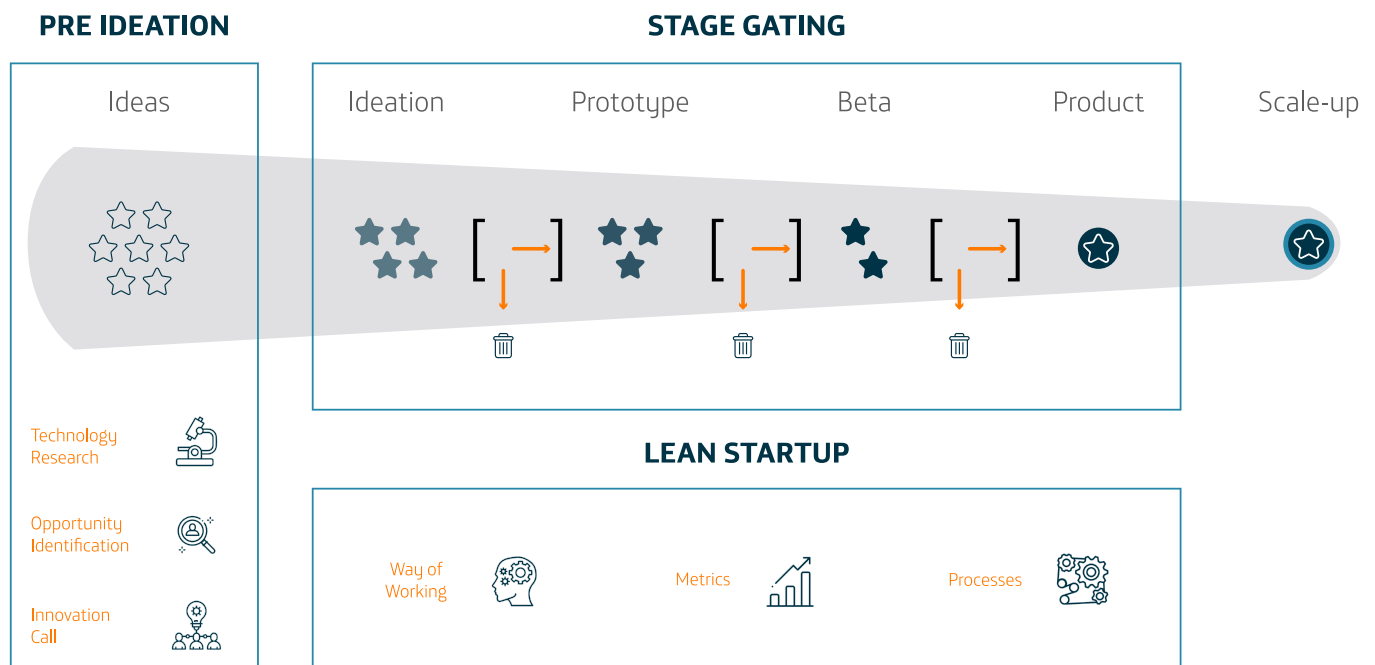# **Intrapreneurship:**
10 lessons from the trenches

March 2019
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Core Innovation - Telefonica Innovation

Introduction

Allow me to start with a little bit of history about us to set the context. Year 2012. After applying the Lean Startup methodology to a couple of innovation projects and to an ideation program we had in place, we redefined our innovation model, turning this methodology into the core of our way of working. In other words, our innovation projects became internal ventures. At the same time, we made another big change, we started launching Innovation Calls where our employees could submit their ideas and, if selected, they get to work full time on their ideas, thus becoming intrapreneurs. This is how Lean Elephants, our intrapreneurship program at Telefónica, was born.

This is how our Lean Elephants program looks like today, nothing to do with what it looked like at the beginning:

PRE IDEATION

Ideas

STAGE GATING

Ideation   Prototype   Beta   Product   Scale-up

Technology Research

Opportunity Identification

Innovation Call

LEAN STARTUP

Way of Working   Metrics   Processes

This the result of several evolutions, we evolved it according to what we have learnt testing different things and the needs we have identified and that have arisen at Telefónica. The pillars of our program are:

- **Lean Startup** is what defines the processes and the way of working in our ventures, as well as the metrics with which we measure their progress.

- We have a defined 5 different stages for our ventures and a **stage gating process** to move from one stage to the next one in a very similar way to the financing rounds of the venture capital world.

- To nurture our innovation funnel we rely on our **Innovation Calls**, where employees submit their ideas around the **opportunity areas** we have identified for Telefónica, and if they get selected, they are allowed to work full time on their ideas. To make sure we have a sustainable competitive advantage, **we leverage on our assets but also create differential technology**.

Lean Elephants has become a reference in the Lean Startup world[1] and a case study[2] because it has allowed us to be more than twice faster than we were before. Thanks to this speed, and to invest incrementally in the ventures as they progress with validated learnings and uncertainty decreases, we are able to do more with less.Because within the same timeframe we are able to test more ideas, and therefore the probability of finding a successful idea increases. Hence we are minimising the risk of our bets.
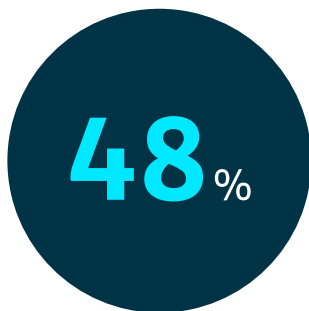
Over these years, we have faced several challenges, and in this paper I will go through the main ten lessons I learnt during this time.
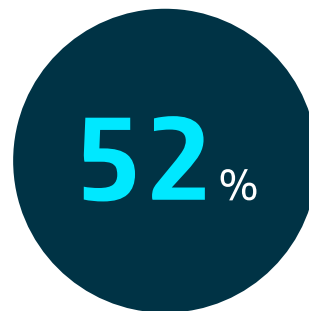
2.6

Faster in our innovation cycles

45%
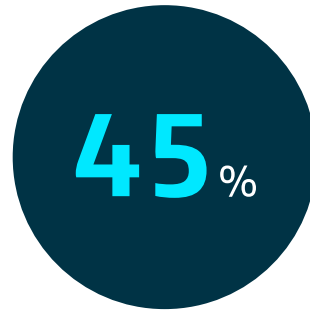
Increase in the number of innovation projects

48%

Reduction of the avarege budget of our innovation projects

52%

Reduction in average in the budget spent in our "big bets"

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[1] I was a speaker at the Lean Startup Conf in San Francisco in 2014 https://www.youtube.com/watch?v=qCogEcUTtIw and in 2016 ttps://leanstartup.wistia.com/medias/fhanrstv81. So did I in other relevant conferences such as Lean IT (https://www.youtube.com/watch?v=a_mXttIW4BI), Agile by Example (https://www.youtube.com/watch?v=ZJRQRhe_wdw) and Innov8rs (2017: https://innov8rs.co/past-events/stockholm-2017/hacking-your-company-to-foster-intrapreneurship-susana-jurado-telefonica/, and 2018: https://innov8rs.co/cards/innovation-portfolio-management-where-to-place-your-bets-susana-jurado-apruzzese-and-salvador-perez-crespo-telefonica/)
[2] https://hbr.org/product/telefonica-a-lean-elephant/B5863-PDF-ENG

