

DEEP DIVE: INTRAPRENEURSHIP

Structure, objectives, performance measurement and best practices in the DACH region

Preface to the study

Intrapreneurship reloaded - New paths for more impact

After some companies got bogged down with their intrapreneurship programs in the past, we identified a mixed track record in the 2010s. In recent years, however, we have seen a revival and significant progress in actual value creation beyond pure idea generation and agile training. Intrapreneurship is therefore being addressed by an increasing number of companies and is also gaining greater media presence. This is not surprising. Employees are the starting point of every internal innovation development and the most important resource for corporate success in the 21st century. Intrapreneurship programs provide these employees and their ideas with a growth path – beyond internal dead ends. When implemented correctly, they increase innovation, employee satisfaction, competencies and the employer brand's attractiveness.

In practice, the term intrapreneurship can conceal many aspects – we therefore approached the topic with a broad analysis of existing programs in the German-speaking corporate environment. We were particularly interested in how the balance between narrowly focused innovation targets and broad transformation goals is achieved.

In a series of interviews with leaders, participants, and experts of intrapreneurship programs, we took a closer look at the structure, goals, and success measurement of these programs and identified interesting findings.

We hope you enjoy reading!

Dr. Felix Lau, Eike Hendrichske

Study authors

Infront Consulting &
Management Ltd.

digilabs@infront-consulting.com



Overview

Scope of the study

In the study *Deep Dive: Intrapreneurship*, we took a closer look at intrapreneurship programs in German-speaking countries. We wanted to understand what types of intrapreneurship programs exist, how they are structured and what distinguishes successful from less successful programs. As part of the study, we looked at four areas in detail.

ANATOMY

What is the anatomy of an intrapreneurship program and what are its characteristic features?

GOALS & PERFORMANCE MEASUREMENT

What are the goals for the programs and how will success be measured and evaluated?

TYPOLOGY

What types of programs are there and how do they differ from each other?

LEARNINGS FOR OTHER PROGRAMS

Relevant success factors and learnings as well as current challenges

Study design

- × The study was conducted by Infront Consulting & Management between December 2021 and April 2022.
- × The aim was to identify currently prevailing types of intrapreneurship programs in the DACH region and to understand how they are structured. Furthermore, we examined in more detail which goals are pursued with intrapreneurship programs and which approaches and concrete key figures are used to measure them.
- × The basis for the sample was the Infront internal database with time series data of 250+ Digital Innovation Units in German-speaking countries. Based on these DIUs, research was conducted to determine whether the corresponding companies also communicate publicly about intrapreneurship programs. The approach was extended to include those DAX companies that are not part of the database. The approach was finished with a LinkedIn search using the search terms "intrapreneurship", "intrapreneur" and "corporate entrepreneurship".
- × Due to the pandemic situation, all interviews were conducted digitally via MS teams.
- × A total of 15 interviews were conducted with managers, participants and experts from 14 companies.
- × The publication of the data is completely anonymous.

Content

I: Study results	4
X Overview.....	5
X Objective of intrapreneurship programs.....	6
X Types of intrapreneurship programs.....	7
X Anatomy of intrapreneurship programs	8
X Measurement and evaluation of intrapreneurship programs.....	9
X Challenges.....	10
X Success factors.....	11
II: Conclusion	13
Appendix	
X Further studies.....	15
X About Infront Consulting & Management.....	16
X Imprint.....	17

I: Study results

Facts & Figures

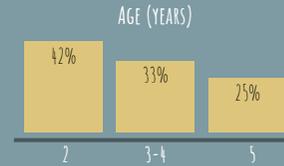
Definition of intrapreneurship programs

Intrapreneurship programs offer employees a support process to develop their own ideas into innovations and promote entrepreneurship. Idea scaling can take place via internal or external pathways.

