

Intrapreneurship: Inside-Out Disruption!

A conceptual Study on Intrapreneurship.

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Abstract

“If you’re an entrepreneur, you fight a one-front war and that’s in the marketplace. But if you’re an intrapreneur, you fight a two-front war, one in the marketplace and the other with the corporate antibodies”.
Jason Yotopoulos.

According to industry experts it’s no longer just about technology disruption, it’s also about fundamental shifts in business models, GTM (Go-To-Market) strategy, and full disaggregation of the value chain.

The word “Disruption” is not just a buzzword now, but for anyone who is working in industry knows it is for real, as the new young entrants are changing everything from media and transportation to financial services and healthcare. And while they are doing so, they can bring down established long run incumbents.

Established companies can’t stop disruption from happening, they can stay ahead or match with the curve by nurturing and rewarding a culture of entrepreneurship within their employees.

This entrepreneurship culture within corporate is known as “Intrapreneurship”. This phenomena is new but as the pace of disruption increases, it is becoming important for the survival of companies today.

More research is required on this topic, hence in this research paper, researchers will try to explore Intrapreneurship by understanding the concept and phenomena. This paper is conceptual, theoretical and empirical (limited) presentation of the Intrapreneurship phenomena. Gaps in current literature will be analyzed, Core concept delineation, understanding and identification of major challenges for Intrapreneurship and recommendations will be presented in the research paper.

This paper mainly focuses on Knowledge Creation: How organisations can disrupt inside-out by adapting Intrapreneurship.

Key Words: Disruption, Intrapreneurship, Value Chain, Innovation.

1. Introduction

Disruption is good for business. It’s global and can happen in any industry, at any time.

“Disruption” is a business key word, but if we pause and think about the same, experiencing disruption is not something people enjoy. Disruption is massive, rapid, and most likely permanent change, which can be difficult to pass through. But any business, who wants to stay vital, add value, needs to be disruptive and innovate by embracing innovative technology and hurdles that comes with it.

We are witnessing many disruptions today, in society, politics, and education. As MoisesNaim pointed out in his book, the End of Power, these may have nothing to do with disruptive business models, but if we observe closely we find that many of the same forces are at work. New technology which links together these forces in small groups and unites them by a common purpose, they can also challenge the powerful institutions.

This shift itself is impartial, neutral and therefore there can be both disruptors one which set out to destroy, and disruptor that aim to create. That’s why there can be both disruptors that set out to destroy, and disruptors that

aim to create. The first one seeks to replace the powers. The latter are inclusive, working to create an alternative that outperforms the pre-existing model, these are termed as Intrapreneurs.

Successful disruptive Intrapreneurs might break old models, but they build better ones that benefit us all, which is why we should embrace them.

How this new breed came into corporate? What makes them the way they are? How to identify them? How to nurture them? What are the challenges and opportunities faced by them? Answering these several interesting questions formed the basis of this research paper.

Delineating disruptive Intrapreneurship involves understanding concepts like - disruption, Entrepreneurship, and Intrapreneurship as disruptive Intrapreneurship is evolved from these terms.

Executing disruptive Intrapreneurship successfully relies on becoming a more open organisation. The benefits include continual and fast innovation, increased sales, customer satisfaction and employee engagement. Organisations can be more competitive, disruptive and unpredictable by enlightening Intrapreneurship.

1.1 Objectives of the Study

- To understand the concept of disruption.
- To explore the concept of Intrapreneurship & disruptive Intrapreneurship.
- To understand the enabling environment for nurturing Intrapreneurship.
- To identify the challenges and opportunities for Intrapreneurship.

1.2 Method and Framework for the Study

Researchers used three methods to select articles and books for review-

- A systematic search of the academic and professional literature on disruption and intrapreneurship and other entrepreneurship concepts like corporate entrepreneurship.
- A random search of articles and books on intrapreneurship and disruption.
- A review of bibliographic references from articles and discussions with industry and academic experts.

2. Literature Review: Disruption and Decoding Intrapreneurship

2.1 Disruption

Clayton Christensen (1997) in his book, *The Innovator's Dilemma*, introduced the idea of “disruptive innovation.” He describes this phrase as a way to think about successful companies not just meeting customers’ current needs, but anticipating their unstated or future needs. He explained how small companies with few resources were able to enter a market and displace the established incumbents.