Lesson 1. An end-to-end process

In the past years I have had the opportunity to learn from other cases, from other companies with ongoing intrapreneurship programs, and I have seen some cases where these companies start with hackathons or ideas contests but there is either a complete incubation process (from idea to commercialisation) or resources to fund the process. This generates a lot of frustration across all the organisation levels. I have heard too many times things like "I won a hackathon in my company, but then nothing happened with my idea" from frustrated people that will probably not participate in the next hackathon, and will probably not encourage their peers to participate.
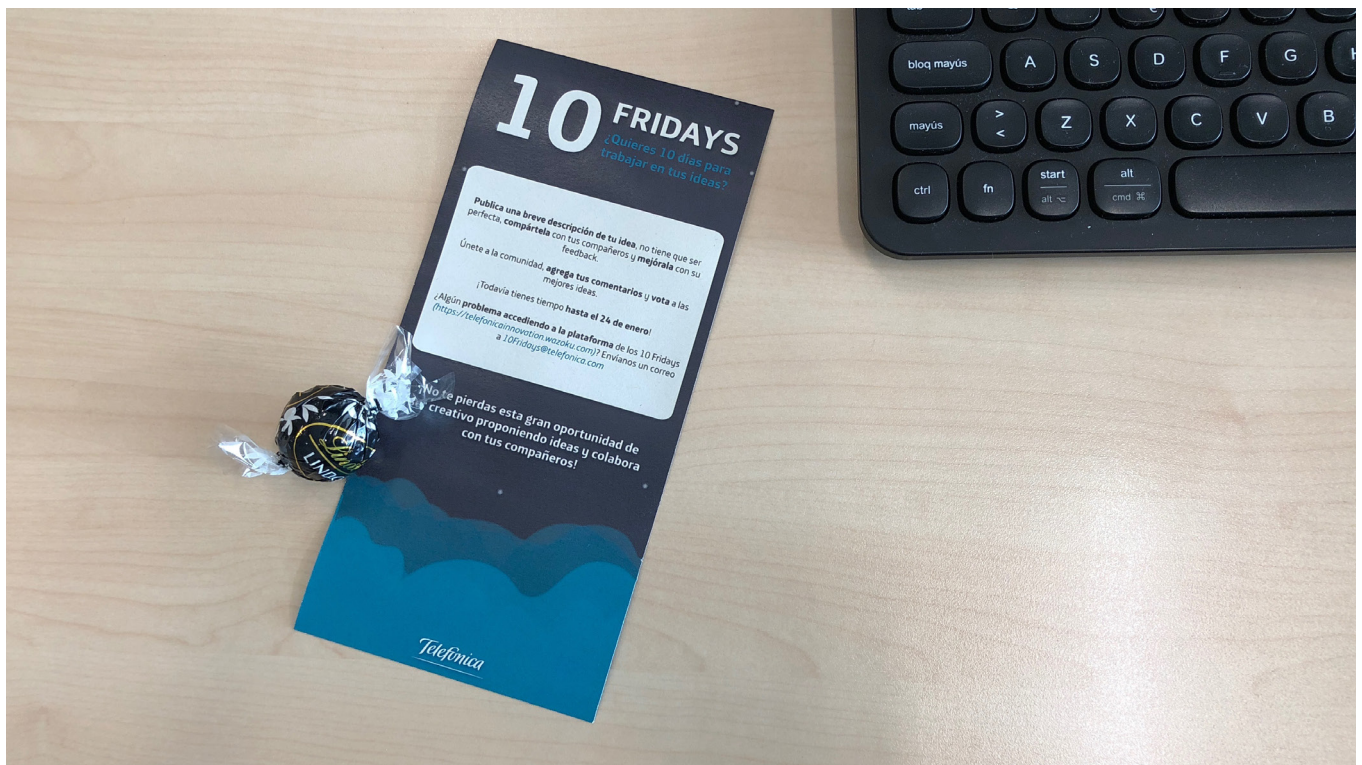
So you need to have an end-to-end innovation and idea incubation process (what Steve Blank calls "Operational innovation"[3]) **but is also as important to have resources to nurture this incubation process and invest in these resulting internal ventures**. This does not mean you need to have everything up and running from the moment you start. You may put it in place gradually. If fact, doing it as you are learning how to make it work in the context of your company is a good approach. However, you must be ready to provide the means and tools needed when the time comes, and this implies trying to predict when this will happen and start working on it in advance.

This aforementioned end-to-end process starts with innovation ideas. Those **ideas may come top-down**, the company decides the ideas that will be incubated; **and/or bottom-up**, employees propose the ideas. **The bottom-up approach** (regardless of the format: innovation calls, hackathons, idea contests,....) **allows you, not only to rely on the internal talent you have in the company, but also to identify potential intrapreneurs**. These people already exist in your company and are just waiting for an opportunity to emerge and become visible.

Some companies give their employees unstructured time (like the 15% time 3M gives their employees) so people can devote this time to work on their ideas. One of our findings we have made is that **giving employees some time to work on their ideas beyond a best effort way helps improving the quality and the ambition of the ideas** we get in our Innovation Calls. In our case, we have launched our **10Fridays** initiative, an ideation program where people submit ideas and get ten Fridays to work on them. This initiative allows us to explore and mature ideas that may end up being submitted to one of our Innovation Calls, where employees can propose their ideas and, if selected, they become intrapreneurs and work full time to incubate their ideas as an internal venture. Hence, we are improving our ideation process and, at the same time, giving our employees other means to devote time to work on their ideas in a way that is compatible with their day-to-day job.

One thing we have also learnt that is important **when you launch calls for ideas from employees is to do it around the challenges, needs and opportunities you have identified and define your Innovation Thesis**. In our particular case, when we started, our calls for ideas where open, so people could propose anything they wanted. This has several downsides: you get a lot of ideas you are not looking for still you have to devote time and resources to evaluate them and provide feedback; the

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[3]"get teams and leaders to think about the innovation process from end-to-end – that is to visualize the entire flow of how and from where an idea is generated (the source) all the way to deployment (how it gets into users' hands)" https://steveblank.com/2018/06/05/whats-next-for-getting-stuff-done-in-large-organizations-the-innovation-stack/

ambition of the ideas is usually not high and get many incremental innovation ideas; and you may get several ideas of things that already exist on the market or you are already working on in your within your company. Now, when we launch a Call requesting ideas from employees, we do it around a particular theme and provide guidelines that give our employees information around the context, the challenges and opportunities we foresee, what we already have in the company and what is out there, and the assets we can leverage, This not only allows us to **get ideas more focused on what we are looking for, but to inspire our employees to increase the level of ambition**. People get more creative when they are inspired with challenges.

