

# **Innovation in established organizations: The impact of senior managers on corporate entrepreneurship**

Natalia Nikolova

University of Technology Sydney

[Natalia.Nikolova@uts.edu.au](mailto:Natalia.Nikolova@uts.edu.au)

Jochen Schweitzer

University of Technology Sydney

[Jochen.Schweitzer@uts.edu.au](mailto:Jochen.Schweitzer@uts.edu.au)

Natasha Bobyreff

University of Technology Sydney

[Natasha.Bobyreff@uts.edu.au](mailto:Natasha.Bobyreff@uts.edu.au)

Short paper submitted to EGOS Colloquium 2023, Sub-theme 33: Entrepreneurship in and around Organizations

## **Abstract**

Corporate innovation and entrepreneurship are important ways of accumulating, converting, and leveraging resources for established organizations to innovate, renew, and bring about venturing activities. They have been recognized as critical for companies' competitiveness and long-term prosperity, and many organizations have established innovation labs to foster the proliferation of innovation and entrepreneurship practices and methods. Senior executives of Top Management Teams (TMT) are critical in supporting innovation initiatives. Yet, we know little about the managerial actions and decisions that enable or inhibit the successful pursuit of entrepreneurial innovations and the lived experiences of innovation managers. This research explores how senior managers influence middle managers driving corporate innovation initiatives. We adopt a microfoundations perspective, which focuses on understanding individual actions that lead to macro-level outcomes. We focus on the agents' (or actors') role in shaping and informing strategic innovation. We explore the interactions of senior managers who oversee innovation activities with individual innovation managers of a company's innovation lab initiative. Our study is based on a 6-year longitudinal case study of a leading Australian property development company. It reveals the practices senior managers adopt, how they impact middle managers, and their role in achieving strategic innovation outcomes. By understanding how senior managers enable or inhibit corporate innovation and entrepreneurship, we contribute to the growing body of research on the microfoundations of innovation. We offer practical insights to help established organizations enhance innovation and entrepreneurship capability.

**Keywords:** innovation, corporate entrepreneurship, microfoundations

## **Introduction**

The reintegration of strategy and organization (Baum et al., 2003) has gained considerable attention in academic research. Scholars have examined the interplay between strategy formulation and implementation, the alignment of organizational structure and processes with strategic objectives, and the role of senior leadership in fostering strategic innovation and organizational change. Innovation, in particular, involves the purposeful configuration of strategic and organizational issues. At the firm and business unit levels, innovation is vital for developing corporate strategy and decision-making (Aghion & Tirole, 1994).

In this context, corporate entrepreneurship is an increasingly important strategy of established organizations to achieve innovation and renewal or retain venturing activities (O'Connor & DeMartino, 2006; Dess et al., 2003; Floyd & Wooldridge, 1999). Recognized as vital for companies' competitiveness and long-term success (e.g., Foss et al., 2011), many firms have established *innovation labs* or *corporate venturing initiatives* to cultivate innovation and entrepreneurial practices and methods (Randhawa et al., 2021; Cohen, Bingham & Hallen, 2019). While strategic motivation factors and firm-level implications of such strategies have been studied, unveiling the microfoundations of company strategy (Felin & Foss, 2006) and the fundamental role of senior and middle managers (agents) in shaping and informing innovation decisions is still an emerging area of research. Previous research has highlighted the significance of senior managers in supporting innovation initiatives (e.g., Kelley et al., 2011; Cillo & Verona, 2022), yet there is limited knowledge regarding the experiences of corporate entrepreneurs as they interact with and respond to decisions made by senior managers in relation to innovation and the practices that facilitate or hinder their pursuit of innovation.

To this end, Cillo and Verona (2022) introduced the "strategic organization" framework, which revolves around two central elements: "agents" including external stakeholders and internal members of the organization involved in innovation activities, and "capabilities" comprising the activities, systems, and values that support the retention and utilization of organizational knowledge. The framework also recognizes two levels of analysis: the "firm" level about strategic activities related to governance, strategy, and organizational structure of the firm and the "new product development" process level, which includes the strategic and organizational tasks and decisions involved in product development activities.

