plug-in process by buying a firm. Inorganic growth (like an M&A) avoids wasting time, trial and error costs, and personal risks.

As per Neesen & Caniels (2019), the literature on intrapreneurship is dispersed and needs an integrated overview of the characteristics and behaviors of intrapreneurial employees. They found that intrapreneurship's critical behavioral dimensions are innovativeness, proactiveness, risk-taking, opportunity recognition, exploitation, and internal or external networking. The determinants of intrapreneurial behaviour are a particular skill set, a perception of one's capabilities, personal knowledge, experience, the relation with the organization, motivation, satisfaction, and intention.

Itzkovich & Klein's (2017) findings indicated that organizational support positively correlates with intrapreneurship and 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 leverage their human capital and social ties to organize ventures selling directly to customers. In contrast, intrapreneurs disproportionately commercialize unique new opportunities that sell to other businesses.

Braunerhjelm, Ding & Thulin (2017) introduced *The Knowledge Spillover Theory of Intrapreneurship*, examining how labor mobility impacts innovation distributed by firm size. They provide new evidence that knowledge workers' mobility positively and strongly impacts all firms' innovation output, measured as patent applications. According to their findings, the patterns and effects 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. In contrast, only a 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 the CEO by external brokers and analyzed by managers and expert employees, called a descendent path. The CDO will first request an in-depth evaluation, but later, if he/she shares the project, he/she will endorse and recommend the new business opportunity. Then, the Board of Directors may decide to commence it from scratch or seek a company (the target firm) that fits better with their strategy. This task can be assigned to an external broker or an expert employee.

The market (shareholders, eventual investors, customers, and suppliers) usually rewards an evaluated M&A when announced since it represents a threat to current competitors and a barrier to potential ones.

The descendent path is easier for the managers as the new project has already passed the board's filter; therefore, a professional report with several amendments and changes is expected, but this eventual acquisition is usually implemented.

The direction is ascendent when an employee presents an idea later assigned to the Business Development Department. The intrapreneur’s idea must be turned into a detailed plan. Suppose the Business Plan draft an employee presents (even informally) with a firm basis and accurate figures are duly aligned with the company's timing, goals, and culture. In that case, the managers will move the new venture proposal forward. Finally, the project will probably be approved by the Board of Directors (usually requesting minor changes).

The ascendant path is even more complex than that entrepreneurs face when looking for investors, as the Board of Directors will commonly accept only beautiful new ventures that promise profits above the company’s current one. Intrapreneurial ventures need as much analysis as entrepreneurial ones, yet they are rarely accepted. New businesses get proposed inside large firms as capital budgeting requests.

Commonly, a Business Plan that did not promise returns over corporate hurdle rates has never been submitted, even exaggerating predicted outcomes. Altringer (2016) at the *Harvard Business Review* argues that intrapreneurial projects fail between 70% and 90% of the time. Still, a reasonable explanation for this rate might be the expected high returns demanded from the managers’ Business Plan to approve any ascendant path project. Therefore, the predictions

are not conservative enough. These “failed” ventures’ success levels can be considered more than acceptable.

Like any other, an internal venture is requested to decide what to do: An entirely new idea, product, service, process, or approach? An improved version of something already existing? 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?

Even in your first informal presentation, you must be clear, brief, logical, truthful, and back up words with accurate figures. As a result of an extended professional experience, it is suggested that before sharing your venture idea with your current company, consider at least the following:

- Your level at the company, type of labor contract, and seniority.
- Are you expected to raise such projects? Is your work at the BD Division?
- Has your supervisor been updated on this idea from the beginning? Is he/she supporting you?
- Do your direct staff and peers share 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?
- 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?
- Have your audience (peers and managers) a strong academic background?
- Is the company a familiar one?
- Is it controlled by an independent professional Board of Directors?