According to Janet Sernack, two key generative 21st century problems are- knowing how to

- Juggle being disruptive with innovative technologies, products, and services within an inherently risk adverse, compliant and conventional enterprise culture,
- Differentiate and add value by providing a great customer experience and sustain customers trust whilst simultaneously delivering increased shareholder value.

Disruption is expected to play a major part in the shaping of businesses over the next decade. Technology disruption will flatten the typical hierarchical structure of an organisation by increasing the visibility of senior management making them more accessible, *EIU 2011*.

Clayton M. Christensen Michael E. Raynor Rory McDonald in their research article described disruption. According to them “Disruption” is a process where a smaller company with fewer resources is able to successfully challenge established incumbent businesses. As incumbents focus on improving their products and services for their most demanding customers, they exceed the needs of some segments and ignore the needs of others. Authors also stated that disruptive entrants begin by targeting overlooked segments, gain a foothold by delivering more-suitable functionality—frequently at a lower price. Whereas incumbents, who look for profitability in more demanding segments generally do not respond vigorously. Entrants taking advantage of

non-responsiveness of incumbents start moving upmarket. They deliver the performance that incumbents' mainstream customers expect, while doing so they preserve the advantages that drove their early stage success. Researchers pointed that when mainstream customers start adopting the entrants' offerings in volume, disruption has occurred.

According to Clayton Christensen, disruption should not be confused with competition. He further states that True disruption plays the role in changing the structure of markets, the participants within them, and the balance of power, rather than simply releasing ideas and products that might outweigh those of other players.

Investing in a disruptive innovation can be complicated as it requires an investor to focus on how companies will adopt to a new disruptive technology, instead of focusing on the development of the technology itself. Companies such as Amazon, Google, and Facebook are examples of companies that have heavily focused on the Internet as a disruptive technology and their key resource persons, which has become so ingrained in the modern world that the companies that have failed to integrate the disruptive innovation into their business models have been pushed aside. These examples show companies can be successfully disruptive by harnessing their human capital, termed as Intrapreneurs.

2.2 Corporate Entrepreneurship

Zahra (1991) defined CE as "formal or informal activity aimed at innovations and market development in established organizations".

Covin and Slevin (1990) presented structural characteristics of entrepreneurial behavior of organizations. According to authors an organization pursuing entrepreneurship spirit display following characteristics.

- Freely varied operating style
- Top-managers as experts
- Flexibility to environmental changes
- Result-orientation rather than on the processes
- Friendly cooperative atmosphere with informal control
- Diversified team with a flexible on-the-job behavior
- Concentration on team-creating and team-working
- Free communication

Corporate Entrepreneurship is mainly led by management. These actions result in response to environmental and new technological changes, mergers and acquisitions, organizational forms and leadership. CE is initiated and directed by management; individual self-initiated role of employees is basis of Intrapreneurship.

2.3 Intrapreneurship

This term was first coined by Pinchot in 1985.

Vesper (1994), defines Intrapreneurship as, "Employee initiative from below in the organization to undertake something new, an innovation which is created by subordinates without being asked, expected or perhaps even given permission by higher management to do so".

Intrapreneurship is to existing businesses what entrepreneurship is to the larger market. Just as an entrepreneur creates an enterprise in the marketplace, an intrapreneur creates enterprises within an organization by driving innovation.

Jordon (2008) identified seven dimensions of Intrapreneurship-

- Innovation: new ideas, creativity and experimentation.
- Pro-activeness: acting in expectation of future problems, changes or needs.
- New business venturing: new business or business units within the organisation.
- Risk taking: venturing into uncertainty and committing assets.
- Organisational self-renewal: reformulation of strategic plans, organisational change.
- Autonomy: self-direction and independent action.

- Competitive aggressiveness: strongly challenging competition to achieve entry or improve position and the value of the organisation.

Intrapreneurs serve challenging role in organizations, individual or team acts as entrepreneurs to achieve organizational objectives. They do so with or without management support. They nurture innovative ideas by incubating them in the existing organizations structure. Intrapreneurs have less risk as they utilize organizations resources and customer base, but still they have risk of losing their jobs. Innovation and testing of their ideas is continuous process for them, converting creative idea in profitable finished product or service is at the core of their mission.

2.4 Disruptive Intrapreneurship

Decentralization and creative destruction describes Schumpeterian disruption that is ideologically driven by entrepreneurs whose goal is to disrupt oligopolies. This type of disruption is increasingly capable of rolling out alternative global services (e.g., Bitcoin,) using the homogeneity and connectedness of what's typically the open-source community.

