



# Intrapreneurship

A Trade Union strategy for  
**innovation**  
in European companies





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# Foreword

## **2009 marked the European Year for Innovation and Creativity.**

It was a time to have awareness-raising campaigns on why, in the 21<sup>st</sup> century knowledge-based society, innovation and creativity are pivotal to personal, social and economic development.

It was also a time to rethink the policy debate and start to build the right decisions for the future.

As a recognised and active European social partner, *EUROCADRES* made sure the voice of Professional and Managerial Staff (P&MS) in this particularly relevant area was heard. We also held a series of thought-provoking projects and seminars on the subject. And one of our most dynamic networks StartPro ran a 15 month long project entitled "Intrapreneurship: Young professionals starting Innovation" and as a result, edited this brochure to further the concept and disseminate good practice, with in-house examples.

The prevalent feeling among our network members was mainly that highly-qualified young people are tired of knocking on doors, not being given the chance and having to say sorry most of the time. The fact that the younger generation is able to think outside the box should be seen as an asset. At the end of the day, it is a win-win situation for everyone: reward fresh thinking and initiatives while allowing young professionals to gain skills and experience, transform workplaces into learning sites and inspire young professionals to pursue new ideas that can actually benefit the company, the organization or the community as a whole.

It is a fast-moving world. The era of globalization implies a new rhythm and the European Union should be at the forefront in terms of investment in education, research & development and business innovation. And this starts at the workplace. Intrapreneurship, i.e. enterprising within a given company or organisation, might just make employees feel more at ease, empowered to unleash their creative potential but it also clearly a good recipe to attract and retain talent. And from a trade union perspective, it is an interesting step towards a more egalitarian, participative and decisively innovative workplace. However, precondition for the creation of an innovative work organization is the involvement of trade unions. They need to take part in the development and the monitoring of the evolution of such new work places. It is their role to give protection to employees and especially to young professionals who start to face their entrance into a job.

Have a good read and do not hesitate to share your own experience with us!



# Introduction

In a remarkably short time, economic globalisation has changed the world's economic order, bringing with it new challenges and opportunities. Europe cannot compete in this new environment unless it becomes more innovative and responds more effectively to consumers' needs and preferences. In the 1960s, the only task companies had to perform to remain competitive in the market was raising productivity. Nowadays, the market also appreciates quality, flexibility, innovation and sustainability (Van Hootegem et al., 2008).

The European Union is convinced of its potential for innovation. Europe has a longstanding tradition of producing breakthrough inventions; it has a wealth of creative people and can build on its cultural diversity. It has laid the foundations for one of the largest single markets in the world, where innovative products and services may be commercialised on a large scale (European Commission, website).

Competitive success in globalising environments will be determined by the rate at which companies translate this creativity, experience and tacit knowledge of employees at all levels into a shared resource for innovation. 'Low road' strategies of cost leadership, speed and standardisation cannot build sustainable competitive advantage. Europe needs 'high road' alternatives for successful transitions to a knowledge economy (Totterdil, 2009).

In the 20th century, a competitive workplace consisted of a personal and unique set and arrangement of machines and anonymous and replaceable workers to ensure the machines were performing well. In the knowledge economy of the 21st century we notice a shift in the characteristics of 'labour' and 'capital'. Machinery in workplaces within this globalised world is more and more replaceable and anonymous. The competitive advantage is gained by creative initiatives of personal employees (Totterdil, 2009b). To survive in this new environment, workplaces will have to facilitate intrapreneurship of employees.

Trade unions do not have to be sidelined and disenfranchised in this field. As an intrapreneurial organisation is designed to make employees better, they should be involved. This brochure is designed for everybody who is convinced of the need to stimulate creativity of employees. We will introduce the concept of intrapreneurship. Consequently, we will present some recipes for intrapreneurial work organisations.



# I. Intrapreneurship

The word 'intrapreneurship' refers both to intra-corporate employees and to entrepreneurship. This concept dates back to the 1970s and was introduced by Gifford Pinchot III. He observed that a lot of high potential idea workers were leaving corporations as they had strong needs for freedom to pursue their own idealistic plans. They became entrepreneurs with a double negative outcome. As an entrepreneur they needed a managerial approach and lacked time to serve their idealistic purposes. And their departure was often a disaster for the corporation they left, especially when they went on to compete successfully with their former employers. Pinchot III argued that corporations should provide independent positions for such idea workers. One must establish employee entrepreneurs who work within the corporations. He called this new class of intra-corporate entrepreneurs 'intrapreneurs' (Pinchot & Pinchot, 1978).

Intrapreneurship thus refers to "the practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities. It is practiced by employees within an established organisation using a business model." Various broader or narrower definitions have been proposed by different authors. [Sharma and Chrisman \(1999\)](#) indicated that some use the same definition for different phenomena and others use different definitions for the same phenomenon. Kuratko (2007) argues the concept of 'corporate entrepreneurship' shifted over time. In the 1970s of Pinchot corporate entrepreneurship focussed on venture teams and how entrepreneurship within existing organisations could be developed. In the 1980s the attention shifted towards how to create an organisation that guaranteed intrapreneurship and value-creating innovations. The process of organizational renewal was centre stage and at the focal point of interest. The 1990s introduced the organisation as a facilitator. Researchers focused on corporate entrepreneurship as re-energizing and enhancing the firms' ability to develop the skills through which innovations can be created. Corporate entrepreneurship became an even more diverse phenomenon. In general, the concept referred to both ventureship and to organisational renewal. The 21<sup>st</sup> century even widened the possibilities to define this concept. All firms' efforts to establish sustainable competitive advantages as the foundation for profitable growth are under consideration (Kuratko, 2007). Logically, Phan a.o. (2009) remarked that it has become important to know more about the variety of corporate entrepreneurship within corporations.

We believe authors referring to corporate entrepreneurship, corporate venturing, intrapreneuring, innovative work behaviour, or employee-driven innovation all are useful for this brochure. We briefly introduce a selection of definitions to indicate that they all refer to similar work environments.