At the firm level, agents include the CEO and the top management team (TMT) - the senior managers overseeing organizational functions or divisions. CEOs are a firm's principal decision-makers, and evidence has accumulated that they are crucial in risk-taking and innovation decisions (Floyd & Lane, 2000; Herrmann & Nadkarni, 2014). For instance, CEOs directing their attention toward novel, vivid, and salient information have been shown to introduce new products (Li et al., 2013). In their recent study, Binns et al. (2022) shed light on the significance of strategic ambition among corporate leaders in driving exploration. They also identified the emergence of novel organizational roles, "corporate explorers," who are crucial in coordinating disruptive exploration at the process level.

On the other hand, process-level agents (like "corporate explorers") include managers overseeing innovation and product development initiatives – also often referred to as middle

managers. Smith et al. (2018) emphasized the importance of these agents in fostering innovation within organizations. They highlighted how innovation managers facilitate the generation and implementation of new ideas, promote collaboration among different departments, and act as a bridge between upper management and frontline employees. Additionally, Chen and Huang (2019) conducted a study that focused on the specific responsibilities of innovation managers, highlighting their role in identifying emerging market trends, exploring new technologies, and driving strategic innovation initiatives. Wang and Ahmed (2020) describe the challenges faced by innovation managers, emphasizing the need for them to navigate complex organizational structures, manage resistance to change, and align innovation strategies with overall business goals. They also highlighted the significance of innovation managers in fostering a culture of experimentation and risk-taking within organizations. Furthermore, Gao and Wu (2021) delved into the skills and competencies required by innovation managers to drive innovation effectively. They identified strong leadership, strategic thinking, adaptability, and the ability to foster cross-functional collaboration as essential attributes for successful innovation managers. Finally, studies by Liu and Jiang (2019) and Kim and Song (2020) focused on the impact of innovation managers on firm performance. They found that organizations with dedicated innovation managers tend to have higher levels of innovation output, improved financial performance, and a competitive advantage in the market.

Cillo and Verona (2022), via their "strategic organization" framework, examine the interplay between agents and capabilities at the firm and process levels. They conclude that if organizations want to pursue innovation management, they must consider how they organize innovation at the process level rather than limiting their activity to the process level. While technical decision-making and capability management at the new product development process level is necessary, it is channeled by how firm-level agents shape governance and strategic decisions and learn from them.

Our research explores exactly this important relationship between agents at the firm and process levels. We aim to shed light on senior managers' influences on middle managers who drive strategic innovation initiatives. We take a microfoundations perspective (Palmie et al., 2023), which focuses on understanding how individual actions at a micro-level contribute to macro-level outcomes, such as innovation or corporate venturing. Specifically, we investigate the interactions between senior managers responsible for overseeing various innovation activities with innovation managers and corporate entrepreneurs who led and contributed to an organization's innovation lab.

We report the results of a longitudinal case study spanning six years, examining an innovation lab at a leading Australian property development company. Our study uncovers the practices senior managers adopt and tracks their evolution over time, shedding light on their impact on innovation outcomes. We focus on two questions: 1. How do senior managers enable or inhibit corporate innovation and entrepreneurship activities, and 2. What is the impact of intraorganizational innovation and entrepreneurial activities on the organization?

By analyzing the mechanisms through which senior managers enable or hinder corporate innovation and entrepreneurship, our research contributes to the expanding body of knowledge on the microfoundations of innovation. Additionally, we provide practical insights that can empower established organizations to enhance their capacity for radical innovation and entrepreneurship.

## **Theoretical Background**

### ***Microfoundations of Strategy and Innovation***

Microfoundations refer to the individual-level behaviors, actions, capabilities, and decision-making processes that underlie organizational phenomena. They focus on understanding how individual-level factors contribute to various organizational processes and phenomena' emergence, development, and outcomes, including strategic performance, innovation and entrepreneurial success (Felin, Foss, & Ployhart, 2015). While traditionally, research has focused on macro-level factors such as organizational structures, strategies, and external environments, a microfoundations perspective recognizes that these macro-level phenomena are ultimately the result of the actions and behaviors of individuals. The study of microfoundations aims at understanding the underlying mechanisms and processes that drive organizational outcomes examining aspects like individual cognition, decision-making, motivation, knowledge, learning, interpersonal relationships, and social networks. A microfoundations perspective seeks to uncover how these individual-level factors interact and influence, for example, organizational behavior, performance, innovation, and transformation.