Status quo

- × Intrapreneurship programs have not been particularly successful in the past and have had problems achieving their goals
- × This was particularly due to the fact that many ideas were generated but hardly any ideas were implemented and scaled. The result was disillusionment among intrapreneurs and companies.
- × Today, structured intrapreneurship programs can be found primarily in DAX-listed companies and large mid-sized enterprises

Facts & Figures



2 TO 7

PERSONS IS THE TEAM
SIZE OF THE PROGRAMS

20 TO 120

PLACES IS THE ANNUAL CAPACITY OF
THE PROGRAMS



INTRAPRENEURSHIP PROGRAMS ARE EXPERIENCING A REVIVAL IN RECENT YEARS

- × 42% of the programs studied were started in the last 2 years
- × Only 25% of programs are older than four years

INTRAPRENEURSHIP PROGRAMS ARE OFTEN MANAGED BY A SMALL GROUND TEAM

- × The majority of programs have a team size of 3 FTEs
- × Specialized skills such as training and coaching of teams are often provided by external partners

THE CAPACITY DEPENDS ON THE OBJECTIVE AND THE CONCEPTION OF THE PROGRAMS

- × The median capacity is 30 participants per year.
- × Transformation programs tend to have higher capacity than innovation programs

INTRAPRENEURSHIP PROGRAMS ARE LOCATED AT THE HIGHEST CORPORATE LEVEL

- × The majority (64%) of the programs are assigned to the product and innovation area
- × Surprising: Only 8% are assigned to the personnel area

Companies primarily pursue two objectives with their intrapreneurship programs

Innovation goals

Innovation goals focus on the development of new products, business models and processes. The companies surveyed differ in whether they tend to pursue exploitation or exploration, or both in equal measure.

- × **Exploitation:** Development of incremental innovations to innovate the core business and to save costs
- × **Exploration:** Development of radical and disruptive innovations to generate revenue, diversify the portfolio and secure competitiveness in the future

Transformation goals

Transformation goals, on the other hand, focus primarily on changing the corporate culture and working methods in the long term and giving employees more responsibility. Three overriding objectives are pursued :

- × **Cultural change:** Changing the company's internal culture
- × **Empowerment of employees:** Further development of employees, increase of learning speed, and promotion of customer-centered, solution-oriented thinking
- × **Increase attractiveness as an employer:** Perception as an innovative employer that enables start-up experience

Insights

- × Many companies start with transformation goals and change focus to innovation goals as their culture becomes more agile
- × 70% of the companies surveyed primarily pursue innovation goals and see transformation developments as a by-product
- × The programs' objective should be derived from the corporate strategy in order to get support in scaling
- × The objective should be developed in discussion with all relevant stakeholders. An intrapreneurship program can only be successful when a common understanding of success has been defined in this context

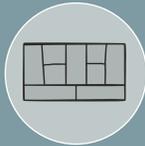
TYPES OF INTRAPRENEURSHIP PROGRAMS

The four types identified can be differentiated by objective and resource use



BUILDER

- x Intrapreneurship is thought of in the context of corporate venture building activities - Intrapreneurs go through the same process as all ventures
- x Capabilities to scale ventures (venture architect, software developer, etc.) are available within the company



INNOVATOR

- x Mainly internal innovations are developed supported by the ground team, which are handed over to the business units
- x The innovation funnel's early stages are strong, but appropriate skills are still lacking for external scaling