Hans Balmaekers (2016), in his research article clearly stated that managing programmatic change can be challenging enough, but managing a program that produces disruptive change on a regular basis is especially difficult. According to author replicating key startup methods and an entrepreneurial culture, in ways that can be scaled within a larger corporate context, can be called as a revolutionary effort.

Balmaekers explains why is it difficult to replicate an entrepreneurial culture in a large enterprise to embrace disruption. He answers that organizations, by their very nature are designed to promote order and run to produce efficient repeatable output. They thrive on stability and predictability, which is why incremental improvements are the preferred type of innovation for most institutions.

Continuing Balmaekers claims that embracing an intrapreneurial mindset, which intentionally disrupts things from the inside out and often from the bottom up, is a radical concept. It challenges the status quo, the hierarchy, and the more incremental and evolutionary path most organisations prefer.

3. Embracing Intrapreneurial Disruption

To flourish in today's exponential economy, leaders need to promote a discipline of innovation which helps them optimize their current businesses, while moving forward at startup speed to develop the game changing ideas that will define their company's future.

Leaders need to get their enterprise to the place where radical ideas are not seen as bad ideas, and rebellious creativity that challenges current business and technology paradigms is treated as a potential source of future prosperity.

Innovation giant Google does a number of things to inspire and enable intrapreneurial innovation. It has a corporate culture that promotes openness and imagination and attracts bright self-starters. This produces a kind of virtuous cycle of a highly supportive culture interacting with people that innovate – every day.

Dimensions of the Intrapreneurial Culture:

Hans Balmaekers showed how organisations can embrace Intrapreneurial culture by-

- Encouraging people to dream and dream big.
- Constantly experimenting and trying new things.
- Creating a work environment that makes it is easy for people to put in the extra hours required to develop breakthrough ideas.
- Willingness to place big bets on long term potential.
- Making good use of all kinds of data to spark ideation or to validate assumptions.
- Exhibiting courage and eagerness to explore adjacent markets and shake up the business world.
- Empowering teams and encouraging collaboration, which creates a free flow of ideas and people.
- Willingness to invest in their own inventions.
- Failing without letting it deter them from trying more – something that is fundamental for
- Continuous learning.

Disruption Process:

Mostly all innovations disruptive or not starts as a small-scale experiment. Disrupters tend to focus on getting the business model, rather than merely the product, just right. When they succeed, their movement from the low end of the market or a new market to the mainstream gradually destroys first the incumbents' market share and then their profitability. This process can take time, and incumbents can get quite creative in the defense of their established business.

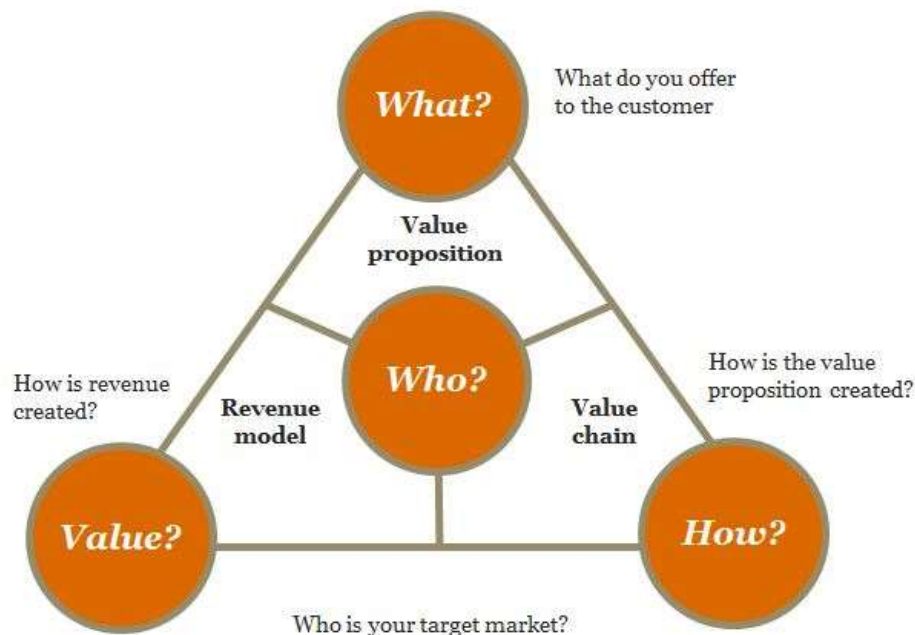
The theory of disruption predicts that when an entrant challenges incumbent competitors head-on, offering better services or products, the incumbents will accelerate their innovations to defend their business. Either they will tackle the entrant by offering even better services or products at comparable prices, or one of them will acquire the entrant.