It is also key that **the idea selection process is fair and objective**. This is favoured by including people from other areas, with other profiles, that provide other points of view in both the evaluations of ideas and in decision-making. Such decisions must include meaningful feedback to the intrapreneurs whose ideas have not been selected as well as the rationale that supports the decision. In fact, even **once ideas turn into internal ventures and are incubated, it is important to provide the reason that lies behind every decision made around the venture**.

Once you start incubating ideas, the core team should devote 100% of their time to the internal venture. Otherwise the speed of the results and even the motivation of the team will be affected. When the members of a team keep on working part time in the regular day-to-day job, chances are that their day to day job might still take them 100% of their time, so adding the innovation venture in the equation ends up in teams devoting 150% of their time or more. This is not sustainable and speed is also affected, decreasing dramatically.

And last but not least, **employees in the company should be aware of this end-to-end process, how the path is and how they can get involved**. This way you are being transparent and intrapreneurs know what to expect. This is an example of how we summarise the journey our intrapreneurs go **From Zero to Hero**:

*in*prendedores_
INNOVATION CALL_ Core Innovation

Convierte tu idea en el próximo gran negocio de Telefónica

FASE 1: BIENVENIDO A LA INNOVACIÓN
EMPIEZAS EL ENTRENAMIENTO: aplicas a la Innovation Call

Lee los requisitos
Imprescindible: que no se te escape nada.

Resuelve tus dudas
Todas las respuestas en: Micrositio, Reglas de participación, yammer...

¡Alinea tu idea!
Alinéala con las necesidades de las áreas de negocio.

Valida con otros
Habla con tus compañeros, amigos... Explicar una idea y responder a dudas ayuda a visualizarla con claridad.

¡No te olvides!

Sube tu idea a la plataforma
Asegúrate de responder a todo con claridad y sencillez. ¡Mucha suerte!

Busca un sponsor en Telefónica
Es recomendable. Te ayudara a incluir en tu idea la visión de negocio y a presentarla.

Busca compañeros
Si quieres, complementa tus capacidades con las de otros compañeros, para ayudarte a mejorar la idea.

Regístrate en la herramienta
–Date de alta
–Revisa el formulario
–Identifica toda la información que necesitas

FASE 2: INICIA TU IDEA (3 meses)
A POR LA CARRERA DE VELOCIDAD: análisis y estudio de viabilidad de tu idea

Si eres seleccionado...

¡Prepara tu pich!
Sintetiza. Incluye argumentos que defiendan tu idea. Piensa en el público al que te diriges. Practica la presentación.

Te presentas al Jurado
Date a conocer. Ten en cuenta qué le interesa al jurado al evaluar.

Si NO eres seleccionado
Has ganado experiencia. Sigue entrenando. ¡En la próxima Call llegarás más lejos!

Sí eres seleccionado

Idea tu producto
Te dedicas 100% a tu idea. Durante este tiempo, tu puesto actual te espera.

Regresas a tu puesto anterior. Has vivido una gran experiencia como intraemprendedor. ¡Inténtalo de nuevo!

Presenta tus resultados
Muestra un plan de desarrollo de tu producto.

Conoce a tu mentor
Es positivo contar con un guía. Preséntale periódicamente tus avances y te asesorará sobre cómo avanzar.

Define los resultados
Te ayudamos a definir lo que tienes que conseguir en esta fase (hitos, métricas...)

¡Forma tu equipo!
Te proporcionamos los perfiles que necesitas para completarlo.

Si NO pasas la Fase 2

Sí pasas la Fase 2

FASE 3: PASA A LA ACCIÓN (1-2 años)
PREPARADO PARA LA CARRERA DE FONDO: hacer de tu idea una realidad

Ya estás en la fase de Prototipado. Aprendes y empiezas a transformar tu idea en realidad. Comienza la carrera de fondo. ¡Coge energía y a por todas!

Dejas tu antigua área, para formar parte de un nuevo equipo. Cuentas con jefe y compañeros nuevos.

Crea un prototipo (web, vídeo, app...) Da forma a tu idea y lánzalo, para que los usuarios lo prueben. ¡Ya estás innovando!

¡Enhorabuena! Product Innovation te espera

Product Innovation new

PROTOTIPADO y lanzamiento

STAGE GATE 1
Presenta el resultado. El jurado valora tu propuesta.

STAGE GATE 2
BETA
Debes crear una primera versión de tu producto que funcione con usuarios y que lo utilicen asiduamente.

¡SÍ pasas!

Si NO pasas la fase Prototipado
¡Ánimo! Todavía tienes que seguir puliendo tu producto. O bien ayudarás a otros proyectos, dentro de Product Innovation.

Presenta el resultado y una propuesta para continuar. El jurado lo valorará.

Si NO pasas la fase Beta
Has estado muy cerca. ¡No te desanimes! Sigue trabajando en tu idea. O podrías pasar a apoyar en otros proyectos.

¡SÍ pasas!

PRODUCTO
¡Los usuarios utilizan tu producto! ¿Cómo lo monetizas? Construye un modelo de negocio rentable y escalable.

STAGE GATE 3
Presenta el resultado. El jurado valora tu propuesta

Telefónica O₂ movistar vivo

Transferencia del producto

"From zero to hero" El producto se integra en alguna operadora.

Producto y equipo sois transferidos a la unidad de negocio o al vertical, para venderlo.

¡SÍ pasas!

Si NO pasas a la fase Producto
Hay algo sobre el modelo de negocio que no ha convencido del todo.

¡META!
¡Enhorabuena! Has creado una nueva fuente de ingresos para Telefónica. ¡Has llegado a la meta! ¡Eres un intraemprendedor legendario!

Emprende en Telefónica ¡Carrera a la Innovación!

WHAT WORKS

- Having an end-to-end process in place.
- Communicating clearly the path for your intrapreneurs.
- Transparency in all the end-to-end process.
- A fair and objective idea selection process.
- Unstructured time allows you to improve the quality and the ambition of the ideas before they are formally evaluated.
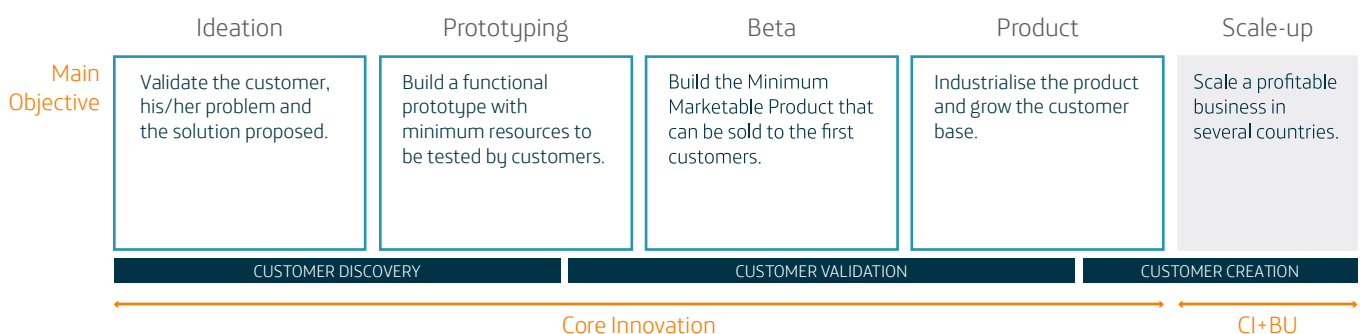
WHAT DOES NOT WORK

- Having an end-to-end process in place but no resources to nurture it.
- Launching calls for ideas for employees completely open.
- People working part-time during the incubation of the internal venture.
- Communicating decisions without the rationale that supports this decision and, therefore, the reasoning to understand such decisions.