Intrapreneurship: “the practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities. It is practiced by employees within an established organisation using a business model.”

Corporate entrepreneurship: “the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation” (Sharma and Chrisman, 1999)

Corporate venturing: “the provision of venture capital by one company for another in order to obtain information about the company requiring capital or as a step towards acquiring it.” (Collins English Dictionary, 2003)

Spin-in companies: “start-ups founded by people from a more established parent company. They usually work to develop products and technology aligned with the goals of the mothership, but keep track of everything (including venture capital raised) on a separate balance sheet. If certain technical milestones are hit, the spin-in is then absorbed back into the company, which it can then ride to profitability or leverage to raise further rounds.” (Cleveland, 2008)

Employee-driven innovation: “inclusive and bottom-up approach to innovation that includes all the players in an organization.”

New forms of work organization / high road to innovation: “participative teamwork leads to workplace partnership, enables all employees to use their talent and creative potential to the full.”

In this brochure we focus on organisational characteristics that facilitate intrapreneurship. We refer to these different theoretical backgrounds and cite examples brought forward in these articles, books and leaflets. We hope the message will become less utopian by referring to real examples.

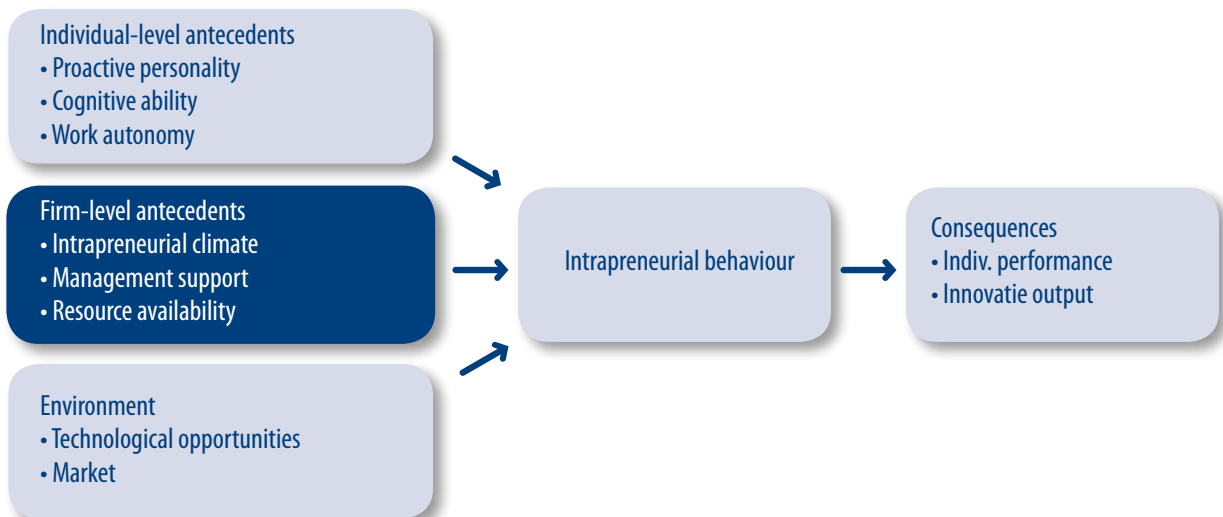
We have structured the internal enablers of intrapreneurship in five different approaches: working on an intrapreneurial culture in the organisation, management support for idea generation, a high performance work organisation, the provision of resources for intrapreneurs, and the cooperation of trade unions in intrapreneurship development.



## II. Organizational features to enhance intrapreneurship

**B**efore describing how to facilitate intrapreneurship in work organisations, we briefly introduce our conceptual net. We use a conceptual net on intrapreneurship antecedents based on de Jong and Wennekers (2008), Mair (2002) and Antoncic and Hisrich (2001).

One cluster of antecedents for intrapreneurial behaviour is found at the individual level. A pro-active personality is a first indicator for probable intrapreneurship. Proactive people are not constrained by situational forces and effect environmental change. People with proactive personalities are expected to demonstrate more intrapreneurial behaviour. Secondly, intrapreneurship is developed more easily if a person is good at his or her work and is able to learn quickly. And thirdly, autonomy, defined as the ability to determine independently how to do a job or certain task, has very often been associated with innovative work behaviour. Autonomous employees are believed to be better motivated and able to implement innovative ideas effectively, because they are in control and able to deal with bottlenecks during the implementation phase.





A second group of characteristics determining intrapreneurship is located at firm level. These antecedents are the intrapreneurial climate of an organisation, the support management gives, and the resources available for intrapreneurs. As individuals are likely to conform to a majority in group processes, it will be of crucial importance for organisations to develop an intrapreneurial climate. If norms and values in a work group support intrapreneurship, individuals within that group will be triggered to be intrapreneurial. As for many aspects of employee behaviour, management support is one of the main factors to increase the likelihood of employees showing intrapreneurial behaviour. And finally, it is of crucial interest to provide resources for intrapreneurs. Intrapreneurs lacking time, physical or financial means will be reluctant to express their ideas.

Finally, the external environment is viewed as a determinant of entrepreneurial activity. Certain environmental characteristics, such as dynamism, technological opportunities, industry growth, competitive rivalry and demand for new products, are viewed as favourable for intrapreneurship.

As a result, intrapreneurs help companies to increase performance and renew organisational structures and strategies for the purpose of better adapting to environmental demands (Molina and Callahan, 2009). Intrapreneurs usually have a double intention, as they pursue individual plans that suit the organisation. We might expect intrapreneurial organisations to have a positive outcome for both the individual performance and the firm's strategic goals to innovate. Research results have related intrapreneurship to growth and profitability of organisations (Antoncic and Hisrich, 2001).

This brochure will focus on the firm-level antecedents. We believe trade unions mainly have to focus on the firm-level oriented strategies to support the development of intrapreneurial behaviour in companies. We will further develop the ideas of intrapreneurial climate, management support and resource availability, and give some practical examples of practices in existing companies. We will also focus on two other aspects, i.e. the development of a high performance work organisation (closely related to providing work autonomy to employees) and a role for trade unions in these intrapreneurship policies.