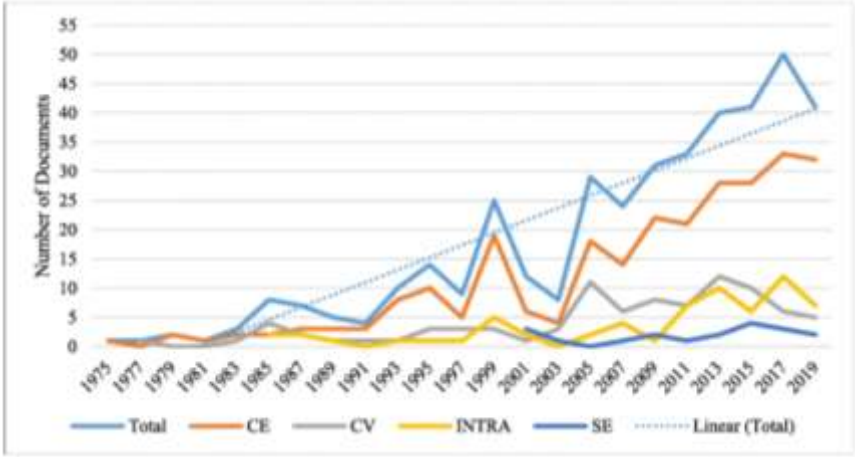

Table 1. Five Decades of Corporate Entrepreneurship (Springer 2020)

There are at least seven factors that will help you to differentiate an *Intrapreneurship* from a *Corporate Entrepreneurship*, despite both being launched in an already existing company:

Idea Origin and Ownership: An intrapreneur voluntarily assumes ownership, while a supervisor mandates the corporate entrepreneur.

Passion: The Intrapreneur is emotionally connected with the idea, while the Corporate Entrepreneur is not, as he was involuntarily recruited for the venture.

Level of Freedom: The Intrapreneur has the freedom and seeks room to maneuver, whereas the Corporate Entrepreneur has a limited and defined framework for the project.

Resources: Intrapreneurs have no capital, while Corporate Entrepreneurs enjoy easy access to company resources according to the assigned budget.

Personal Risk level: In both cases, it is low, but the Corporate Entrepreneur will not be held accountable if the project fails as he did not promote it.

Rewards: The Intrapreneur receives minimal material benefits, while the Corporate Entrepreneur receives incentives or bonuses.

Outcomes: In the case of the Intrapreneur, there may be transformative change, accomplishment, and inner fulfillment. In contrast, Corporate Entrepreneurship is expected to reach results according to the Business Plan in due form and time, as budgeted.

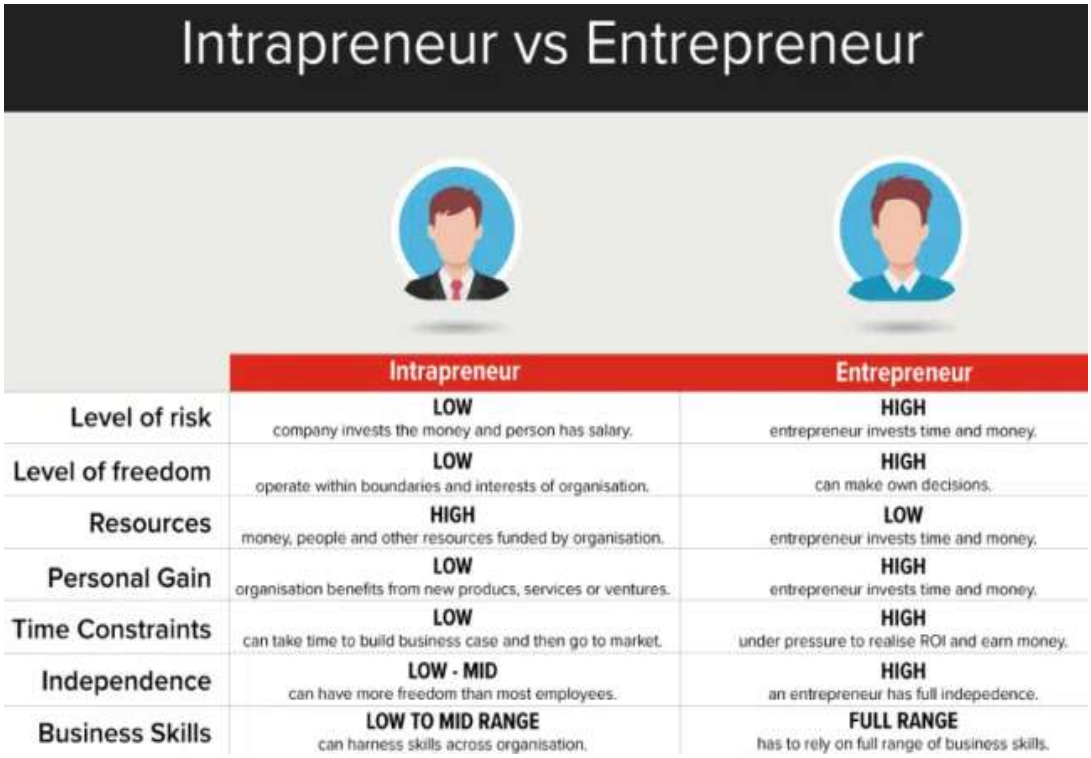

Figure 1. Intrapreneurs vs Entrepreneurs (Gary Fox Co 2020)

CREATIVITY, INVENTION & INNOVATION

One of the biggest challenges all intra/entrepreneurs face is the need to grow as a crucial and everlasting part of all organizations. It implies a continuous increase in sales, purchases, the number of employees, and profits, among many others. Innovation is considered one of the primary sources of enterprise growth, but finding the right strategy to implement this innovation is also crucial.