Lesson 2. Minimise the risk of your bets

Some people say that big and established companies are risk-averse. However, in my opinion and my experience that is not necessarily true. I have seen big and risky investments being made by this type of companies. But what I have been able to notice is that companies are willing to invest if the level of uncertainty correlates with the amount of investment your are demanding and the potential return of the investment makes the risk worthy.

Hence, **it is important to invest in your internal ventures incrementally as the ventures progress with validated learnings with evidences from the market and the uncertainty decreases**. This is what Eric Ries calls **"metered funding"**. This way of funding allows to minimise the resources and the risk we run in each of our ventures.

In our case, we have a stage-gating process that works in a very similar way to the financing rounds of the venture capital world. Everything starts with pre-ideation, which includes: our Innovation Calls and all the initiatives around generation of new ideas; activities that we carry out to identify new opportunity areas where Telefónica is well positioned and are strategic for us hence define our Innovation Thesis; and the differential technology created by our teams. All our innovation ventures go through out a stage-gating process with five phases:

	Ideation	Prototyping	Beta	Product	Scale-up
Main Objective	Validate the customer, his/her problem and the solution proposed.	Build a functional prototype with minimum resources to be tested by customers.	Build the Minimum Marketable Product that can be sold to the first customers.	Industrialise the product and grow the customer base.	Scale a profitable business in several countries.
	CUSTOMER DISCOVERY		CUSTOMER VALIDATION		CUSTOMER CREATION
	Core Innovation				CI+BU

Ideation
To validate the customer, the problem solved and the solution proposed. In other words, achieving problem-solution fit. This one is the only stage with a pre-defined and limited duration: 3 months.

Prototype
Development of a functional prototype based on customer interactions to achieve solution-product fit and test user engagement. In average, projects remain in this stage for 6 to 9 months.

Beta
It aims to build a Minimum Marketable Product and sell it to early customers. The aim of this stage is achieving product-market fit. Projects remain in this stage between 12 and 18 months.

Product
Industrialisation and customer base growth. Usually takes from 9 to 12 months.

Scale-up

Scaling a profitable business. It usually implies transferring the product to a business unit. The duration of this stage is limited to a maximum of 12 months.

In all the stages, market validation is a must, as well as strong internal sponsorship.

Each stage is designed to achieve the maximum advance with the minimum cost. This way we ensure that the investment in our internal ventures increases only as the venture progresses. Hence we are minimizing the risk of our bets.

We have also defined clearly what are the questions the venture team must answer in each stage and what are the expected outcomes, evidences and milestones in each stage. Because **it is key to manage the expectations of the stage gate committee members and sponsors** and make sure they understand what they can anticipate from the team in each of the stages, the type of questions they can ask and what they can request from the team. At the same time, **the team needs to understand clearly what is expected from them in each stage**.

It is key to base decisions on evidences from the market, from the customer, and in the more mature stages those evidences should be hard evidences like sales. **It is important that decisions in each stage are made prompt**, otherwise the team might lose momentum or even people. And bear in mind that while you are making the decision the venture keeps burning budget.

WHAT WORKS

- Incremental funding as the venture progress with validated learnings and there is less uncertainty.
- Validation of hypothesis should come from the market.
- Manage expectations of the venture team and all the stakeholders.

WHAT DOES NOT WORK

- Decisions in each gate made not fast enough.
- Decisions based on executives' and organisations' statements that are not supported with validated customer and the market evidences.

Lesson 3. Intrapreneurs and the right mindset

A good intrapreneur has the qualities of a good entrepreneur like vision, focus, passion, initiative, risk-taking, resilience, relationship-building and open-mind **but also needs additional qualities like a deep knowledge of the different organisations and processes of the company and an extended network of contacts in the enterprise** (they will need to ask for a lot of favours inside the company). An intrapreneur must find a place for his/her product in the market but also inside the company, hence they need to be able to gain stakeholders from different organisations inside the company that will support the venture. In fact, our intrapreneurs dedicate a significant part of their time to deal with stakeholders (one of our intrapreneurs estimated that he devoted 30% of his time to this).

When you start an intrapreneurship program in a big and established company you must understand that not everybody likes or is willing to become an intrapreneur, not everybody loves autonomy and making decisions, not everybody is willing to deal with uncertainty and risk. And that is perfectly fine. So you have to find your intrapreneurial talent in the company. As I mentioned in the first lesson, we periodically launch Innovation Calls where employees can submit their ideas. It has proven to be a good way to identify this talent and to give them an opportunity to, voluntarily, become intrapreneurs. Not everybody is willing to become an intrapreneur, but those that are willing get really engaged. In fact, we have several people that have participated sending quite a few ideas in several Innovation Calls, even if their ideas have not been selected.

Working like an intrapreneur implies a significant mindset change, a different way of doing things, and you must bear in mind that your intrapreneurs might come from any part of the company, any department. Therefore, **you need**:

1

Training in the methodologies and the way of working. Here it is key to have a teacher that can engage people by bringing personal experiences people can identify with. And you must provide the training in the right moment so our intrapreneurs can complement the theory with learning by doing. In our case, we realised it is better to start with a crash course on our way of working and then we have a series of specialised workshops on customer interviews, analytics, market sizing, etc.

2

Mentors or coaches, because people cannot be left "going solo". They could be internal or external. The important thing is they help teams changing their mindset and way of working, but also provide support with the roadblocks they may find in their way.

It is important to encourage multidisciplinarity, identify the skills needed for the venture and strengthen the team with the skills missing. Ensure the teams have a good combination of skills and profiles (technical, business, user experience, etc.), otherwise the results will not be balanced. To give an example, we had a project with an initial team mainly made of people with business and customer research profiles. After three months, they had carried out an amazing work around the customer, the problem and the market, but the initial solution proposed was very weak because there was no technological profile.

Traditional rewards are not always effective for motivating intrapreneurs, they require intrinsic incentives. In particular, autonomy, mastery and purpose[4]. An intrapreneurship programme provides you with this motivational tool:

Autonomy, self-management. They are working like entrepreneurs making their own decisions and defining what to do next. Using the Lean Startup methodology, and other lean and agile based methodologies bring this.

Mastery refers to the opportunity for developing their abilities and for personal growth. This is offered through training, coaching, encouraging multidisciplinarity in teams and people, and ownership.