## **II.1 - An intrapreneurial climate in the organization.**

The initiative for employees' entrepreneurial activity can be the result of motivation and/or external stimuli of the entrepreneurial organisational culture. Especially since the 1980s theoreticians and practitioners in the field of management developed a strong belief that organisational performance and utilization of human resources in a corporation can be significantly improved through creation of adequate organisational culture (Singer, Alpeza and Balkic, 2009).

Important components of an entrepreneurial culture are: focus on people and empowerment; creation of value through innovation and change; emphasis on essence; hands-on management; effectiveness; freedom to develop and make mistakes; commitment and personal responsibility; emphasis on the future and the feeling of urgency (Singer et al., 2009).

Entrepreneurs innovate for themselves, while intrapreneurs innovate on behalf of an existing organization. They differ mainly in risk-taking and profit-sharing, but have similar characteristics on behalf of their innovative ambitions. An organization has to build a climate that gives a floor to intrapreneurs to act in a similar way entrepreneurs do. An intrapreneurial organisation enables (teams of) employees to practice their local flexibility and freedom. In this way, an organisation is able to integrate the result and efficiency orientation with commitment, openness, and trust in the voluntary learning organizational networks (Wunderer, 2001).

It is possible to create these creative spaces at the level of the work place. Restructuring workplaces with more public space for debate and cross-fertilisation of ideas can be a help to induce team-based innovation processes. The ABN-AMRO Dialogues House has opened a platform where in-house intrapreneurs meet with creative people from other organisations. Ericsson employees are free to withdraw for contemplation, reflection and creative thinking in the Green Room. These are two examples of companies that try to develop a pro-intrapreneurship organizational architecture.



## The ABN-AMRO Dialogues House

*In 2007, the ABN-AMRO Bank decided to transform their 2000m<sup>2</sup> dealing and trading room into a multifunctional "State Of The Art" Dialogues House. This Dialogues House Theatre offers creative, innovative and enduring entrepreneurs a platform for weekly horizon-expanding and inspirational presentations.*

*Dealing with challenges and opportunities requires initiative, knowledge, creativity, collaboration, and diversity. ABN AMRO has established the Dialogues House with the aim of creating an environment where people are stimulated to engage in a relaxed dialogue. The Dialogues House offers enterprising people from inside and outside ABN AMRO the space to join forces, pool ideas and create better opportunities. They expect people to leave the Dialogues House with new ideas and lots of energy.*

*The Dialogues House has several meeting places for intrapreneurs, but also offers a permanent working place for innovative banking divisions. Within the premises, we find ABN AMRO Sustainability (exploring*

how future generations can achieve sustainable growth), ABN AMRO TV (a corporate communication division), Brightbox HR (consulting on HR best practices) or Flametree (an online platform for entrepreneurs) among different other look-alikes. People work together in this inspiring environment, rapidly exchanging ideas between colleagues and visitors.

The cross-over with viewpoints from people coming from other environments is essential for the Dialogues House. This is the reason why ABN-AMRO has opened a theatre and platform for weekly debates, workshops, presentations and brainstorming sessions on entrepreneurship, creativity, innovation, sustainability or collaboration. The Dialogues House aims to bring energy to the company, and to develop an intrapreneurial culture within ABN-AMRO.

[www.dialogueshouse.nl](http://www.dialogueshouse.nl)



## The Green Room of Ericsson Radio Systems

In anticipation of the third generation of mobile telephony (3G), Ericsson built a new factory for the production of the new transmission equipment in Gävle, 150 kilometres north of Stockholm. At the same time, the company was aware of the need for a stress prevention programme. Accordingly Ericsson managers have decided to experiment with new ideas in the production process that combine goals of efficient assembly of the new products with a human resource policy that emphasises high staff motivation, stress avoidance, competence development in line with employee needs, and a proper work-life balance.

The new factory was designed around cellular working in which individuals at work stations are responsible for all operations including customer ordering, assembly of processor boards and testing. In particular, a new culture and new competences enable closer relations between production, product design and test development.

The means to manage change has been 'The Good Workplace' programme, which aims to recruit and motivate staff with trade union support. Managers of the new plant stress the need for delegation, participation and individual competence development. Particular individuals have been specially trained as 'Inspirers' to arouse and instil enthusiasm in other employees on the aims of the project.

*The work environment has been designed in close liaison with the company Medical Officer not just to allow for functionally efficient production, but also to allow staff to relax at certain times with a view to stress prevention and the encouragement of a creative spirit. This has involved recovery rooms including an ergonomically designed 'Green Room' to which individuals are free to withdraw for contemplation, reflection and creative thinking, either individually or engaging in brainstorming in small groups or think tanks.*

*Source: Totterdill P., New forms of work organisation: the high road to innovation. European experiences.*

## II.2 - Management support for idea generation.

Giving the freedom to develop new ideas within a company is no guarantee for intrapreneurial behaviour since employees also need to be encouraged. A crucial element in the development of an organisational culture is the role of managers. Top-level managers' words and actions can significantly influence this culture. As top-level managers articulate and act upon an entrepreneurial strategic vision, it will likely encourage the formation of cultural norms favouring entrepreneurship. These norms may, in turn, reinforce employees to become intrapreneurs (Ireland, Covin and Kuratko, 2009). Top-level, middle-level and first-line managers play a critical role in the development of innovative behaviour on the work floor.

The message of research on the role of context in promoting entrepreneurial initiative within firms has been unequivocal: support is critical to induce and foster intrapreneurial behaviour in large organisations (Mair, 2002). It is crucial for management to support intrapreneurial activities even if they do not fully understand them. The basic idea of management support is to encourage employees to believe that innovation is embedded in the role of all employees. Employees view a supportive management as one that does not work against new initiatives from employees and acts as a sponsor for intrapreneurs (Christensen, 2005).