Creativity in business inspires challenges, helps people find innovative solutions, and leverages opportunities out of problems. It's why some companies attract us with new, amazing ideas while others merely follow the beaten path. Creativity is the source of innovation and inspiration. Businessmen can be taught creativity to help them become more valuable to their companies.

A creative concept is an idea that gets the audience´s interest. It is a unifying theme that can be used across all campaign messages, calls to action, communication channels, and audiences. Creativity allows managers to view and solve issues more openly and innovatively. Therefore, creativity opens the mind, broadens our perspectives, and can help us overcome prejudices.

Creative thinking is necessary for business problem-solving. This skill enables managers to find solutions where they are complicated and helps them see the problems they face from a new and different perspective, a key to business success.

Creativity can be developed with the following seven tips: 1) Practice, essential for creativity; 2) Discovering quality in quantity as creativity is not about perfection; 3) Look to the ordinary; 4) Collaborate with others; 5) Experiment with different styles; 6) Have confidence; and 7) Give your brain a refresh.

A creative strategy is a blueprint your company creates that outlines how to plan to meet specific goals and objectives, such as your company's brand identity, marketing, and long-term business growth. An effective creative strategy involves a mixture of strategic goals and innovative approaches to meeting those goals.

A balanced creative team depends on the diversity of styles. Single preferences are called clarifier, ideator, developer, and implementer.

Business change is usually very complex or data-heavy, so to make it engaging for those impacted, we apply creative thinking to visualize how we can communicate with clarity.

Ten ways to show creativity in the workplace can be identified: 1) Collaborate with others; 2) Be willing to take risks, 3) Focusing on your tasks; 4) Engaging in innovative problem-solving, 5) Challenging conformity, 6) Work independently, 7) Accept ambiguity, 8) Pay attention to every detail, 9) Learn lessons from constructive feedback, and 10) Have a strong work ethic.

An *invention* is an entirely new creation. The process of business innovation can produce an invention. However, the term is broader in scope. It includes the application of an existing concept or practice in a new way or applying new technology to an existing product or process to improve upon it.

Invention is the physical creation of a new concept or idea without verification that it works or is commercially valuable. An Invention is a new product or process created using U of T resources. Commercialization adds social and economic value to an Invention through intellectual property (IP) protection, licensing, or making a brand-new company from scratch.

Moreover, in patent law, an invention has a technical character, solves a problem, and has technical features. An invention with these features that are novel, inventive, and industrially applicable is patentable. Inventors create products and services, while entrepreneurs build companies around those products. People like Gates, Ford, or Jobs aren't people who invented something new; instead, they took what was already made and built organizations around them that could bring these inventions to scale.

Invention is about creating something new or significantly improving an existing concept, often in a laboratory or research setting. Innovation involves bringing these inventions to the market, adapting them for practical use, and creating value for consumers.

Only once the change is finally delivered to the market and available to the interested actors might it be adequately considered an innovation; otherwise, it remains just an idea or invention. Some authors even maintain that at least one unit should be sold to be considered an innovation.

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

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

According to Porter (1990), “enterprises acquire a competitive advantage through acts of innovation. They approach innovation in its broader sense, including new technologies, processes, and ways of doing *things”.*

*As per G*ardiner (1985): *“…innovation does not only mean commercialization of a significant 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, innovation and entrepreneurship demand creativity, while the last is a process by which a symbolic domain in the culture is changed.

Freeman and Soete (1982) maintain that industrial innovation involves technical design, manufacturing, administrative, and commercial activities related to marketing a few improved products or the first commercial use of a new/improved process or equipment.