The concept has evolved over time through various contributions. Nelson (2005) first emphasized the importance of understanding the micro-level mechanisms and processes that underlie macro-level phenomena, arguing that understanding individual-level behavior, decision-making, and learning processes is crucial for comprehending organizational and economic outcomes. Winter and co-authors (e.g., 2003) emphasized the role of individual-

level actions, learning, and knowledge in shaping an organization's ability to adapt and compete in dynamic environments. Further notable early contributions include Pentland and Feldman (2005), Tsoukas (2005), Foss and Klein (2012), Zenger and Hesterly (1997), Eisenhardt and Martin (2000), and Teece et al. (1997), among others. Their research has focused on various aspects, including cognition, routines, learning, decision-making, and capabilities.

Recent contributions focusing on the microfoundations of strategy and innovation have explored topics such as dynamic capabilities (Felin & Powell, 2016; Felin, Foss, & Ployhart, 2015, 2021; Helfat & Peteraf, 2015; Floyd, Lane & Kwon, 2021), organizational design, cognitive capabilities, and learning (e.g., Rerup & Feldman, 2011), or the role of routines in driving organizational change and performance (e.g., Lippmann & Spiller, 2020). Foss and Foss (2021) explain how firms acquire, develop, and exploit dynamic capabilities, while Birkinshaw and Gupta (2019) studied the processes by which MNEs acquire, develop, and exploit resources across borders - explaining how multinational enterprises (MNE) create and sustain competitive advantage,

Achtenhagen and Glückler (2020) argue that the microfoundations approach to strategy research has made significant progress in bridging the gap between the micro- and macro-level analysis. They identify cognition, motivation, and social structure as promising research directions for future research. Foss and Foss (2021) suggest examining the role of individual-level heterogeneity, exploring the interplay between cognition and emotion, investigating the impact of leadership, and analyzing the emergence and evolution of dynamic capabilities in different contexts. This paper builds upon past contributions and follows recent calls for more research on the microfoundations of strategy and innovation by investigating agents' reasoning and motivation and the social structures in the relationships of senior and middle managers of a corporate innovation and entrepreneurship initiative.

### ***Innovation and Entrepreneurship in Large Organizations***

Notwithstanding its importance to a company's vitality and wealth creation, innovation and corporate entrepreneurship are still a huge challenge for large, established organizations (Randhawa et al., 2021; Börjesson et al., 2014; Zahra & Wright, 2021). As O'Connor et al. (2008: 180) stress, radical innovation in established organizations is "complex and fraught with multiple challenges." These include structural complexity and bureaucracy, collective mindsets causing inflexibility, and the overall inertia guiding managerial actions within large organizations (Chen & Hambrick, 1995; Sharma, 1999). At the same time, large

organizations are replete with various resources relative to independent entrepreneurs, including financial and human resources, functional capabilities, and extensive networks they can draw upon for new ideas and technologies (Chen & Hambrick, 1995; Sharma, 1999).

For three decades, corporate innovation and entrepreneurship have been studied widely. From a meta-analysis on determinants and moderators (Damanpour, 1991), via March's (1991) seminal research on balancing exploration (searching for new knowledge) and exploitation (using existing knowledge) to the idea of ambidextrous organizations, which effectively balance exploration and exploitation to foster innovation (Tushman & O'Reilly, 1996), to the role of search behaviors (Katila & Ahuja, 2002) and the importance of collaborating with external partners to drive innovation (Chesbrough, 2003), research has identified many factors contributing to corporate innovation and entrepreneurship success. Yet, how organizations can effectively leverage these factors and build upon their strengths to foster innovation is an ongoing area of research, especially when understanding radical innovation (O'Connor & DeMartino, 2006).

