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Corporate Innovation Hubs: Fostering Intrapreneurship and New Ventures

Njeri Otieno J.

Faculty of Business and Management Kampala International University Uganda

ABSTRACT

Corporate Innovation Hubs (CIHs) have emerged as vital mechanisms for fostering intrapreneurship and developing new ventures within large, established organizations. This paper explores the role and significance of CIHs in enabling corporate entrepreneurship by creating internal ecosystems that emulate the flexibility and dynamism of startups. By examining the evolution of intrapreneurship, the functions of CIHs, and the challenges and benefits of integrating these hubs within corporate structures, the study highlights best practices for successfully managing innovation hubs. Additionally, case studies, including Bayer's G4A program, provide real-world insights into how CIHs contribute to sustained innovation, competitive advantage, and economic growth. The findings underscore the importance of strategic alignment, organizational culture, and leadership in ensuring the success of CIHs in driving corporate innovation.

Keywords: Corporate Innovation Hubs (CIHs), Intrapreneurship, Corporate Entrepreneurship, Innovation Ecosystems, New Ventures.

INTRODUCTION

In the past decade, we have seen a rising number of projects or units commonly referred to as corporate innovation hubs, which are established by large established companies with the objective of fostering intrapreneurship and developing or incorporating new ventures or initiatives into the company. The rationale behind these entities is that the development of these activities might be impeded if performed within the existing corporate structures, which are usually focused on their core businesses and present a series of characteristics that make them tight and rigid when dealing with projects that go beyond specific incremental innovation actions. In that context, independent entrepreneurship-like units that are in close proximity to the company but carry some flexibility in their culture and managerial tools could be helpful for attracting new employees and high talent to perform the activities [1]. Several large companies-initiated programs to facilitate intrapreneurship within their walls in the 2000s or intensive open innovation activities focused on the development of new ventures in the subsequent years. Mainly because of competition from SMEs and other startups for these activities, independent accelerators or incubators created and managed in partnership with third parties were sometimes preferred as choices for these projects. Those initiatives created a significant amount of valuable knowledge, and some companies that already knew that they were not capable of fostering entrepreneurship made clear decisions to postpone the providing of resources to those content new ventures in earlier stages of development. The proposals presented here derive from the sum of specific contributions from those in-house activities and outside projects, which allowed us to understand the typical patterns behind more successful corporate innovation hub initiatives [2].

BACKGROUND AND RATIONALE

Corporate Innovation Hubs (CIHs) are being created to foster intrapreneurship and new ventures. Entrepreneurs and their ventures typically migrate to entrepreneurial ecosystems that suit them and facilitate their growth. These ecosystems offer resources such as incubators, accelerators, co-working

spaces, and physical entities where peer entrepreneurs can compare notes, validate or invalidate business models, and navigate prevailing circumstances during the lifecycle of their new ventures [3].

CIHs create and operate internal entrepreneurial ecosystems inside big financial or non-financial well-established groups and conglomerates. They have the capability to orchestrate corporate resources, allocate resources synchronously, and leverage synergies among business units within the same corporate cluster. At the same time, CIHs provide synergies with external partners selected to complement the group [4]. The main hypothesis to be tested is that corporate entrepreneurship benefits from context factors that interact positively. These factors foster both flexible and frugal organizational models borrowed from startups, allowing both corporate businesses and entrepreneurial ventures to respond positively to innovative challenges in the current and foreseeable market environment. To achieve this, the CIHs organization process needs to serve agile ventures that are launching and capturing disruptive value propositions, gaining traction and scaling at speed in opportunity spaces too small for corporate businesses based on strategic synergy of frugal lean business models [5]. CIHs have top management responsibilities in detecting and monitoring emergent entrepreneurial projects. This is necessary to prepare the corporates' long-term competitiveness in its markets. These top managers follow the behavior of the world's entrepreneurial ecosystem in an open innovation perspective. They aim to promote ventures that successfully tackle marketplace challenges based on a unique value proposition. They navigate step by step into value creation, sustaining it until success milestones are achieved while minimizing residual risks [6].