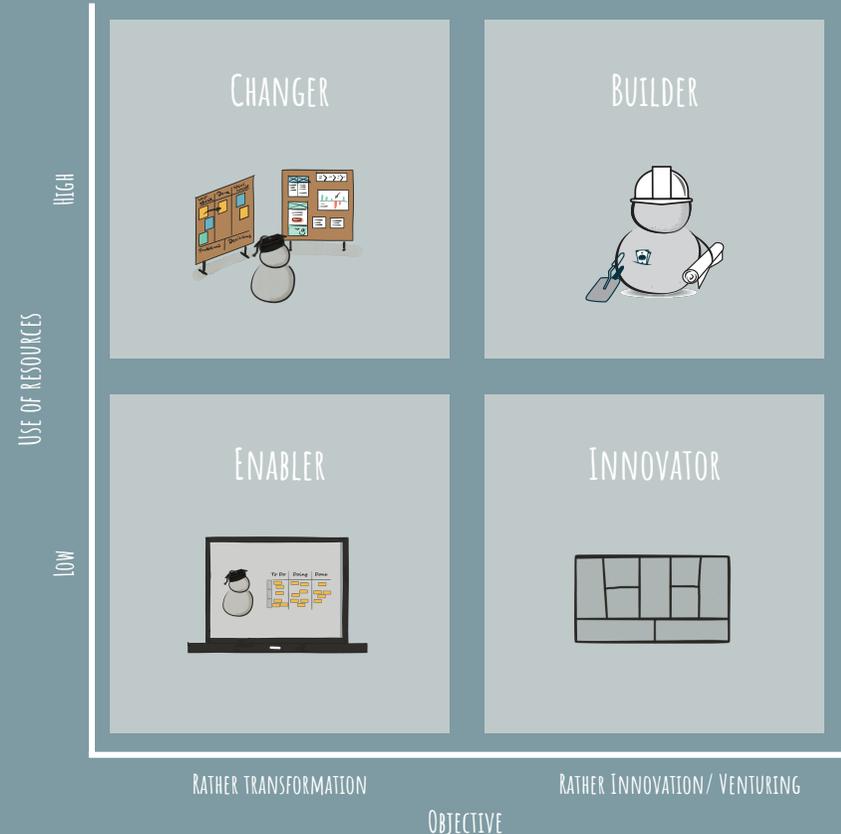
CHANGER

- x The intrapreneurship program and team operates under its own brand and has dedicated resources and space to transform the business
- x The program mainly takes place on-site with various coaching, alumni and networking events