Research that focuses on CE has included studying the role of rewards and control mechanisms (Antoncic & Hisrich, 2001), communication processes (Zahra, 1991), the corporate strategy profile (Covin & Slevin, 1991), corporate culture and norms (Badguerahanian & Abetti, 1995), ambidexterity and innovation processes (Keupp, et al., 2020), the role of innovation labs (Fecher et al., 2020), and the relationship of CE with overall firm performance (Chan & Chong, 2020). While this research too revealed many valuable insights about how organizations influence the context that fosters CE (Rauch et al., 2021), it has focused less on the roles and relationships of individuals. Yet, individuals undertake innovation-related actions (Palmie et al., 2023), and the interactions between managers at different levels are critical for innovation selection and implementation, especially when considering radical innovations (e.g., Cillo & Verona, 2022; Wilden et al., 2023). Cillo and Verona (2022) acknowledge this critical relationship and gap in the literature, also highlighted by Felin and Foss (2006). With this research, we aim to contribute to a growing body of literature that explains the role of individual- (or micro-) level actions between agents for successful corporate innovation and entrepreneurship.

### ***Senior Managers and Middle Managers Supporting Innovation***

Senior managers set the stage for middle managers to operate (Floyd & Wooldridge, 2000), and role expectations by middle managers impact senior managers' agency. It is important to reflect on the conditions that allow this agency to occur and stimulate important

activities for innovation and entrepreneurship, like bottom-up idea generation (Mantere, 2008). Recent studies have shown that senior managers' diversity is necessary to deliver change, while middle managers' diversity impacts the success of innovations and their degree of novelty (Schubert & Tavassoli, 2020). This capacity can be enhanced by dedicated roles like "meta-managers," who support people involved in new product development activities (Tushman et al., 2010).

The literature draws greatly on the idea that senior managers are the key decision-makers in innovation (Zimmermann, Raisch, & Birkinshaw, 2015). The senior managers' role is to define (innovation) strategy. In contrast, middle managers focus on implementation and, only sporadically, get involved with strategy formulation (Floyd & Wooldridge 1992, Raes et al. 2008). Yet, research has also highlighted that middle managers help shape innovation strategies (Fulop 1991, Burgelman 1994, Reitzig & Sorenson 2013, Heyden, Sidhu & Volberda, 2018) and, thus, whether and how firms pursue innovation initiatives (Randhawa, Wilden and Gudergan, 2018). The top-down view of strategic innovation has been challenged, emphasizing the importance of middle managers for selecting and implementing entrepreneurial opportunities (Ren & Guo, 2011; Schubert & Tavassoli, 2020) and initiating and implementing strategic change (Tarakci et al., 2018).

As the first instance of organizational decision-making, middle managers are well-placed to create a strategic innovation portfolio (Roth, Spieth and Lange, 2019; Radaelli et al., 2017). They play a role in innovation management, the decision-making process to evaluate, select and prioritize specific innovation projects in line with a firm's strategy (Kester et al., 2011; Spieth & Lerch, 2014). Middle managers are responsible for efficiently and effectively allocating resources, establishing cross-functional collaboration across different managerial levels, and adapting the innovation initiative to emergent changes (Kester et al., 2011; Roth, Spieth & Lange, 2019). Middle managers act as "interpreters and sellers of strategic change at the micro-level" (Rouleau, 2005, p. 1413). Some recent studies suggest that Middle managers play a vital role in connecting front-line employees and senior managers to develop innovations (Heyden, Sidhu & Volberda, 2018), leading to calls for more in-depth analyses of how middle managers contribute to innovation (Radaelli et al., 2017). Our study aims to clarify further senior and middle managers' roles in the corporate innovation and entrepreneurship process.