Purpose is what gets them out of the bed every morning. And intrapreneurs with bottom-up initiatives get the opportunity to work on their own ideas, devoting 100% of their work time to make them real.

This does not mean intrapreneurs should not have economic rewards according to the risks they are running. If you think about it, an intrapreneur can compromise his or her career trying to find and build a future new business for the company[5]. But there are real examples that show that big awards can cause jealousy within the workforce of the company. In fact, the company is the main resource contributor and, therefore, the one running the main risk. You also must think in the type of talent you want to attract for your ventures and the motivations that move them. Hence, in my opinion, **intrinsic incentives should be the main ones for intrapreneurs, and you can combine them with economic incentives that reward the intrapreneurs for an exceptional achievement** like getting product-market fit or break even. This is what some companies are already doing.

Some time ago I was talking to one entrepreneur we hired for one of our ventures and asked him if he was coping well with the change and how different working with us was from his previous work at a startup. He answered "I haven't really noticed much difference. We deliver a new version every two weeks and the speed and the pressure is basically the same." So it is possible to achieve this way of working internally in a large corporation.

WHAT WORKS

- Bottom-up initiatives like innovation calls, ideas contests, hackathons... can help you find the intrapreneurial talent in your company.
- Combining training and mentorship to help your people change the mindset and adopt a new way of working.
- Encouraging and helping to create multidisciplinary teams for your ventures.

WHAT DOES NOT WORK

- You cannot force a person to become an intrapreneur, it must be a free decision.
- Traditional economic rewards are not always effective.

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[4]The puzzle of motivation https://www.ted.com/talks/dan_pink_on_motivation?language=en
[5]In this article by Alexander Osterwalder there are several arguments that support intrapreneurs should be rewarded like sales people https://blog.strategyzer.com/posts/2015/8/6/why-intrapreneurs-are-not-rewarded-like-sales-people

Lesson 4. You need allies

Intrapreneurship programs face several challenges, if you want to succeed when facing them you need allies. In particular you need three type of allies:

| **TOP MANAGEMENT** | **HUMAN RESOURCES** | **THE REST OF THE ORGANISATION** |

Top management

When you want to launch an intrapreneurship programme **you need to get the top management support** mainly for three reasons:

- **To allow you to start the programme and test new ways of structuring and making decisions**, as well as new ways of working to understand how to make it work in your company.
- **To ensure that your intrapreneurs will have no barriers to devote 100% of their time to work on their ideas** when selected to be part of innovation internal ventures.
- **To be able to move forward innovation ventures within the company**. When you work like an internal venture, with methodologies such as Lean Startup, if you bring market validations and cutomer traction, it gives your ventures high credibility. But getting support from top management and stakeholders is still key if you want your ventures to move forward in a large company. This is what Henry Chesbrough calls 'getting upstairs in the building'[6].

In my experience, when you are trying to get buy-in from the leadership, **what works best is starting small and almost unnoticeably, doing it at a low scale, controlling the risks, and bringing results**. When you bring tangible results, they will be more open to listen to you. And bear in mind you have a lot of uncertainty and therefore you have to minimise the risk and learn how to do it before you scale. Because, if you start big and you fail, you probably will not get another shot.

Human Resources

The Human Resources organisation has proven to be also a good ally since intrapreneurship:

- Allows the company to leverage the talent within its staff to create and shape the future of the company.
- As explained in lesson 3, is a motivational tool.
- Trains employees to work with methodologies that are more and more demanded because they bring agility and flexibility to the company. At the same time creates a workforce with the skill and the mindset capable of working under great uncertainty.

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[6]Why Internal Ventures are Different from External Startups
 https://steveblank.com/2014/03/26/why-internal-ventures-are-different-from-external-startups/

Our intrapreneurship programme was born in the Innovation organisation but is currently being exported to business units in several countries. In our case, Human Resources has been key for spreading intrapreneurship, involving other areas of the company and fostering the adoption of our intrapreneurship model in other organisations.

The rest of the organisation

In big and established companies you have a culture, processes, and other organisations and teams you must rely on: brand, legal, purchases, finance, business units, sales people. They can all become your allies. You have to sit down with many people from different organisations to understand how they work and explain to them what we need and why. At the same time, you also have to find out a way to help them do their job and achieve their objectives. This is a way of engaging people from other areas of the company in your crusade. And there is always a way to make it work for both, you just have to work together to find it.

Each venture also needs to **involve stakeholders and create a network of supporters and assessors within the company** that help to push forward the venture. It is also critical that the venture has **a clear and committed sponsor** who may receive the venture in the future if it proves to be successful, with enough resources and power in the organisation to scale the venture.

WHAT WORKS

- Getting support of top management through tangible results.
- Engaging other organisations by explaining what you need for them and why, and by helping them do their job.
- Creating a network of stakeholders that help each venture move forward in the company.

WHAT DOES NOT WORK

- Not engaging the rest the company, all the organisations, to make things happen.

Lesson 5. Setting the right environment

Changing the mindset and the way of working of employees so they can become true intrapreneurs with training and coaching is not possible unless you create the right environment. **You must trust your intrapreneurs and create an environment that truly gives them autonomy to make decisions**.

This does not mean you are giving them absolute free rein. **You should have control points in a way similar to how the venture capital works with startups**. As I mentioned before, we have a stage gating process that ensures that the investment only increases as the project progresses with validated learnings. In each stage gate, teams must bring answers to questions around key hypothesis and a plan for the next steps. If they get the green light to go ahead, challenging deadlines and KPIs are set.

Experimenting is the main way of learning how to create a new growth engine for the company. **You have to create an environment that not only allows experimenting, but fosters it**. Of course, you must be cautious. When you are in a big company **there are certain experiments that startups can do that you cannot without making some adjustments**. That is because you have an established brand, a reputation, an existing portfolio, existing processes and organisations, like the branding or sales department, in which you must rely on from the very first moment. For example, some years ago, in 2013, we wanted to use a crowdfunding platform like Kickstarter or Indiegogo to test the value proposition of one of our new products and find potential early adopters, not to raise funding, and by then things like Indiegogo's Enterprise Crowdfunding did not exist. But how would have people reacted to then if a company as huge as Telefónica launched a crowdfunding campaign? The good news is that there is always a method to test hypothesis in a way that works for you. You just have to be creative and find it.