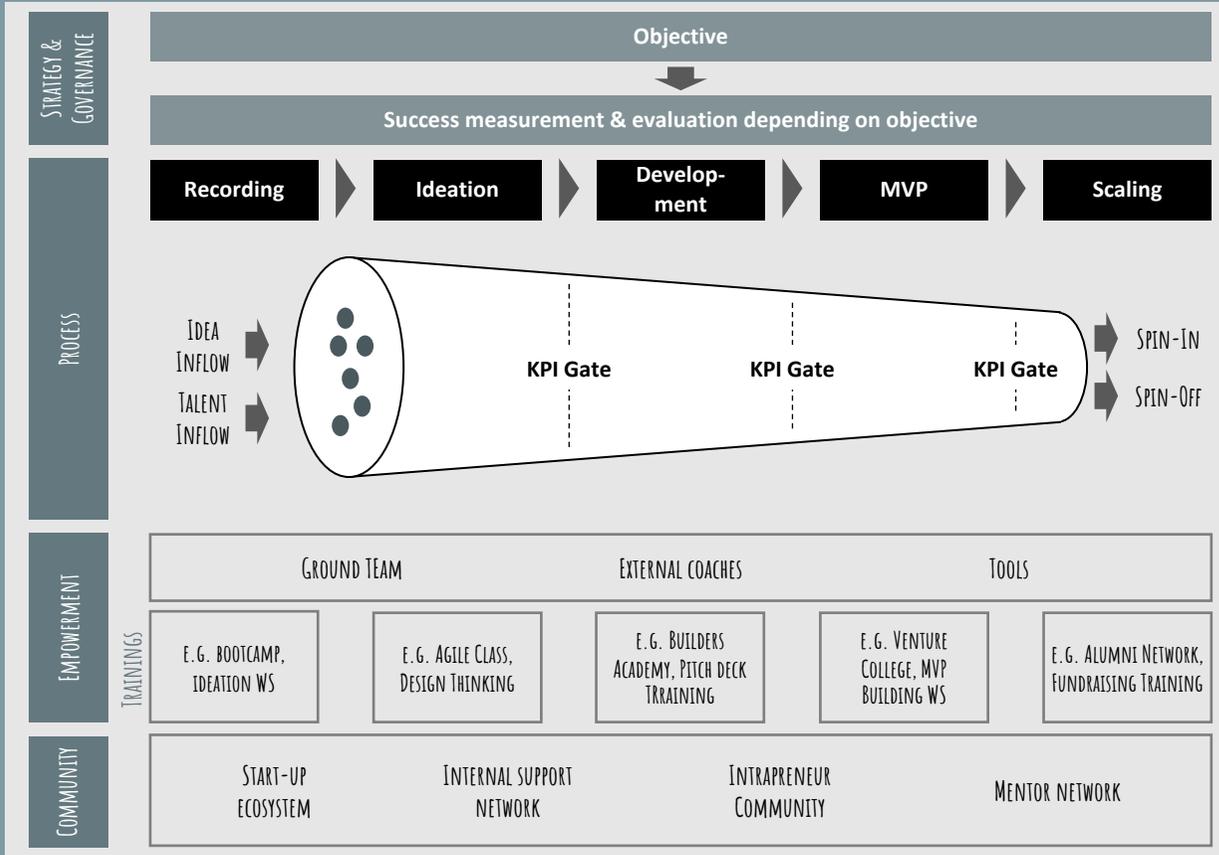


ENABLER

- x Knowledge transfer, further training of employees and transformation of the culture are strongly tool-supported (intrapreneurship boxes, intrapreneurship platforms)
- x Intrapreneurship program primarily takes place digitally and only some events are on-site



Intrapreneurship programs consist of four central components



Insights

- ✗ The process is the program's core element and includes the application phase, the innovation funnel and the scaling paths. The funnel's conception involves a series of decisions that have a major impact on the program's success.
- ✗ Examples are: Selection criteria, team building, degree of autonomy, number & length of phases, accountability at the gates, release and incentivization of employees, and possible scaling paths.
- ✗ The innovation process is flanked by various empowerment & community formats designed to empower and support intrapreneurs throughout their journey
- ✗ The different formats are offered by the ground team, external coaches or with the help of tools, depending on the innovations' maturity.
- ✗ The community enables exchange with like-minded people and experts and thus provides important feedback for the intrapreneurs.

For successful measurement & evaluation, the selection of the right metrics is essential

Metrics for measuring and evaluating intrapreneurship programs.

Relevance of metrics for intrapreneurship programs

Performance measurement creates transparency about resource deployment, results and is the starting point for organizational learning for the intrapreneurship team. Furthermore, it provides the program managers with data with which the programs' success can be presented to the top management and the required resources can be legitimized. Basically, similar metrics are used in intrapreneurship programs as in other innovation processes.

Selection of suitable metrics

In successful programs, metrics are largely derived from the overall goals. Two groups of metrics were identified in the study: Innovation metrics and Transformation metrics. Furthermore, successful programs use a combination of process and outcome metrics to assess both the current situation in the innovation funnel and the long-term success. For younger programs that do not have scaled ventures to evaluate success, the evaluation is often based solely on process metrics. Furthermore, successful programs are characterized by the fact that they resist the temptation to use vanity metrics and exclusively use meaningful metrics with real added value.

Innovation Metrics

Innovation metrics measure how successfully innovations are developed, scaled, and subsequently commercialized. Examples from the interviews:

- × Conversion rate between funnel stages
- × Cost per funnel stage
- × Sales / Cost Savings of Scaled Innovations

Best practice: Innovation metrics should be highly aggregated – from team to program to portfolio level.

Transformation metrics

Transformation metrics capture the intrapreneurship program's effect on corporate culture. Examples from the interviews:

- × Number of active and former intrapreneurs
- × Net Promoter Score (NPS)
- × Evaluation of the employer before and after participation in the program

Best practice: Particularly in the case of transformation metrics, close attention must be paid to ensuring that no vanity metrics are used.

Four challenges in particular arise in the design and operation of the programs

Challenge #1: Selecting suitable participants and ideas

When selecting suitable participants, companies face the challenge of distinguishing between real innovators and innovation tourists who primarily want to try out innovative work. Here, it is important not to scare off suitable applicants with an overly complex process and, at the same time, to obtain enough information to be able to execute an evaluation. Another complicating factor is that it is difficult to assess how an idea, or a team will develop at the beginning.