The supportive context has different sub-dimensions: socio-political support by managers, access to resources, access to information and rewarding intrapreneurial activities (Mair, 2002). Rewarding these activities involves a system focussing both on financial (bonuses) and emotional terms (promotion, prestige, recognition from colleagues, ...).



## Rewarding ideas in the Innovation Mailbox in Saint-Gobain Isover Denmark

*The Danish company Isover is part of the global group Saint-Gobain, which has affiliates in 54 countries and is a leader in the world's production of glass wool. Isover's inclusive and bottom-up approach to innovation, which includes all actors in the organisation in the innovation process, has proved very successful. By actively encouraging its employees to interact with the management in cross-functional teams and taking advantage of the knowledge embedded in its own organisation, Isover has succeeded in improving the company's bottom-line results and job satisfaction, as well as reducing staff turnover. The formula for its success has been a receptive management, a flat organisational structure and an informal work culture, combined with the use of result-oriented innovation tools.*

*The management of Isover makes itself visible, and is in constant dialogue with the employees through its informal visits to the production areas, storage facilities and sales department. The working culture is receptive to external changes, such as customer demand for new products, as well as to internal suggestions for improvements in the production process. It also leaves room for experimentation and mistakes. The central principle is that employee involvement in innovation is voluntary.*

*In order to utilize its employees' know-how and tap into their creativity and resourcefulness, Isover has created an innovation mailbox. This encourages the generation of ideas and the exchange of knowledge within Isover. Afterwards, all ideas, both large and small, are discussed in a committee composed of managers, the shop steward and a selected group of employee representatives.*

*An idea is always rewarded, regardless of whether it is rejected or approved by the committee. The intention is to show that the employees' active involvement in the innovation process is valued and that the management gives equal consideration to all ideas. If an idea is not feasible and implementable, the employees receive a token reward (theatre tickets, gift voucher, ...), if the idea is approved, the employee who came up with it receives a bonus computed on the basis of the costs saved or the profit generated.*

*"This employee-driven innovation is without a doubt a competitive advantage and has a positive impact on our bottom-line results in Isover", Development Manager Susantte Hojholt explains. Apart from having significant bottom-line effects, the involvement of the employees has had a significant positive impact on their job satisfaction and job affiliation. One of its outcomes is low staff turnover and their strong loyalty to Isover.*

*Source: LO (2008), Employee-driven innovation. Improving economic performance and job satisfaction. Copenhagen: LO.*



## Sun - Java Programming Language

*The circuitous route Java took to market began when Patrick Naughton, a 25-year-old, up-and-coming programmer, told Sun CEO Scott McNealy he was leaving the company. McNealy asked Naughton to give him an assessment of what Sun was doing wrong, the programmer replied that Sun, then known for its business workstations, was missing out on the fast-growing PC consumer market. His 12-page e-mail quickly became a rallying cry to change Sun's direction. Naughton stayed, and Sun set up a group dedicated to breaking into the consumer market. Group member James Gosling created an elegant object-oriented programming language called Oak (renamed Java), which Sun initially hoped would be used by Time Warner in its cable set-top boxes. When that deal fell through, it looked like the language would be abandoned. It took Bill Joy, a Sun co-founder, to champion the project. Joy realized that with the explosion of the Web, a programming language like Oak could be used across different platforms — computers, cell phones, PDAs, and more. Joy also understood that the key to making Java a cross-platform linchpin was to give the language and development kit away. By the end of 1996, Java had nearly 100 licensees and had attracted 6,000 developers.*

Source: [http://www.bnet.com/2403-13070\\_23-196888.html?tag=content;col1](http://www.bnet.com/2403-13070_23-196888.html?tag=content;col1)



## Soichiro Honda: encouraged risk-taking by employees

*On 5th August 1991, Soichiro Honda died at the age of 84. At the time of his death, Mr. Honda, who retired from Honda Motor Company in 1973, held the title of Supreme Advisor. Mr. Honda's life had a lot to say about the real 'entrepreneur'.*

*Honda was the son of a blacksmith and saw his first car as an 8 year old boy when a Model-T Ford rumbled into his home town in central Japan. Honda's biography quotes him as saying the following in recalling his first encounter with an automobile: «It was the first car I saw. What a thrill. Oil dropped when it came to a halt. How nice the smell was. I put down my nose to the ground like a dog and sniffed it. I smeared my hands with the oil and deeply inhaled the smell. It was then I dreamed of manufacturing a car myself some day.»*

*Honda started as a successful mechanic, founded a piston ring manufacturing concern while attending school and then started what later became Honda Motor Company. Originally it attached recycled engines to bicycles, a popular mode of transportation in the years following World War II. His first motorcycle called 'Dream' was introduced in 1949.*

*Honda is said to have been more at home on the factory floor than in the boardroom, preferring overalls to business suits. He placed great faith in the young technicians of his many factories and laboratories. He often wore wild colours, explaining that unless inventors and artists «have the courage and determination to break with established ideas, they cannot expect to do a good job.»*

*Soichiro Honda was an entrepreneur. Too often we confuse entrepreneurship with business or doing business. The two simply are not the same, as John J. Kao of the Harvard Business School points out in his recent book titled *The Entrepreneurial Organization*. He says that entrepreneurship has nothing to do with the setting. Simply stated, entrepreneurship is the process of opportunity recognition and implementation. It often begins with a vision or idea for a product or process coupled with a passion or zeal to make that idea a reality. Yes, entrepreneurship is fundamentally less about technical skills than about people and their passions. Successful entrepreneurship is hard work carried out in an unpredictable environment. It requires a blend of calculation and luck laced with the ever present possibility of failure. Emerging industries in some ways resemble a casino where a range of bets are placed on different strategies, people and approaches.*

*Just as Honda placed great faith in his young technicians, successful entrepreneurs understand that the three principles of entrepreneurship are people, people, people. Entrepreneurs find leverage through others to amplify their visions. They manage effectively in dealing with the ambiguity and uncertainty that surround the creation of an idea and the organizational vehicle developed around it. In short, they are risk takers.*

*Source: Johnsrud M., *Entrepreneurship in the development of a rural area*. Keynote paper presented at the Fourth FAO/REU International Rural Development Summer School, Mikkeli, Finland, 16-20 September 1991.*

*<http://www.fao.org/docrep/W6882E/w6882e02.htm>*

## II.3 - Provision of resources

Intrapreneurial projects will need resources of different kinds. To be successful, projects will need time, financial support, and organizational support. It is of crucial importance (teams of) intrapreneurs are provided with the resources needed to work out innovations.