According to Kai Riemer and Robert B. Johnston (2013), disruptive change cannot be grasped by merely extrapolating into the future what we know today. Such an attempt at forecasting leaves out that actors within traditional business practices innovate using technologies and Intrapreneurial culture, they should not just stand still and wait to be disrupted by some mysterious force.

As business practices changes our understanding of what counts as meaningful, valuable, and the right way of performing these business practices also changes, which brings about further changes.

Some innovations disrupt the very basis on which we understand the concepts by which any estimations into the future are made, such as 'business value', 'communication', 'what counts as a transaction or content or a product', 'ways of working', 'what counts as a workplace' and so on.

Disruption Business Model



Source- St. Gallen University

Disruption can occur at various levels:

Disruptions to Individual Life Practices

- Disruptions to Work Practices

Disruptions to Business Practices

- Disruptions to Industry Structures

Disruptions to Societal Systems

Source-Kai Riemer and Robert B. Johnston (2013)

Above disruptions point out profound changes to established business practices.

Important Areas of Disruption:

While entrepreneurial culture and Intrapreneur can be nurtured to tackle disruption few areas need more attention to understand and ready to change-

Leadership – Transformational change of any sort must always be communicated from the top, even if driven from the bottom. Senior management must own change strategy if it is required for adopting disruption, such ownership competencies are seen in Intrapreneur.

Culture and purpose – Employees must want to experiment and innovate, rather than be directed to do it. Changing attitudes can take a long time, but management can accelerate the process by creating incentives, and removing obvious structural barriers to team collaboration. Intrapreneur has a sense of purpose, values that enthusiastically make them want to innovate.

Customers – Companies tend to see competitors as the sources of disruption. But customers are often the driving force. Companies must be able to spot emerging changes in customer behaviors, model their potential impact, and be ready to change products or revenue models accordingly. Key employees who are in constant touch with customers can be source for this information and Intrapreneurial mindset will ignite them to tap this opportunity and handle disruption.

Trends – Companies must be able to see through industry noise and identify the places that have a real chance of winning customers. This is not just guess work, employees if nurtured properly can actually work to capture such trends.

Intrapreneurship: Disrupting Business

In today's business environment, strong technical skills and knowhow are essential for strategic decision-making. This expertise is key to getting the most out of IT and enabling your technology to be ready for today's disruptions and tomorrow's success.

Innovation is a must for companies wanting to stay ahead in today's constantly disruptive landscape. But a lack of investment in IT, the group at the heart of making it all happen, is proving to be a barrier and preventing the business from keeping up with the pace of change to stay competitive. The research found that IT roadblocks are troublesome to the core of any business.

To unlock exponential growth and business transformation, companies need to create a network that's responsive, agile and easily managed – one that is automated to help companies adapt to shifting business needs.

Intrapreneurship is difficult. First, there's always the risk of rocking the boat. Companies usually have a large install base of existing customers they need to cater to on an ongoing basis. Pursuing disruptive innovation could threaten and potentially cannibalize successful products already in the market. Then companies have to manage risk for their brands. Innovative new products and services need time and iterations in the market to reach the level of maturity and polish of existing products, and testing them in the market without setting the right expectations could negatively affect the parent brands. Disruptive innovation also may mean companies are servicing new market segments, as in the case of Michelin's Tweel. Companies need to learn the characteristics, needs, wants, and expectations of new customers instead of relying on existing data.

Conclusion:

Organisations need to adopt and encourage a culture of investing in disruptive innovations or they will be disrupted themselves. Management focuses on incentives for sustaining businesses and innovation, which in turn led to stalled national and international economic growth. In order for businesses and countries, as a whole, to step-change towards the next wave of growth, incentives need to be aligned to achieve this. Within the organisation, teams need to be established and resourced to develop disruptive competencies.

To remain relevant in the future, companies need to address impending disruption by rethinking their approach to Intrapreneurship for ongoing innovation.