Challenge #2: Overemphasis on early stages

Many programs are strong in the early innovation phases. This seems tempting, as many ideas can be developed with a small budget and there are hardly any conflicts with other business units. However, this focus leads to a lack of resources and capabilities to scale the ideas optimally in later phases. This results in successful ideas failing to scale due to a lack of support.

Challenge #3: Transfer to core organization

In many companies, intrapreneurship programs and business units have fundamentally different ways of working. As a result, many innovations fail after leaving the program due to a lack of support and non-agile ways of working. The dropout edge is particularly relevant if expectations that cannot be met are communicated in advance, there is no commitment to support and scaling in the business units, or the entire team is replaced during the transition.

Challenge #4: Measurement and evaluation of programs

Decision-makers face the challenge of evaluating innovations realistically. Especially in the case of early-stage ideas, there is little reliable data that can be used for evaluation. In addition, the success of innovations only becomes apparent some time (usually years) in the future. Another complicating factor is that some companies use metrics for evaluating success which, such as EBIT, are completely unsuitable for early-stage innovations.

A targeted selection at the beginning as well as support in the funnel are crucial for success

Success factor #1: Clear guard rails for ideas

- × Setting guard rails for ideas ensures that only relevant ideas are pursued for which there is a "right to play" and which receive support in later development and contribute to an overriding corporate goal. Examples of guard rails that have proven themselves effective in practice are:
 - × Strategy fit: Reference to/ impact on corporate strategy
 - × Internal buy-in: Advocates within the company who are willing to invest
 - × Digital versus physical innovations
 - × Assignment to a specific innovation horizon, e.g., H1/H2/H3

Success factor #2: Narrow selection of participants for innovation targets

- × This is particularly important when the focus is not only on empowering the participants, but also on the success of the innovation projects initiated. In practice, two mechanisms have proven to be suitable for this purpose.
 - × **Hard bouncer:** Selection is criteria-based by team. Example criteria are team fit, commitment and the ability to question convictions.
 - × **Self-selection:** Positioning the program to discourage unsuitable candidates. Examples include open communication of effort and expectations, and loss of previous jobs.

Success factor #3: Capabilities to support across entire funnel

- × Successful programs succeed not only in generating many ideas in the early innovation phases, but also in subsequently developing and transferring them into implemented solutions. The following approaches are suitable for supporting these phases:
 - × Time limitation of the early innovation phases in order to achieve consistent further development and selection of ideas
 - × Provide specialized capabilities for scaling ventures (e.g., venture architect expertise)
 - × Early planning of financial resources for scaling

Mechanisms for stopping and scaling an idea should be thought of from the beginning

Success factor #4: Face-saving exit paths & clear decisions



- × Successful programs are characterized by making clear decisions and consistently stopping ideas that do not work. This works especially well when intrapreneurs are involved in the process and empowered to independently decide to stop their idea. This requires:
 - × Face-saving exit paths and an environment where stopping an idea is not seen as failure
 - × Training formats that prepare intrapreneurs for this situation
 - × Formats and events celebrating intrapreneurs and participation in the program

Success factor #5: Mechanism for transfer to business units



- × When scaling ideas internally, it is crucial to implement a mechanism for transferring them to the business units. This should ensure that responsibility for scaling is clarified at an early stage and that the ventures receive appropriate support. Successful approaches from practice:
 - × Involvement of the BU in the identification of relevant challenges
 - × Representation of the BU in decision-making bodies at the Innovation Tunnel's gates
 - × BU representative as sparring partner or sponsor for intrapreneurs

Success Factor #6: Empowerment & training depending on Maturity



- × Training content and empowerment formats should be provided depending on the idea's maturity
- × If all contents are taught at the beginning of the program, participants will be overtaxed and dry runs will occur, as what has been learned cannot be applied directly
- × A combination of live coaching and self-learning formats can further support this by allowing intrapreneurs to re-consume specific content in a targeted manner as needed