In addition to the support of top management, projects also need financial resources to get off the ground. Although getting access to the company's facilities and resources is not always sufficient, it is important to make employees feel confident and encouraged to experiment (Christensen, 2005). In some cases, the question whether or not to establish ventures will arise.

Time to work out projects is another important resource. Well-known cases such as 3M and Google are best practices on how encouraging employees to spend working time on proper projects enhances and boosts intrapreneurship.

Human capital is another type of resource needed for successful implementation of ideas. Working out ideas in projects will often need competences of different kinds. Training activities can be one answer to provide intrapreneurs with the necessary skills and competences, but often the involvement of employees with different backgrounds will be preferred. Work organisations should provide these human resources at proper times to guarantee the outcome of intrapreneurial activities.



### Spin-alongs at Deutsche Telekom Laboratories

*The motivation to engage in corporate venturing activities at Deutsche Telekom Laboratories (T-Labs) is mostly based on the perceived limitations of large companies to successfully implement radical innovations outside its core competences. A critical capability is being able to overcome these limitations. This capability was seen as critical, because the telecommunication industry has seen many disruptions such as mobile telephony, the Internet, Voice over IP (VoIP), and the convergence of telecommunication with IT and media delivery. Furthermore, regulation forces down the profit margins and the market share of the incumbent operators.*

*This leads to the need for incumbents such as Deutsche Telekom to develop new businesses that can help to fill the increasing gap of profit and revenue. Since these businesses are by definition outside today's markets*



and businesses, it is obvious that overcoming the limitations of large companies to innovate in new business fields plays an especially crucial role. Consequently, in 2005 T-Labs started a corporate venturing initiative that offers the possibility for project teams—whose projects have not been successfully transferred to business units—to take their innovation external by creating a spin-out company. These companies are co-funded by R&D budget, by corporate venture capital (T-Venture), and are expected to find other investors from outside.

A corporate venture board within the R&D unit supports the entrepreneurially motivated employees with the development of business models, finding other investors and with the founding of the company. In 2007, the first spin-out company was successfully founded and has also already found a second investor outside DTAG. In 2009, three other potential spin-outs were undergoing evaluation. Even though the spin-along activities at T-Labs have not been running long enough to have drawn any final conclusion concerning success and best practices, it can be highlighted that having a spin-out scheme has fuelled the internal transfer discussion between R&D and business units. It also has raised the pressure on the business units to consider the integration of R&D results in their service offering more deeply. No product manager wants to be beaten in the market place by a spin-out company that was created because he did not want to implement the product within his own product line.

Rohrbeck, Rene, Döhler, Mario and Arnold, Heinrich M. (2007): Combining spin-out and spin-in activities – the spin-along approach. Published in: ISPIIM 2007 Conference: «Innovation for Growth: The Challenges for East & West» (2007): pp. 1-12.



### **3M: The McKnight Principles and the 15 Per Cent Rule**

*William L. McKnight joined Minnesota Mining and Manufacturing Co. in 1907 as an assistant bookkeeper. He quickly climbed the rungs of the corporate ladder, becoming president in 1929 and chairman of the board from 1949 to 1966. He encouraged 3M management to “delegate responsibility and encourage men and women to exercise their initiative.” His management theories are the guiding principles for 3M. The 3M heritage dates back more than 100 years, and McKnight’s principles continue to accompany the company in the 21st century.*

*Many believe McKnight’s greatest contribution was as a business philosopher, since he created a corporate culture that encourages employee initiative and innovation.*

*His basic rule of management was laid out in 1948:*

*“As our business grows, it becomes increasingly necessary to delegate responsibility and to encourage men and women to exercise their initiative. This requires considerable tolerance. Those men and women, to whom we delegate authority and responsibility, if they are good people, are going to want to do their jobs in their own way.*

*“Mistakes will be made. But if a person is essentially right, the mistakes he or she makes are not as serious in the long run as the mistakes management will make if it undertakes to tell those in authority exactly how they must do their jobs.*

*“Management that is destructively critical when mistakes are made kills initiative. And it’s essential that we have many people with initiative if we are to continue to grow.”*

*The values McKnight expressed were no shock for employees in the 3M company. Richard Carlton set the tone for 3M’s innovative future in the 1920s when he blended research, manufacturing and sales objectives. Carlton, who later succeeded McKnight as 3M’s president, created 3M’s first Central Research Laboratory in 1937. Ever since, R&D has been in the focus at 3M. People in the Central Research Laboratory were on their honor when it came to working hours. If a guy decided to go fishing on a weekday, Carlton knew the time would be made up. If he decided to work independently on his own product idea, he had the freedom to do it – even if the boss said otherwise. From the early days of 3M, ‘bootlegging’ was a time-honored practice. The leaders of 3M understood that no one should stand in the way of a creative person with passion because that person might invent the next product or manufacturing breakthrough.*

*Later on, these ideas led to what is known today as the 15 Percent Rule at 3M. Regardless of their assignment, 3M technical employees are encouraged to devote up to 15 percent of their working hours to independent projects. The 15 Percent Rule did not lose its power as the company has matured in recent decades. In fact, the stories told and re-told inside 3M have “institutionalized” this so-called rule. It encourages technical people to devote 15 percent of their time to projects of their own choosing. The strategy ended up being interesting from a business perspective for 3M, offering the company products such as 3M adhesive tape and Post-It notes. It is important to make employees feel confident and encouraged to experiment. The 3M case illustrates that this kind of support and freedom automatically generates another important resource (time). Employees at 3M are encouraged to spend 15 per cent of their time on their own projects. However, according to [Fry \(1987\)](#), this 15 per cent is often spent after hours or at weekends.*

*Sources: [http://solutions.3m.com/wps/portal/3M/en\\_US/our/company/information/history/McKnight-principles/](http://solutions.3m.com/wps/portal/3M/en_US/our/company/information/history/McKnight-principles/)  
3M Company (2002), A century of innovation. The 3M story.*

*Christensen (2005), Enabling intrapreneurship: the case of a knowledge-intensive industrial company, in European Journal of Innovation Management. Vol 8, No 3, 2005, pp. 305-322.*



## Google engineers spend 20% of their time on personal projects

Google Inc. is an [American public corporation](#), earning revenue from [advertising](#) related to its [Internet search](#), [e-mail](#), [online mapping](#), [office productivity](#), [social networking](#), and [video sharing](#) services as well as selling advertising-free versions of the [same technologies](#).

