The Role of Managers in Developing Innovation-oriented Organizations

Thousands of new companies are born and die each day in every part of the world. The effort to create, nurture and sustain a survival and growth agenda that relies in innovation, transformation and adaptation have been a discussion topic among leaders for years. The Harvard Business Review published an article in 1985 showing how entrepreneurship could be a way for companies to develop innovative ways to gain competitiveness. Although most of those concepts of how organizations struggle to implement innovative thinking in their corporate culture remain unchanged, new findings about how entrepreneurship happens made considerable advances over these 37 years. Today, I want to share some of these concepts applied to innovation in organizations.

Why companies can't innovate?

First of all, let's shed some light on why many established organizations struggle to promote innovation as part of their culture. In my doctoral research, I've investigated more than 300 companies in Brazil determined to find what makes some companies more entrepreneurial than others. In my research I've found that institutional theories explain pretty much this phenomenon. Simply put, most part of the spontaneous ideas coming from employees just die before being implemented because of the institutional practices that guarantee the daily operations of the business remain right and efficient. Changes to processes coming from new ideas, even for the good and proven right, hits the bureaucratic wall of forms, authorizations, approval committees, and all sort of barriers that makes it hard for a regular operational employee to overcome and get the benefits from implementing his/her ideas.

Institutional practices happen in all organizations. The older, the bigger and the more complex the organization is, the more policies, controls and rules they tend to have. If innovation is part of the competitive strategy of an organization, they will eventually find ways to welcome ideas coming from employees by bending some of their rigid and bureaucratic structures with flexible work hours, open budget lines, tolerance to failed projects, resources, support, discretionary time, achievement-based compensation models, or career opportunities.

Thanks to these measures, an innovation-based culture starts to flourish and employees feel they can come up with creative solutions to their daily tasks. By offering incentives and lowering bureaucratic barriers organizations were successful in inducing this entrepreneurial behavior in their employees. The problem was that in order for companies to have entrepreneurship as part of their culture, they have to nurture the three components of entrepreneurial orientation among their employees: a) the capacity to innovate; b) the capacity to act autonomously and c) the capacity to take risks. Since the employees still face restrictions in taking decisions on their own and even less to take risks, we can't say these employees are intrapreneurs, although the organization is making its first steps toward an entrepreneurial oriented organization.

In summary, a company can be innovative, but to become an entrepreneurial oriented organization, it would require to include autonomous behavior and risk taking and that can be too much for most companies, unless they can hand pick their employees who deserve such privileges and now it is easier to see why managers play a key role in this process.

Induced vs autonomous behavior.

Real intrapreneurs practice autonomous entrepreneurial behavior. In other words, these employees act with the entrepreneurial mindset. They take ownership of their ideas and they feel responsible to implement their ideas and collect the direct results from these ventures. Unlike the induced behavior employees, whose motivation relies in external rewards, like career progression, financial compensation or exposure, intrapreneurs are moved by intrinsic motivation when engaging in promoting changes or implementing new ideas. After learning the stories of intrapreneurs in 15 different companies in Brazil for my book, I've learned that intrapreneurs just want to see things happen, they challenge themselves to be better, to keep learning, to overcome obstacles, just the satisfaction of going beyond the limits to generate meaningful achievements.

There are intrapreneurs in all organizations. Most of them are hidden in their departments, trying to contain their impulses. While induced employees only raise from a favorable and safe environment for their initiatives, intrapreneurs just can't help themselves. When they feel pushed to change something regardless of the available resources, the extrinsic rewards, or whether they have support or not, nothing can stop them. They know things can go wrong, but they don't fear the consequences, they bet their job and their career on their ideas. They act autonomously and they take risks, therefore they comprise all the three components of the entrepreneurial orientation spectrum.

Managers' pull and push forces

As you learn more about intrapreneurs you may recall some examples you've met or even managed along your career. If you can portrait a typical intrapreneur, you may agree how important they are for the organizations, but you will also probably agree that these employees can also be dangerous. They refuse to follow orders, they go rogue when they want, they struggle to fit to the model, they can be rebellious and undisciplined. It is not rare to find great intrapreneurs who are constantly causing troubles and keep jumping from job to job. Here is the conflict. How can we develop and nurture intrapreneurs and, at the same time, control them? If that is even possible.

Answering this question was the goal of my most recent research in the topic. I interviewed the middle management level of 10 large entrepreneurial oriented companies in Brazil and the results showed me how unique management style intrapreneurs require.

Intrapreneurs need freedom, but they have to earn this freedom. Managers offer them all sorts of experiences to prove they deserve to go free with their independent projects. The manager-intrapreneur relation is very personal, on case-by-case relation, because intrapreneurs are unique and rare. Extensive corporate policies can be applied to all the employees in general, but intrapreneurs. When an obstacle happens, a normal employee feels scared and just abandon the project. Intrapreneurs face it as a challenge. Managers have to know when to push the employee to overcome that obstacle and when to pull intrapreneurs from taking unnecessary risks. This balance happens in all aspects that differentiate autonomous intrapreneurs from induced employees. Not all managers can face these circumstances unless they have years of tenure in managing people and a very good eye to see the hidden talents of their team. In other words, just intrapreneurs can 'manage' (better say: guide) intrapreneurs.

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Further reading:

Christensen-Salem, A.; Mesquita, L. F.; Hashimoto, M.; Hom, P. W.; Gomez-Mejia, L. R. (2021) Family firms are indeed better places to work than non-family firms! Socioemotional wealth and employees' perceived organizational caring, Journal of Family Business Strategy, Volume 12, Issue 1, (Available in: https://doi.org/10.1016/j.jfbs.2020.100412).

Gjergji, R.; Lazzarotti, V.; Visconti, F. (2022) Socioemotional wealth, entrepreneurial behavior and open innovation breadth in family firms: The joint effect on innovation performance. Creativity & Innovation Management. Mar2022, Vol. 31 Issue 1, p93-108. 16p. DOI: 10.1111/caim.12478.