II: Conclusion

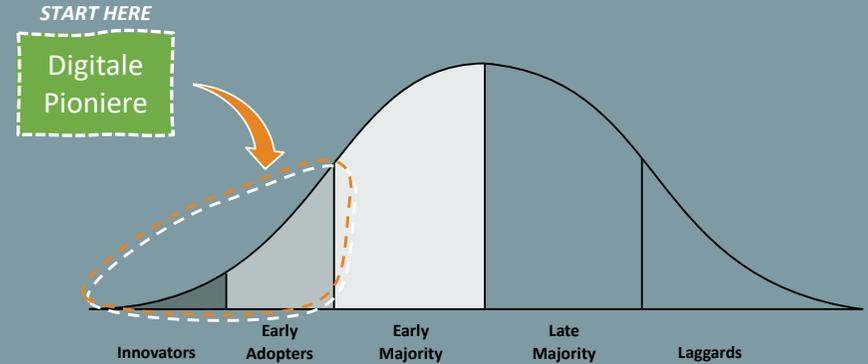
What can other intrapreneurship programs learn from this?

Our conclusion

Digital transformation needs digital pioneers. Successful intrapreneurship relies on giving digital pioneers the space and stage to develop their potential. Their success stories inspire other employees and initiate sustainable change throughout the company.

Especially in the beginning, it helps to consciously select and focus on employees who are willing to innovate. This increases the quality of the innovations developed, reduces the dropout rate and thus greatly improves credibility within the company. Successful programs then gradually evolve from "professional sports" to "popular sports," i.e., they reach a larger group of employees – but without trying to reach everyone (the "laggards" are a wasted effort).

Organizationally, the best intrapreneurship programs are firmly anchored in the corporate structure. They are aligned with the overarching corporate strategy and cooperate with innovation units within the company to realize synergies and exchange knowledge. They have a clearly defined set of goals that have been agreed on with relevant stakeholders, as well as suitable metrics for measuring and adjusting these where necessary. This approach enables them to achieve success, communicate this to the outside world and legitimize the program.



Interested in a different perspective? Read one of our other studies:

www.infront-consulting.com/publikationen



Corporations on the track of startups

- × Leading study on digital innovation units in the German-speaking region



Champions of the digital transformation

- × Study on the current status and success factors of digital transformation in German companies



Innovate the Innovation

- × Investigation of the reasons for closures of innovation units

About Infront Consulting & Management

Who we are

- × As a leading strategy and management consultancy for digitalization, Infront supports companies across industries in developing and successfully implementing effective strategies for the future.
- × Since our founding in 2004, we have developed over 1,200 business model ideas and more than 100 market-tested innovations. We develop holistic solutions for strategy, innovation and transformation.
- × Since 2018, Infront has been an independent strategy arm of KPS AG, the sixth-largest German management consultancy with a pan-European presence and more than 1,000 employees.



- × More information at: www.infront-consulting.com

Our service offering Corporate Innovation



Intrapreneurship - Structure

- × Benefit from our many years of expertise in building and operating substantially successful intrapreneurship programs. We use the special success patterns of digital entities to ensure performance, minimize risks, and inspire stakeholders.



Intrapreneurship - Assessment & Development

- × In a compact project, we systematically identify development potential for your intrapreneurship program. Our structured benchmarking is based on anonymized data from our studies as well as experience from 200+ innovation units.

Venture Building - Pilot-as-a-Service



- × Commercial scaling is the supreme discipline of digital innovation projects. We support your venturing projects with our pilot-as-a-service approach.

Imprint

Publisher

Infront Consulting & Management GmbH
New Wall 10
20354 Hamburg
(+49) 40 3344151-0
digilabs@infront-consulting.com
www.infront-consulting.com

Study Team

Dr. Felix Lau
Eike Hendrischke

Publication

May 2022

Thanks a lot

We would especially like to thank the study's interview partners for their participation and trust.

Copyright

All rights to this content are owned by Infront Consulting & Management GmbH, Hamburg. Data and information remain the property of Infront Consulting & Management GmbH. Reproductions, including excerpts, require the written permission of Infront Consulting & Management GmbH.