Naturally, being a big and established company has advantages and when creating new products and services you can rely on your assets, like the communications network in our case. But you may also be limited in your experiments because you might be in a regulated market, and you already have customers you must serve and SLAs (Service Level Agreements) you must fulfil. Regulation determines what we are allowed to do, the type of products and services we are allowed to offer and even how we are allowed to use our assets. So **when experimentation relies on your assets, you have to be extremely careful and must comply to the legislation and, at the same time, be careful not to affect the service**. Even when you launch something as simple as a survey for an experiment or a landing page, you have to make sure you comply with the law (for instance GDPR in Europe).
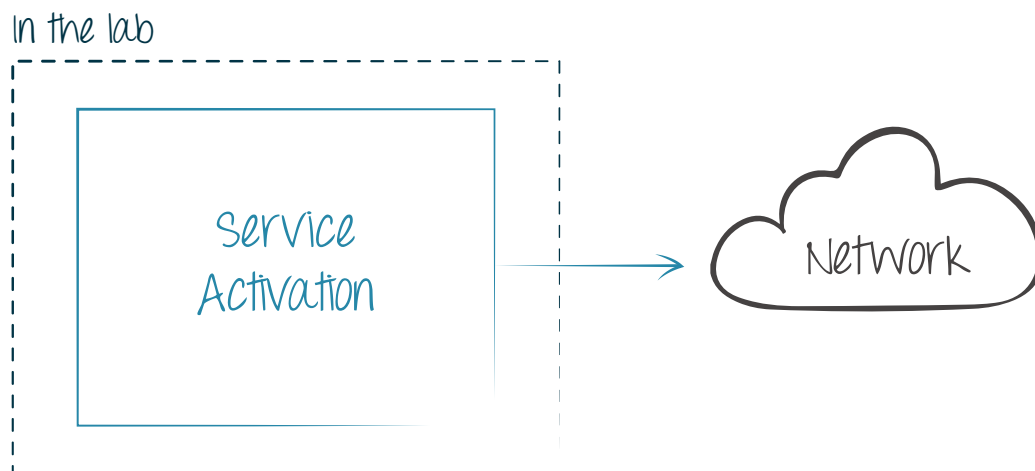
For example, some time ago one of our internal ventures was trying to build a new service based on our communications network. Thus, we had to build an MVP we could show and give our customers so that we could understand how the service should work. However, the changes we had to make on the network and, in particular, on the provision process, were really important. That would have taken time and used lot of resources because we had to guarantee the current services provided by our network would not be affected. So the MVP the team designed had a web application web for the customers but all actions triggered by the customer through the application were actually carried out manually behind the scenes.

At the same time, at the lab we had to test the technology and build the service.

MVP Part 1: Customer Acceptance

With real customers

Customer digital interface

New service

_Provisioning
_Billing
_Assurance
...

Testing service activation process

Service activation

Network config.

Network

Manually
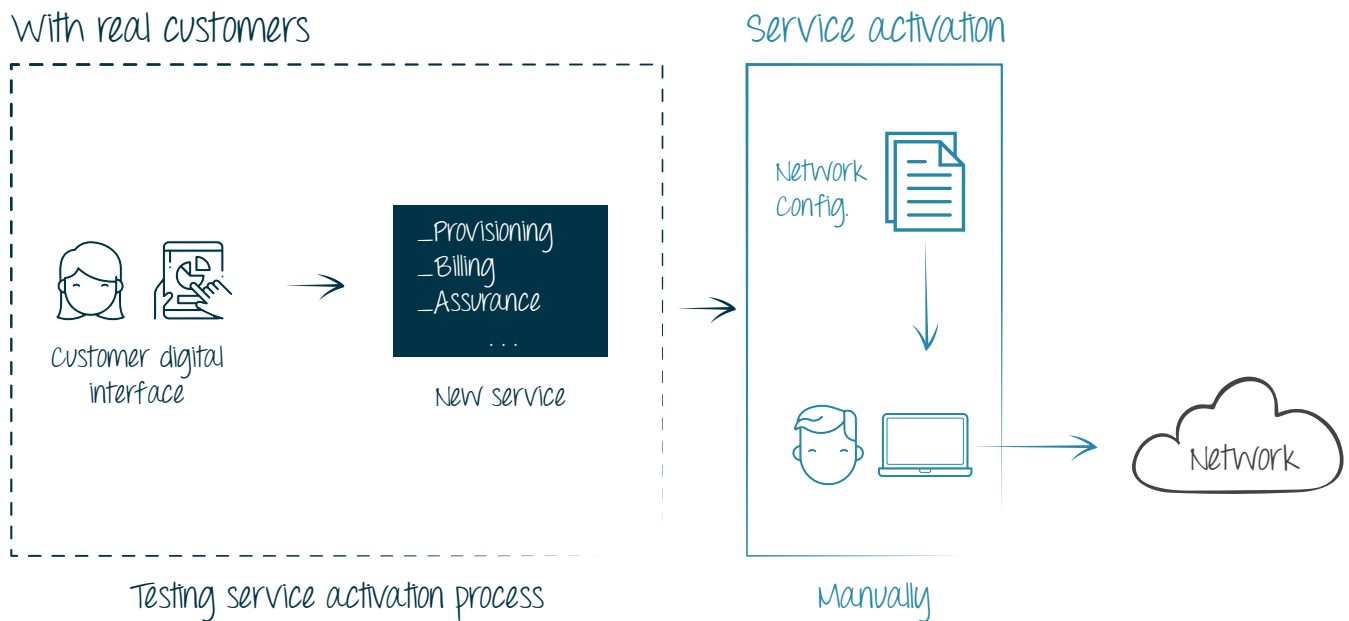
MVP Part 2: Testing and building the service

In the lab

Service Activation

Network

To make this possible, the team had to talk to more than 30 people across different departments within the organisation (marketing, operations, etc.) to understand how their processes worked and to engage all the people involved in those processes, getting to the last link in the chain, in particular the technical staff that would have to run manually all the operations. This is what we call **'dig inside the building'**.

So, **to be able to work like internal ventures in a big and established company, you not only have to encourage your intrapreneurs to get outside the building to have face-to-face conversations with potential customers and users, but to get upstairs in the building and dig inside the building**.

WHAT WORKS

- Trusting your intrapreneurs and creating an environment that truly gives them autonomy.
- Creating an environment that not only allows but fosters experimenting.

WHAT DOES NOT WORK

- Careless experimentation that does not take into account you have an established brand, a reputation, an existing portfolio, existing customers, and existing processes and organisations.

Getting outside the building

Getting upstairs in the building

Digging inside the building

Lesson 6. Strategy alignment

Nowadays most of the companies understand that innovation is key to survive, but many times they do not have an innovation strategy and a real commitment to innovation. These days is very common for companies to create an Intrapreneurship programme or process as their approach to innovation, but in some cases they do not have a clear objective of what they want to achieve with this programme. I have always considered that processes are a means to an end and not the end in itself. "This is a strategy of innovation, not an innovation strategy."[7]

So **you need to have an innovation strategy, but that strategy has to be aligned with the company's strategy and address fundamental needs of the company**. Otherwise what you are doing will be innovation theatre, the rest of the company will not care for your results and will doubt your efforts and the investment the company is making in innovation. Alignment with the company's strategy will allow you to implement innovation waves where the new growth engines created through your ventures are absorbed in the medium or long term by the business units, without deviating the focus and the resources of these units from their current core business.

You also must decide where you are going to focus your innovation, **in what strategic areas that will potentially bring more impact for the company in the future are you going to place your innovation bets**.