[Environmentalism](#), [philanthropy](#) and [positive employee relations](#) have been important tenets during the growth of Google. The company has been identified multiple times as [Fortune Magazine's](#) #1 Best Place to Work, and as the most powerful brand in the world (according to the [Millward Brown Group](#)).

Google's culture is heavily influenced by McKnight's 3M management philosophy. As an interesting motivation technique (usually called Innovation Time Off), all Google engineers are encouraged to spend 20% of their work time (one day per week) on projects that interest them. Some of Google's newer services, such as [Gmail](#), [Google News](#), [Orkut](#), and [AdSense](#) originated from these independent endeavors. In a talk at [Stanford University](#), [Marissa Mayer](#), Google's Vice President of Search Products and User Experience, stated that her analysis showed that half of the new product launches originated from the 20% time.

Source: [www.wikipedia.org/wiki/Google](http://www.wikipedia.org/wiki/Google)



## Autonomy to work out underground advertising at Toyota

Jeri Yoshizu was part of the team that launched the edgy new Scion brand in 2003. Since the company's marketing plan for the brand was its "subversive" image, Yoshizu developed an idea for a free Internet radio station called Scion 17. Her concept: The station would allow DJs and artists to play any music they wanted and give her young target audience access to songs they'd never hear on conventional radio. Yoshizu got the go-ahead — but with one potentially lethal condition: DJ selections would have to be G-rated to protect the company's image.

Yoshizu was faced with finding a way to combine an edgy audience with corporate-friendly beats. To get the message out to her target audience, Yoshizu knew she had to start speaking their language. Instead of buying TV or print ads, she turned to social networking sites to spread the word, letting artists know that no genre was off-limits — only profanity was. Launched in July 2007, the station soon got 10,000 listener hours

*per month, and the Scion brand is getting the kind of advertising money can't buy. "It's completely word of mouth, which is what Scion is about. A lot of DJs promote us on their MySpace pages," Yoshizu says. "Now, instead of us searching for new artists, the ones we want are lining up requesting to be a part of it."*

*Source: BNET. How They Dit It: Seven Intrapreneur Success Stories*

## II.4 - Teamwork and 'high road work organisations'

New forms of work organisation have showed that success stories see organisational innovation as a reflective state, not as an end state. Dialogue is important, experimentation and learning take place, without a prescriptive blueprint to determine the outcome (Totterdil, 2009).

Building a workplace in which employees can develop and deploy their competence and creative potential begins with job design. Employees at all levels should be able to assume responsibility for day-to-day decisions about work through co-operation or communication with others. Systematic opportunities should exist for problem solving through horizontal contacts with peers (Totterdil, 2009).

Teamwork is essential for 'high-road work organisations'. Teamwork in this sense refers to a radical re-appraisal of jobs, systems and procedures throughout the whole organisation. This contemporary conception of teamwork means (Totterdil, 2009; Van Hoetegem et al., 2008):

- the team works on a common task;
- the work is spatially concentrated and it has a recognisable territory;
- the allocation of tasks is largely organised by the team;
- the team encourages and organises the acquisition of multiple skills;
- it has decision-making power over time and appropriate means;
- there is a team spokesman/leader;
- the team has some influence on who will join it.

What distinguishes a team in this sense from a collection of workers in the same department is the degree of autonomy enjoyed in relation to formal line management structures (Totterdil, 2009).

Some of the best practices on intrapreneurship found in the literature refer to characteristics of this socio-technical teamwork. Lockheed Martin's 'Skunk Works' referred to an autonomous team working successfully on aircraft. DSB successfully introduced autonomous multifunctional teams to ascertain punctual trains. Vestas and ABB Cewe integrated managers and engineers on the work floor to make work processes better and fine-tune them.



## Lockheed Martin's 'Skunk works'

Many companies are famous for trying to setup internal organizations that promote innovation within their ranks. One of the most well known is the ["Skunk Works"](#) group at [Lockheed Martin](#). The group was originally named after a reference in a cartoon, and was first brought together in 1943 to build the [P-80](#) fighter jet. Because the project was to eventually become a part of the war effort, the project was internally protected and secretive. Kelly Johnson, later famous for Kelly's 14 rules of intrapreneurship, was the director of this group.

Skunk Works is an official alias for [Lockheed Martin's](#) Advanced Development Programs (ADP), formerly called Lockheed Advanced Development Projects. Skunk Works is responsible for a number of famous aircraft designs, including the [U-2](#), the [SR-71](#), the [F-117](#), and the [F-22](#). Its largest current project is the [F-35 Lightning II](#), which will be used in the [air forces](#) of several countries around the world.

["Skunk works"](#) or ["skunkworks"](#) is widely used in business, engineering, and technical fields to describe a group within an organization given a high degree of autonomy and unhampered by bureaucracy, entrusted with the task of working on advanced or secret projects.

### Kelly's 14 Rules

Kelly's rules got their start on the XP-80 project in 1943, but it wasn't until the early 1950's that they were formalized and put in place as the Skunk Works® rules of operation.