UNDERSTANDING INTRAPRENEURSHIP

Evolving definitions of intrapreneurship reflect the innovation happening inside large established firms. As Sosik notes, "the construct of intrapreneurship has attracted much attention in the leadership literature as an alternative to entrepreneurship and as a way of reflecting the innovation and job redesign process performed by individuals inside established firms." Intrapreneurship has been defined in numerous ways, ranging from individuals and teams displaying entrepreneurial traits inside an organization to innovation categories or elements. Intrapreneurship has often been studied as a tool for enacting corporate entrepreneurship, which is explored next [7]. Intrapreneurship is often a subset of corporate entrepreneurship, focused on the innovative role people play within existing firms or organizations, creating something new within a corporate entity where entrepreneurial tendencies are either blocked or fully realized. Willis and Dennis summarized the relationships, noting, "Intrapreneurs take initiatives to drive development and change within the existing organizations, while corporate entrepreneurship reflects initiatives to develop new businesses for internal growth." Covin and Miles add that corporate entrepreneurship includes intrapreneurial endeavors along with venture innovations, long-term developments, and a blend of differently-focused projects [8].

DEFINITION AND KEY CONCEPTS

The concept of a corporate innovation hub – traditionally called "corporate venture" – has been exposed to some different conceptualizations over the years. This heterogeneity of definitions may be based on the distinct approaches and objectives pursued by such corporate innovation initiatives. The development of venture teams, although fundamental, is not innovative per se. Innovation usually refers to creating or exploring unconventional and potentially high-risk opportunities in their parent companies. The terms "internal corporate venture," "corporate venturing," or "corporate entrepreneurship" are often used as synonyms of the concept of CVC. The majority of companies owe their present existence to an intuitive inside entrepreneur who was more willing to break away from tradition and do something different from himself, his company, or her industry. Such people are rare, and they sometimes risk punishment as much as recognition for their actions [9]. Occasionally, these internal entrepreneurs seek resources from sources outside their companies, such as venture capitalists, entrepreneurs, or university faculties. Many companies are now actively cultivating what might be termed institutionalized intrapreneurship. They are appointing entrepreneurial teams, giving them money and authority, locating them in skunk work units or separate businesses, and creating organizations through which they can deal with such key issues as growth, synergy/clash, financial resource allocation, definition, corporate culture, and corporate strategy. These practices are linked by this investigation to a threefold corporate organizational theory of: large company structure and strategy, venture teams and the internal venture, and cultural principles for encouraging entrepreneurship inside a corporation. Hereafter a few examples of CVC applications and a model are used to illustrate this approach [10].

THE ROLE OF CORPORATE INNOVATION HUBS

The process of value creation described has led some companies to establish innovation centers. In these centers, they bring together in one physical space, in most cases, and in one virtual space, corporate

facilities of all sizes, both technical and non-technical, of the business units, in order to capture, nurture, and develop the most innovative ideas. The centers consist of a team of experts from different functional areas, including human resources, marketing, and legal; shared services, including, among others, financial support and information management; and have routines and methodologies for governance and control [11]. The purpose of the centers is to focus business resources on specifically innovative initiatives, which are based on new models of corporate intrapreneurship already put into practice with success in several large and medium-sized corporations. The main methodology employed for governance and control is known as acceleration or incubation, which foresees developing ideas, obtaining results, and being flexible in implanting changes. This structure provides the means by which disruptive innovation occurs without the forced culture of change for change's sake relying, in most cases, on a combination of free markets. These markets can be between business units, among the business units and the corporate innovation center, or between companies and entities from outside the corporation [12].

BENEFITS AND CHALLENGES

There are situations in which companies help their employees perform innovation opens. These situations are the breeding ground for the corporate innovation hubs that we introduced in the previous section. In this section, we focus on discussing the benefits and challenges faced by companies fostering intrapreneurship and the new ventures from their employees. Specifically, we argue about the benefits in terms of knowledge that is created and transferred, as well as the company's skills for these initiatives. Then, we identify some important challenges faced by the organizations helping their employees perform innovation opens [13]. Typically, new venture formation requires the combination of several skills that are not possible to be concentrated in a single person. Also, this task requires the interaction between individuals with different expertise and knowledge. Thus, corporate involvement with innovative hubs is much broader than nurturing entrepreneurs of individual employees. The environment for intrapreneurship must be such that it facilitates the knowledge creation and transfer among employees. Employees should be allowed to explore new ideas and work on topics that go beyond the daily routines and current products. As a result, the knowledge of the venture is disseminated quickly and is embedded in the company's knowledge base [14].