Once you define your innovation strategy you have to involve stakeholders from the company, including in the decision-making process, from the start. From the definition of your innovation thesis (this is the way that Tendayi Viky encourages for aligning innovation with the company strategy[8]) to the scaling-up, going through the selection of ideas and the decision gates of the venture investment. This way they will feel they are really taking part in the innovation process and that innovation is key to the company.

In our case, when we are defining our innovation thesis, we look for opportunity areas for our company where we should focus our innovation efforts, but we also involve the business units on this definition, making sure we are addressing the big challenges and needs of the company. This paves the way for getting sponsorship from the business units for your ventures, as I mentioned before, a critical issue if you want the venture to progress in the company. During our Innovation Calls we involve stakeholders from the business units both in the evaluation and the selection of ideas. This allows us to ensure the ventures we start are aligned with the strategy of the company and, at the same time, allow our stakeholders not only to be aware of the direction of our innovation efforts but be part of this effort. Our stakeholders and sponsors are also involved in the stage gates of our ventures, making them part of the decisions being made along the life of the venture.

WHAT WORKS

- Having an innovation strategy aligned with the strategy of the company.

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[7] "Strategy of Innovation vs. Innovation Strategy" https://grasshopperherder.com/strategy-of-innovation-vs-innovation-strategy/
[8] https://innov8rs.co/news/beyond-sticky-notes-aligning-innovation-corporate-strategy/

- Focus on the strategic areas that will potentially bring more impact for your company in the future.
- Involving the company stakeholders from the start and in all the stages of your process.

WHAT DOES NOT WORK

- Having a strategy for innovation instead of an innovation strategy.

Lesson 7. Global portfolio management

One of the most important elements in innovation portfolio management is making sure you have a balanced portfolio. Usually when we talk about portfolio balance, we are meaning balance between core, adjacent and transformational innovation. But it is also important to check if you have a healthy funnel with ventures in different stages, addressing the right opportunities and correcting deviations.

One of the dimensions you must **check is if you have products with different levels of maturity**. For example, it is important to make sure we are always testing new ideas so our innovation funnel is being fed periodically through Innovation Calls, to ensure new ideas get in the funnel. This is not easy, because as projects mature their need for resources increase and you are tempted to devote all your resources to existing and promising projects, but this might cause you a problem in the future because not all the projects succeed, you must test several ideas, and maturing an idea takes time. Hence, if you are not feeding your funnel with new ideas in a regular basis, in 2-3 years' time, you can find yourself not delivering any new products.

Another dimension to verify is whether we are **addressing innovation opportunities in strategic areas for the company**. For example, in Core Innovation, at Telefónica, we are currently working in three areas: Network Innovation, Data Innovation and Video Innovation. It is key to ensure we are addressing the opportunities foreseen for Telefónica in these areas through the innovation ventures we have in the funnel. In fact, the opportunities identified for each of these strategic areas are the inputs for the Innovation Thesis in our Innovation Calls.

When decisions about ventures are being made it is important to consider not only aspects such as the portfolio balance issues mentioned before, but also the cost of opportunity. It is important to ask yourself when making a decision about a venture: "Am I missing a potentially bigger opportunity? Is this venture the best one to place the available resources?" And this also means cost of opportunity beyond the current portfolio, you might have identified opportunities you are not addressing yet.

And in case of tough decisions such as stopping a venture, **it is key to master the art of killing**. When a venture is not progressing as expected, not showing promising results given an appropriate amount of time to test the hypothesis and pivot, you may have to make the tough decision to kill it, but think that by killing this venture you have the opportunity and resources to test other promising ideas. This decision of killing a venture might even be made by the intrapreneur himself/herself if you do it right (pushing intrapreneurs out of the building to face reality, providing good alternatives for team to work on in case ventures are halted,…), and this is something you must celebrate and encourage. But when you kill a venture, it is key to make sure that three things happen: communicate to the whole organisation the decision rationale and praise the team for their good work; relocate people in other projects; and do a debriefing session to extract the learnings so the team can see their effort has brought value to the company and share those learnings.

Another important truth **you must face is the high level of uncertainty you have to deal with when managing innovation and still make decisions in this environment. You will never have 100% of certainty**, but anyway **you can look for ways to bring more data to table in order to help with this decision-making**. In fact, we are testing machine learning models in order to predict the success rate of transferring an innovation project to a Business Unit with surprisingly good results

(81% of accuracy). Which can be useful not only for portfolio management but also for innovation processes enhancement and ventures improvement.

WHAT WORKS ──────────────────────────────────────

- Checking that you have a healthy funnel with ventures in different stages, addressing the right opportunities and correcting deviations.
- Mastering the art of killing.
- Data can help you with decision making.

WHAT DOES NOT WORK ──────────────────────────

- Making decisions around each venture without taking into account the whole portfolio and the cost of opportunity.

Lesson 8. Measuring the impact

Innovation accounting is important. It is important to define metrics that measure the progress of each of your internal ventures. It is key to define the metrics to measure how well you are doing with your intrapreneurship programme, to check if it is healthy and to determine what is working and what is not. But receiving a large number of ideas or incubating a certain number of projects per year is not enough. **One of the biggest challenges we face in large and established organisations is the pressure to show the impact innovation has in the company, in the business, and the impact the innovation portfolio can also bring in the future** because getting results from your internal ventures takes some time. This is not something particular of internal ventures. Many of the startups that nowadays are the big players of their industry needed about four or five years to figure out what business model was really bringing the opportunity to disrupt their industry (e.g. Netflix got started in 1997, and introduced streaming business model a decade later).

It is important to trace the impact that the products, services or technologies that came from your innovation portfolio are having in the business[9]. You definitely have to track the revenues and efficiencies coming from them and also the intellectual property you have created for the company. But what is more complicated, but still valuable, is **measuring objectively the value you create through talent**, people you have transferred to other organisations, as well as the knowledge, expertise and skills they offer not only around the product but the market, the customer, the business model. These people are also capable of working under great uncertainty and with a lot of flexibility. Considering the speed things change around us nowadays, having this type of profiles in the company is key. And, finally, there are several studies that show that **innovation has a positive impact in brand equity**. There is not an easy way to measure this contribution, but, for example can measure how you contribute to PR (e.g. AVE or Advertising Value Equivalent) or measure by asking directly to customers. It could even may be measured maybe through the innovation premium.

You also must **measure the value creation and the impact of your current portfolio of ventures**. You must acknowledge what this portfolio can bring in the future to the company, what it can mean for business.

At the same time, **to show the impact that innovation brings to the company, you must use something that speaks the language the company understands**, and learnings on its own is not enough. If your company is expecting financial results, provide financial results. For example, for your ongoing innovation ventures something like the size of the opportunity can give an idea of what the ventures might be able to produce in the future for the company.

WHAT WORKS

- Measuring the impact currently brought by innovation and predicting the future impact.
- Using a language the company understands, and money is usually what you are expected to bring to the table.

WHAT DOES NOT WORK

- Measuring only your intrapreneurship process healthiness.
- Using learnings or similar outcomes as a measure for the value you are creating in the company.