1. The Skunk Works® manager must be delegated practically complete control of his program in all aspects. He should report to a division president or higher.
2. Strong but small project offices must be provided both by the military and industry.
3. The number of people having any connection with the project must be restricted in an almost vicious manner. Use a small number of good people (10% to 25% compared to the so-called normal systems).
4. A very simple drawing and drawing release system with great flexibility for making changes must be provided.
5. There must be a minimum number of reports required, but important work must be recorded thoroughly.
6. There must be a monthly cost review covering not only what has been spent and committed but also projected costs to the conclusion of the program. Don't have the books ninety days late and don't surprise the customer with sudden overruns.

7. *The contractor must be delegated and must assume more than normal responsibility to get good vendor bids for subcontracting on the project. Commercial bid procedures are very often better than military ones.*
8. *The inspection system as currently used by the Skunk Works®, which has been approved by both the Air Force and Navy, meets the intent of existing military requirements and should be used on new projects. Push more basic inspection responsibility back to subcontractors and vendors. Don't duplicate so much inspection.*
9. *The contractor must be delegated the authority to test his final product in flight. He can and must test it in the initial stages. If he doesn't, he rapidly loses his competence to design other vehicles.*
10. *The specifications applying to the hardware must be agreed to well in advance of contracting. The Skunk Works® practice of having a specification section stating clearly which important military specification items will not knowingly be complied with and reasons therefore is highly recommended.*
11. *Funding a program must be timely so that the contractor doesn't have to keep running to the bank to support government projects.*
12. *There must be mutual trust between the military project organization and the contractor with very close cooperation and liaison on a day-to-day basis. This cuts down misunderstanding and correspondence to an absolute minimum.*
13. *Access by outsiders to the project and its personnel must be strictly controlled by appropriate security measures.*
14. *Because only a few people will be used in engineering and most other areas, ways must be provided to reward good performance by pay not based on the number of personnel supervised.*

Sources: <http://www.wikipedia.com>; <http://www.lockheedmartin.com/aeronautics/skunkworks/14rules.html>



## **Self-management ensures punctual DSB trains across borders**

*DSB operates rail services both internally within Denmark and across international frontiers. DSB is an independent state-owned company, in the midst of a transition process from a highly traditional state bureaucracy to a modern train operating company doing business in a global market. Here, the involvement of employees has become essential in ensuring improved customer service, product quality and productivity. The central elements in DSB's employee involvement are self-management and the systematic gathering of new ideas from its employees.*

*In DSB's train maintenance unit technicians and service staff undertake daily repairs and maintenance work on trains. These skilled and unskilled workers work in self-managing groups. Instead of responding to requests from an operations manager, the workers now make joint decisions regarding when and where to make repairs and how to shunt the trains. Introducing self-management in this department has improved the planning and significantly increased productivity. The increased autonomy meant faster and better-qualified decision making, with the result that the repair and maintenance process is now more efficient. The philosophy behind this initiative is that self-management and increased autonomy enhance both productivity and job satisfaction.*

*Another example of DSB's employee involvement is the systematic gathering and harnessing of new ideas. Throughout the company, lean boards are used to organise the gathering, testing and ultimately the implementation of new ideas. The workers in DSB's maintenance unit can tag any kind of idea to the improvement of a process, product or the working environment on the Lean board. Once a week, these ideas are reviewed by employees and their manager, who assess the costs and benefits of the most promising ideas. The ones that prove cost-effective are implemented and presented to the employees on the board. This process has optimized safety, product quality and service.*

*The focus on employee-driven innovation has had an enormous positive impact on the employees' job satisfaction and their ownership.*

*Source: LO (2008), Employee-driven innovation. Improving economic performance and job satisfaction. Copenhagen: LO.*



## **Integration of engineers onto the shop floor of ABB Cewe**

*ABB Cewe, a Swedish manufacturer of electrical switchgear, took clear action to close the gap between design and production functions by relocating development engineers on the shopfloor. A distance of 30 metres along the corridor, it was argued, was sufficient to prevent adequate flows of information and knowledge between the two areas of activity. Direct involvement of production employees in the development process has reduced lead times, reduced production difficulties and enriched jobs.*

*Source: Totterdill P., New forms of work organisation: the high road to innovation. European experiences.*



## Visible leadership and informal work culture at Vestas

*It is rare for plant managers to put their desks in the middle of the factory floor. Nonetheless, this is the case with Vestas, where a paramount leadership principle is to be as close to the employees as possible. An informal and non-hierarchical relationship between management and employees creates an optimal environment for employee-driven innovation.*

*Source: LO (2008), Employee-driven innovation. Improving economic performance and job satisfaction. Copenhagen: LO.*

## 11.5 - A role for trade unions.

Too often trade unions are not involved when it comes to the organisation of work. Both employers and trade unions pay prior attention to their traditional role, bargaining for decent wages and working conditions for employees, guaranteeing a healthy and safe work environment, informing and consulting on strategic business decisions. Contemporary trade union organisations should be more involved in work organisation, as the way work is organized at the workplace will determine the quality of work and the future employability of workers.

Involving employees in both design and implementation activities can help to ensure 'ownership' of the process and alleviate some of the problems of inertia and innovation decay seen in many projects. In this respect, workplace partnership is not viewed as another managerial fad for coercing employees to endorse management strategy, but as a framework for animation and driving innovation. Irish examples demonstrated that participative forms of work organisation have beneficial effects on the climate of industrial relations. The number of strikes diminished, investment in training and information and consultation was on the rise (Totterdil, Dhondt and Milsome, 2002).

Danish LO has also illustrated that employee-driven innovation can be actively supported by trade unions. Several cases even indicated trade unions as a crucial actor in realising innovation at the workplace. Involving works committees and shop stewards in initiating the innovation process facilitates the buy-in from employees to this process. Shop stewards form the link between the employees and management, and are often well respected and trusted by both co-workers and management. Therefore the shop steward is often a crucial element in building cooperation between management and employees. The significance of this cooperation is emphasized



by the fact that most change-oriented companies assign a positive and important role to their shop stewards in the cooperation process (LO, 2008).