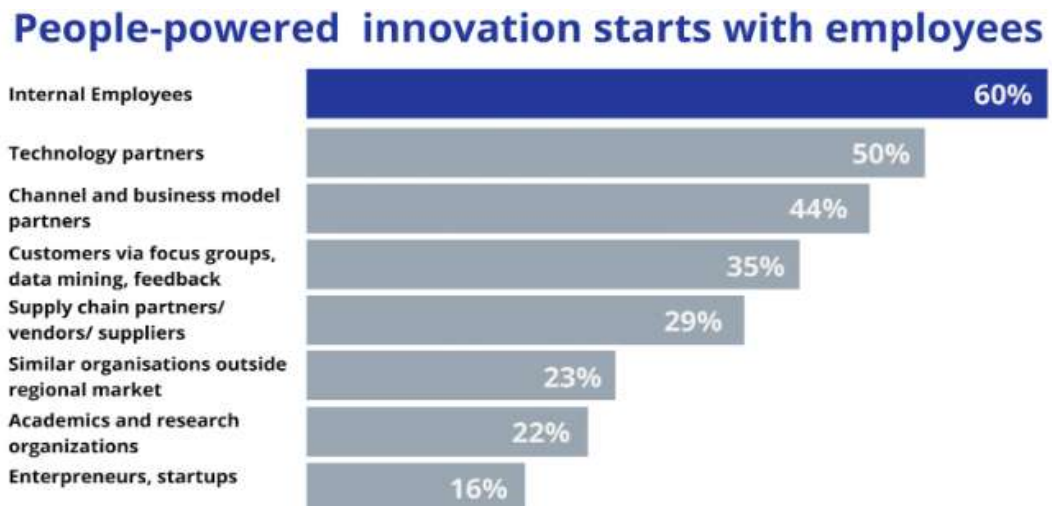

Table 2. Innovation, Entrepreneurs, and Corporate Entrepreneurs. (Alcor Fund 2022)

Innovation may refer to converting 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 method (design, marketing), or even a new service rendering method. Innovation may also refer to designing and constructing new industrial equipment, implementing a project with new management, or a new way of dealing with a problem.

The realization of innovation brings technological progress and parallel social-economic changes. A society's ability to innovate constitutes a mechanism of renewal and development, as innovation concerns every aspect of any economic or productive process.

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

Therefore, innovation is a new service or product, an adaptation of the existing, a new process involved in its creation, or even a new or different way of getting customers, for

instance. Only once the change is finally delivered to the market and available to interested actors might it be considered an innovation; otherwise, it remains just an idea or invention.

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

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

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

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

Mocker (2015) maintains that open innovation, digitalization, and new technologies are common reasons established companies engage in startup activities. Bain (2015) states that the need for regeneration and innovativeness applies to any industry.

Bonzom & Netessine (2016) sustain more than an established consumer goods company. Diageo uses startups in its accelerator program to generate new spirit brands, even though the company is not connected to technology. Experience shows that entrepreneurial disruptive innovations invade or occupy the space of large corporations.

Christensen (2017) claims that solving the *Innovator's Dilemma* and having a large corporation pursue a concurrent sustaining/disruptive innovation approach requires reducing two significant *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 develop a disruptive innovation at work, it may be unclear whether he/she owns it or whether his/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. Alternatively, the employee can leave the corporation to form a startup and have a more straightforward 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 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 to the previously 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 innovative products and services and 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 still being determined. Second, the article applies a cognitive approach integrating demographic characteristics and personal values, which are rarely jointly explored in entrepreneurship research.

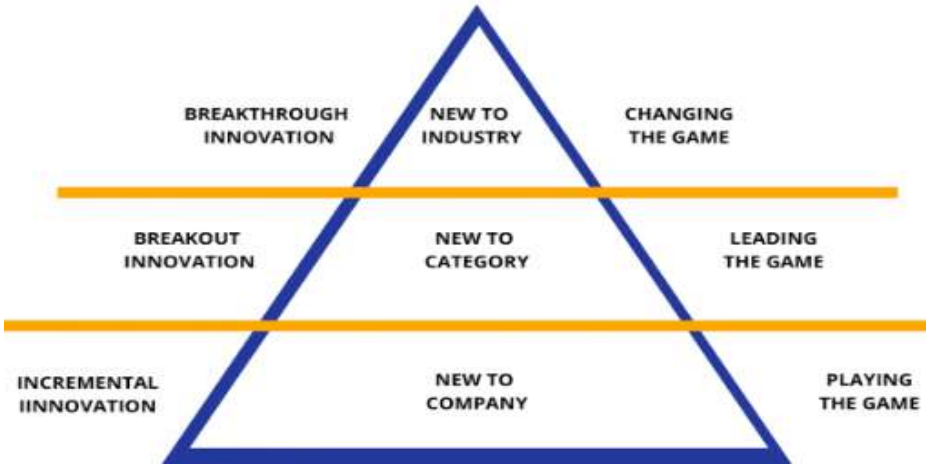

Figure 2. Three levels of Innovation. (Alcor Fund 2022)

As per Karlsson, Rickardsson, and 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 some precise mechanisms amendable to rigorous empirical testing, and the identification of causal effects.