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[9] In this book https://thecorporatestartupbook.com/ there is a good set of metrics you can use.

Lesson 9. Scaling-up, the second valley of death

Even if your innovation venture proves to be successful, there is still another big challenge: scaling-up. That is, trying to find a way to grow innovative products and turn them into the next-generation core businesses of the company. Usually this means transferring the product or service, once the business model is validated, to the mothership so it can get access to the company resources needed to make it grow (not only in terms of budget but also resources from operations, marketing, sales, etc.). This is not easy because these new products and services are competing for those resources with the rest of the portfolio. As they are not part of the core business yet, they still have to show that they can become the new core business of the company, so their situation is quite fragile and they are walking on thin ice.

In 2017 we analysed the **factors for the success or failure in scaling-up** in all the ventures we have worked on since 2012. This allowed us to identify **the seven "usual suspects" of these factors** in our particular case:

Sponsorship

Support from a sponsor of the business unit that could potentially commercialise the product/service once its business model and viability had been validated.

Business opportunity size

There is a big enough business opportunity size where Telefónica is well positioned.

Feasibility

We have the right skills and resources, not only in the internal venture but also in the BU where the product or service will end up.

Non-replicability

We have a sustainable unfair advantage over our potential competitors.

Differential technology

A differential technology that allows us to have an aforementioned unfair advantage.

Team leadership

A good intrapreneur has the qualities of a good entrepreneur (like vision, focus, passion, initiative, risk-taker, resilience, relationship-building and open-mind) but also needs to be an expert on the corporate world, knows how to move in the company and makes things happen.

Team

We have the right team in terms of skills, knowledge, and commitment.

We have recently put in place a new scaling-up process based on our experience and on best practices learnt from other companies[10] **that is being applied during the Scale-up phase of our stage gating process**. But one of the main things we have learnt during these years of incubating internal ventures is that **scaling-up starts before the actual scale-up phase is reached**. Alignment with the company's strategy and addressing fundamental needs of the company are key, so we involve our business units in the definition of our innovation thesis, which determines the areas we will be working on, and sponsorship from a business unit is required for all our ventures from the very first moment of their creation.

WHAT WORKS

- Identifying the root causes in your context and your organisation for scaling-up failure or success.
- Learning from others, some companies have already been there.

WHAT DOES NOT WORK

- Misalignment with the company's strategy and not addressing fundamental needs of the company.

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[10]Since 2017 Telefónica has been part of a 'peer group' of well-known, large European companies – all of them widely seen as good innovators or even innovation leaders. In the process, the group members analyzed relevant research, shared their good practices, developed and validated methodological frameworks and helped each other in peer coaching. "Scaling-Up Corporate Startups: Turn innovation concepts into business impact" (https://www.amazon.com/Scaling-up-Corporate-Startups-innovation-concepts/dp/1790696305), A book that contains the peer group's work and findings, published in 2018

Lesson 10. Start small and lead the change

Start small, because this will give you the possibility of both learning and minimising **risks**. Every change you make in your intrapreneurship programme as you evolve it must be done carefully, starting small with controlled risks, measuring the result and learning how to do it right. At the same time, this will give you the confidence and experience you need to extend it and to gain the respect and commitment you will need from your top management.

When we started we were pioneers so we have banged our heads against a wall many times, with every challenge we have faced. But nowadays there are many people out there from different industries that have experience in intrapreneurship. There are also several books that can guide you. And there are a lot of companies that have an intrapreneurship programme, so chances are that they might be able to share their experience with you and explain how they have faced their challenges. Therefore, **do not hesitate to ask for help**. However, although others might have a lot more expertise with intrapreneurship programmes, **bear in mind that you are the ones who know best your company, you are the ones that can adapt other experiences to the context and culture of your organisation, your company, to make it work**. What might be valid in another company, even from your industry, might not help you. So you have to lead the change and the way the intrapreneurship programme will look like in your company.

The magic about all these changes that will take place when you put in place an intrapreneurship programme is that, by doing something different, whether you want it or not, the company is changing. And you do not need to involve the whole company to start changing it. Just one team, one organisation, can start the change.

Last but not least, although our innovation framework is quite mature, it keeps evolving because the world keeps changing around us and we keep facing new challenges. Companies are living organisations in constant change, therefore require processes to evolve and to adapt to the new contexts and circumstances. So **you have to evolve your programme continuously, it is a process that never ends**. And the more sophisticated you get in the art of intrapreneurship, the more challenging the problems you face are. So expect to keep learning all the way.

WHAT WORKS

- Starting small to learn how to make things work in your company and to minimise the risk.
- Leading the change and adapting what you learn from others to the context on your company.

WHAT DOES NOT WORK

- What works for another company, even if it is from the same industry, not necessarily works for your company.

Conclusions

More and more large and well-established companies are adopting intrapreneurship as their approach to innovation. It has certainly proven to help you become faster and to minimise the risk of your innovation bets. Intrapreneurship leverages the talent in your company as well, thus increasing your own staff satisfaction.

But it is not simple to put in place an intrapreneurship program that brings the expected results. Our program was born in 2012; since then, we have faced and overcome several challenges, many times as if we were beating our heads against the wall. So now, though we keep learning, we know what works and what does not work. But most importantly, now I can share with you ten learnings that are critical for an intrapreneurship program to work:

1. You need to have **an end-to-end innovation and idea incubation process**, but without having **resources to nurture this incubation process** it becomes useless.

2. You must **minimise the risk of your bets**. It is important to **invest in your internal ventures incrementally** as the ventures progress with validated learnings with evidences from the market and the uncertainty decreases.

3. You must **look for intrapreneurs and make sure they have the right mindset**. You must help your intrapreneurs to achieve such attitude.

4. You will **need allies**. These allies come **not only from the top management but from other organisations** in the company (business units, human resources, legal department....).

5. Changing the mindset and the way of working of employees so they can become true intrapreneurs is not enough. You have to **trust your intrapreneurs and set an environment that truly gives them autonomy to make decisions**.

6. You need to have an **innovation strategy, and this strategy must be aligned with the company's strategy** and address fundamental needs of the company.

7. You must make sure **your portfolio is balanced in different dimensions and make decisions about each venture** taking into account not only aspects such as **portfolio balance**, but also the **cost of opportunity**.

8. Sooner or later you will have to **show the impact innovation has in the company**, in the business, and the **impact your innovation portfolio can also bring in the future**.

9. Scaling-up is one of the biggest challenges intrapreneurship programs face. When your ventures reach that phase, you will need **a scaling-up process in place that takes into account the factors that are key in your company for succeeding** in this phase.

10. Start small so you can learn how to make things work in your company and do not hesitate to ask for help, but **lead the change** because you are the one who knows best your company.

I hope all my learnings from the trenches, from these years of putting in place and running an intrapreneurship program helps others. I am also sure we can learn from other companies, so if you are willing to share your experience and learnings from the trenches with me I would be delighted to hear from you.