The role of trade unions is not limited to initiating the process within the group of employees. The Vestas case shows trade unions are on speaking terms from the establishment of an intrapreneurial climate to the implementation of concrete projects.



### **Employee involvement at Vestas as a competitive advantage in a globalised market'**

*With 23 per cent of the global market share, Vestas is the world's leading supplier of wind power. Vestas is focusing on employee-driven innovation as part of its lean strategy. Vestas manager Orla Jepson: "Faced with globalisation and the intense competition for skilled labour, all employees need to be involved, take responsibility and contribute to the innovation process if our workplaces are not to be outsourced to other countries."*

*Visible leadership and informal work culture (cf. above) is combined with the systematic use of innovation tools, resulting in optimal conditions for employee-driven innovation. Change agents, workshops, lean boards and dialogue meetings are some of these tools used at Vestas to include employees in its innovation process.*

*To apply employee-driven change successfully, a well-articulated and appealing vision of the envisioned future state is needed. Change agents are useful in this regard. As part of the management, they help to facilitate employee-driven improvements and problem-solving in production and logistics. Change agents work closely with the employees to help them learn to identify problems and come up with solutions. When management, shop stewards or employees identify challenges or potential for improvements concerning safety, production or quality, the change agent moves his desk to the unit where the challenge or potential has been identified. The change agent then works with the workers of that unit for a couple of days or even several weeks in order to facilitate improvements in the relevant area. The change agent listens to the workers' perspectives, as well as encouraging the generation of ideas and the implementation of new procedures in the unit.*

*Employees at Vestas are prepared to work in this new work environment. The production employees at Vestas all have attended an education programme to learn about Vestas' lean strategy, in which employee*

*involvement plays an important role. A second preparatory action was the organisation of dialogue meetings involving the management, the shop steward and the employees.*

*When a new innovation project is initiated, a workshop is scheduled in which managers, change agents, shop stewards and selected employees participate. A workshop typically lasts two days. A central aim is to obtain the workers' perspectives and knowledge concerning the production process and to include it in the innovation phase. Employees are involved in this development phase. As they have a stake in the decision that has been made, the change in the production process will be accepted more easily.*

*Finally, another of Vestas' innovation tools is its Lean boards. The employees can post their ideas anytime on the boards, which are divided into categories such as safety, production, processes etc. Safety ideas receive the greatest priority, but all ideas are translated into concrete results. It is essential that the employees should be able to see their ideas being implemented in practice relatively quickly.*

*Employee-driven innovation has proved important for enhancing Vestas' position as the world's number-one modern energy producer. It has generated improved bottom-line results and strengthened Vestas' competitiveness.*

*Source: LO (2008), Employee-driven innovation. Improving economic performance and job satisfaction. Copenhagen: LO.*



# III. Final remarks on trade union involvement in intrapreneurship policies

**O**n the Eurocadres' intrapreneurship conference in September 2009, the company case of Nokia Siemens Networks was presented. This young telecom company has developed a strategy to make sure innovative capabilities of all young professionals will be developed through personal development plans. Due to the economic crisis, the introduction of this global idea and management tool had to be postponed. In the current economic situation, Nokia Siemens decided to prioritise and emphasise survival, and not to invest in intrapreneurial ideas.

In the past, one could be tempted to make a parallel between the economic crisis and trade unions in companies when it comes to intrapreneurial policies. Trade unions are mainly interested in regulating job security and pay, they prefer collective regulations, and are protagonists of transparent work relations formalising roles of management and employees. Intrapreneurship will be enhanced when employees are provided with variable resources, work in flexible roles and have the opportunity to do things differently from other employees. At first sight, we may expect intrapreneurship in companies without trade unions (and without economic crisis). We believe the opposite should be true. We believe trade unions can have benefits in promoting intrapreneurial work organisations. We thus invite PMS trade unions to play an active role in the development of intrapreneurship policies in European companies.

Reason one: they will save jobs. Workplaces will keep on changing in the future labour market. The competitive advantage of creative initiatives of employees will be one of the elements in distinguishing companies that survive in the future. Facilitating intrapreneurship is a strategy to keep the company alive and growing, and will be a strategy to save the jobs of all employees. From that point of view, it is important for trade unions to be involved in this kind of work.

Reason two, trade unions can invite all employees to become more employable in intrapreneurial organisations. Trade unions have to support intrapreneurship not only for the mere reason that they can save the jobs of the employees in the company, they will also make these employees better and give them a stronger position within the company and on the labour market. Developing intrapreneurship within companies should imply a process of creating better jobs on the work floor, and is the best protection for vulnerable workers in the company. Trade unions should actively promote an integral approach of intrapreneurship within the company. As investments in lifelong learning activities should be open for employees at all levels, intrapreneurship strategies should be focusing on employees in the entire company.

Reason three, creative employees need decent wages and working conditions conducive to creativity. Of course, trade unions should be aware that new forms of work organisation do respect the regulations on wages and working time. But, trade unions should also try to broaden the scope of social dialogue at company level to the development of a creative work environment. In discussing the features of this innovative work organisation trade unions can guarantee that all workers will have the opportunity to be creative on the one hand and to guarantee that all creative workers are protected on the other.

Reason four, creativity is not the privilege of a small group of individual professional workers within a company. Best practices of intrapreneurship frequently indicated the assets of a collective approach of intrapreneurship policies. A collective approach not only means inviting all employees to the innovative action, it presupposes inviting all employees, regardless of their duties, to work together on innovation. Multidisciplinary teams could become the building blocks of the future organisations. Professional and managerial staff working together with blue collar workers in multifunctional teams will facilitate mutual learning and motivate employees to be willing, daring and to grasp and undertake initiatives.

Last, but not least, trade unions are needed to implement new forms of work organisation. Intrapreneurial policies work better when trade unions are involved. Trade union support helps to guarantee the active involvement and commitment of all employees in the company, and –of course- has beneficial effects on the positive climate in the organisation. Trade unions can use this key position to guarantee that all employees are involved in the intrapreneurial plans of the organisation. This will be a lever to make not only the members of the R&D department, but all employees better.



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