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

As Drucker (2006) argues, entrepreneurship and innovation are systematic behaviors; therefore, a systematic approach is required to integrate them into studies. It is vital to consider innovation and entrepreneurship from a knowledge perspective (creation, dissemination, and application) to increase economic and social development while preserving the autonomy and sustainability of universities in a 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, an innovation paradigm is *co-innovation*, which incorporates convergence, collaboration, and co-creation in the innovation platform. All these approaches focus on quick iterations and train schedules to build new features, products, and processes. This co-innovation encourages the creation of products much faster, helping entrepreneurs start a venture with greater assurance of success.

Traditionally, innovation is viewed as taking place mainly within a single firm. However, many researchers have proven that using innovation from inside the company (closed innovation) for entrepreneurial growth has limitations.

As sustained by Huizingh (2011), the everlasting changes due to globalization improved market institutions for trading ideas. The rise of new technologies and trends such as outsourcing, agility, and flexibility require organizations to leave the closed innovation approach and become network organizations.

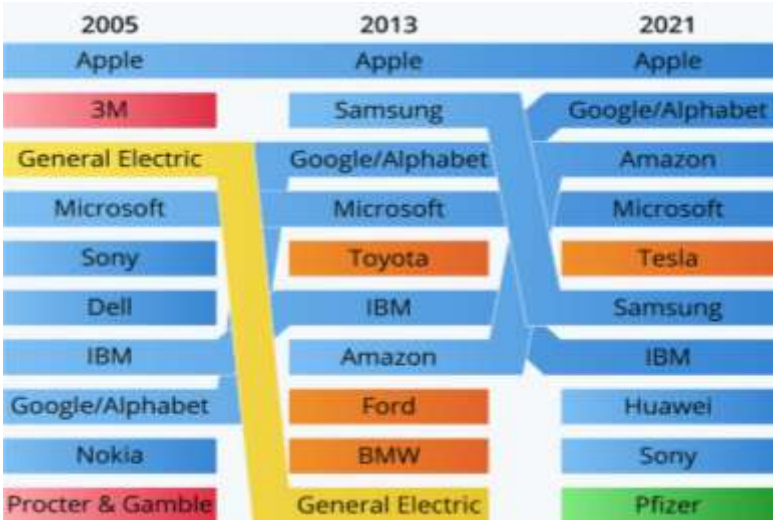

Figure 3. The most innovative companies. (Boston Consulting Group 2022)

The *Open Innovation* concept has many advantages:

- 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 organizations to trade ideas.
- New technologies allow new ways to collaborate and coordinate across geographical distances.

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

Ideas are what any venture begins from, but only those with a practical application. An inventor can become or not an innovator, such as an innovator does not need to be an inventor.

As this work shows, every innovator is an entrepreneur, corporate entrepreneur, or intrapreneur, while the opposite is not necessarily true. Some new ventures may be just imitations or replications of others. Still, they must be considered entrepreneurships, not depending if they are launched in existing or brand-new companies.

One of the author's postdoctoral research findings was that over 97.5% of Israeli startup founders (contrary to the myth) remain employees at least after crossing the Valley of Deaths, removing the current belief about startups' relevance in the global economy.

This seems crucial since ventures launched in already existing companies account for more than 95% of new ventures. Additionally, to sustain any venture raised in an existing company, it is almost always a Corporate Entrepreneurship, not an Intrapreneurship.

Most people used to say they wanted "*to do things out of the box*" without taking the proper time and effort to know what was inside first. Maybe staying in might be a brilliant idea since it looks like barely anybody is there. Only then, upon a meticulous diagnosis and analysis, it may be worth moving out.

We laughed about the bears fighting for the best positions on the rocks when they caught salmon, believing the fish were only there and not in the river. However, the fishermen on the shore usually select positions as close as possible to those successfully catching fish, which results in tangling lines. The same is valid for business; it seems easier to imitate, replicate, and follow.

This study is minimal due to the Journal´s extension restraints. However, it can serve as the introductory groundwork for visionary businessmen who want to explore these matters further.

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