BEST PRACTICES IN ESTABLISHING AND MANAGING INNOVATION HUBS

To actively support entrepreneurs, i.e., intrapreneurs, innovation hubs should enable freedom in the direction and scope of ventures. The innovation hub's mission is not to dictate what they do but to help them, enable them to fail fast, and derive valuable lessons from those failures. A good way to look at the mission of an innovation hub is to "wrap" corporate processes and rules around a venture as late, but as transparently, as possible in its process. This is the best way to keep the ambition and creativity of intrapreneurs alive and thriving for great opportunities. Processes, methodology, governance, and innovation give context to creativity and thus make the innovation inside innovation hubs sustainable, visible, traceable, and comparable. But the aim is to be as light-touch as possible, allowing intrapreneurs to use only those processes and methodologies they really need allowing them to choose the "rules" that are tailored to their ambitions [15]. The roles of innovation hubs differ across companies to reflect their particular concept of where and how innovation should take place and is accelerated in their company; however, the innovation hub's roles are of a facilitator and an orchestrator of a blend of corporate processes. The facilitator role is the integration of two main processes inside the innovation hub to support intrapreneurs, entrepreneurs, and venture teams. First, the Business Discovery process looks at venturing capabilities, focusing on the venture's business model, application, or technology, addressing market and market fit (technical and consumer), corporate positioning, and competition. Second, the Governance process focuses on funding, management, and the independent delivery of innovation ventures through a tailored, lean stage-gate process [16].

KEY COMPONENTS AND STRATEGIES

Corporate innovation hubs are both a strategic and operational tool for developing radical new business solutions or reinvigorating established company franchises. Leading companies such as Mastercard have established their intrapreneurial academy to deepen these skills, allowing participants to move in and out of the accelerator program as needed for their innovation ventures. Engaging with clients and businesses in unfamiliar territories as effective innovation tracks can draw employees into accelerator opportunities – and is certainly an important way to learn and grow. Growing employee digital and entrepreneurial skills are more valuable in today's digital business environment. Realizing that corporate innovation structures often have difficulty doing something new or unconventional, experienced entrepreneurs may need to step in [17]. Organizations that need disproportionately strong innovation capacity can help their intrapreneurial programs through incentives, such as putting their staff in a comfortable but innovative

office space, giving them a sense of security in taking calculated risks in starting enterprises, and offering other attractive growth opportunities. As accomplished entrepreneurs themselves, intrapreneurs may act as internal catalysts, ensuring they are aligning innovating startups with the mission of their parent company. Industry experts who present new developments or opportunities and recommend scaling programs or certain geographical regions of common interest to both the company and the sponsor deliver compelling ideas and innovative value solutions to corporate sponsors [18].

CASE STUDIES AND SUCCESS STORIES

In this section, we describe and analyze case studies coming from the corporate world. We will also shed light on the practices of these organizations that led to the success of their CI hubs. Our primary focus will be on the organizational process, culture, and structure, and the network of CI hubs within their organization and within the region. Our discussions and the conclusions that we will derive from these will provide a rich ground for understanding how large corporations can implement novel methods for innovation across geographic boundaries. These methods can be instrumental in achieving and maintaining a competitive advantage. Furthermore, these can generate value for society and the economy and uplift the conditions of people by creating job opportunities, stimulating economic growth, and solving some of the most pressing problems of humanity [19].

BAYER G4A

G4A refers to Grants4Apps, the pharmaceutical and life sciences company Bayer has been running their open innovation initiatives under this brand. Launched in 2013, it began by offering grants and investments to innovative companies in the pharmaceutical technology and health tech sectors. In 2017, Bayer started acquiring these startups, joining the other corporate players investing in the development of the pharmaceutical industry. These startups previously collaboratively worked focused on digital technologies to support healthcare providers and patients across the health continuum. They were developing applications for improving patient adherence, treating pulmonary diseases, and monitoring vital signs of patients remotely. Accommodation started in Germany that year, and they operated in the new space collaborating with academia, startups, and entrepreneurs, and healthcare providers within their accelerator program. Continuing the partnership with the community, Bayer continued hosting and participating in international health and technological events such as the giant conferences. Upon arrival, G4A was announced as a prime office and networking space at one of the subsidiaries of Bayer in Germany. This space and community hosted the Bayer leadership but also acted as the focal point for international events and conference organizer meetings where Bayer has been standing out as an influential corporate player in the healthcare provider and pharmaceutical sector [20].

CONCLUSION

Corporate Innovation Hubs represent a strategic approach for large organizations to foster intrapreneurship and accelerate the development of new ventures. These hubs serve as internal innovation ecosystems that allow companies to harness entrepreneurial energy while maintaining alignment with corporate goals. The success of CIHs depends on various factors, including strategic alignment, a supportive organizational culture, and effective leadership. Case studies like Bayer's G4A demonstrate the potential of CIHs to create significant value, not only for the organization but also for the broader economy. By adopting best practices in managing and structuring these hubs, corporations can overcome the inherent challenges of innovation and position themselves for long-term competitiveness and growth.

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