Overall, while significant theoretical foundations explain many aspects of corporate innovation and entrepreneurship, there needs to be more understanding of the relationships, behaviors and actions at the interpersonal and individual levels between agents. By applying



a microfoundations lens to the study of CE, we seek to contribute insights towards the question of what factors/strategies contribute to creating beneficial outcomes from entrepreneurial activity in established organizations (Bjørnskov & Foss, 2016). More specifically, we explore how established organizations encourage CE (Kacperczyk, 2012), focusing on how senior managers' decisions and actions impact middle managers driving innovation. While the impact of senior and middle managers on innovation has been well researched separately, interactions at the boundary between these actors are under-researched, limiting our understanding of how processes, such as strategy formulation and decision-making, are jointly informed and implemented (Raes et al., 2011). Furthermore, existing research has argued that senior managers play an important role in supporting corporate entrepreneurs (e.g., Kelley et al., 2018). Yet, there is still insufficient understanding of how they do so. Addressing this gap is important because, as Cillo and Verona (2022: 2) argue, to innovate effectively, firms must view innovation “as a continuous strategic and organizational endeavor of the entire top management team.”

### **Research Design and Methodology**

We adopt an in-depth longitudinal case study approach. This approach is well-suited when the boundaries between the phenomenon of interest and its context are blurred (Hartley, 2004), and there are “a number of interdependent variables in complex structures” (Dubois & Gadde, 2002: 558).

The context of our study is the establishment and evolution of an innovation unit, The Lab, set up by Construct (pseudonyms), a leading Australian property development company. Construct is a company that was lacking a formal structure and process for innovation, but successfully built its internal innovation capability over six years (2016–2022). We follow the journey of The Lab directors (corporate entrepreneurs) as they interact with senior managers to drive innovation activities at Construct. In doing so, we consider the nature of the process(es) of change to derive theoretical insights (Langley et al., 2013).

### ***Research setting***

Construct is a leading, publicly listed Australian property group that owns and manages commercial offices, retail centers, and residential and industrial properties in Australia and internationally. The group has a strong property development capability and one of the largest property portfolios in the country.

The group is led by a CEO, Chief Financial Officer (CFO), Head of Strategy, Chief Information Officer (CIO), and Head of Culture. Each of its three BUs – office and industrial, retail, and residential – has its own Head. Together, these form the TMT. BU General Managers, part of Construct’s middle management, report to the BU Heads.

During the 2008 global financial crisis, Construct’s diversified property portfolio, funded mostly via bank loans, created significant issues. It represented a volatile time for Construct’s TMT, MMs, employees, and shareholders. Indeed, at one point, the company’s share price dropped 80% in only six months. Slowly recovering, the firm found itself in a more stable place by 2012, which also marked the change in Construct’s leadership and strategic direction, culminating in the appointment of a new CEO in 2012.

This study covers a period commencing when Construct began to make deliberate changes to improve its portfolio of strategic innovation and corporate entrepreneurship activities through a time in which the construction industry experienced growth but also competitive struggles, and it culminates when Construct began reaping benefits because of its growing innovation and CE initiatives.

Construct was identified as an exemplary case for investigating corporate innovation and entrepreneurship capability development by two authors when they conducted a preliminary qualitative study with 21 CEOs and chairs of Boards of leading Australian companies (Leung et al., 2016), which included Construct. The study aimed to investigate the strategies and practices of Boards and executive teams that fostered and hindered innovation. During these preliminary interviews, it became clear that Construct’s ambition was to improve its innovation capacity significantly. At the time, Construct had just launched its innovation unit, The Lab. In 2017, the CEO introduced the researchers to the director of The Lab (a MM), who then provided access to other members of the organization and a range of secondary data sources.

### ***Data collection***

Data collection includes 38 interviews with key decision-makers at all levels, including the senior managers at Construct (CEO, CFO, Head of Strategy, Head of Culture), middle managers (e.g., the directors of The Lab, Business Unit managers), and frontline employees participating in the innovation unit (“innovation leads”) over a period from 2016 until early 2022. Interviews were conducted face-to-face, and in 2020-2022 online (due to the Covid-19 pandemic). They lasted between 45 min and two hours and were recorded and transcribed. We also analyzed a range of secondary data, including company reports, internal reports and

presentations, memos, meeting minutes, innovation training materials, marketing materials etc., which The Lab directors made available to us. These documents outlined critical steps in establishing and developing The Lab and its practices.

We identified interviewees in collaboration with executives and The Lab team and by asking interviewees to introduce us to other relevant members. Pseudonyms were assigned to key informants. Interviews revealed each interviewee's role and contribution to The Lab and its various initiatives, including examples of CE projects they worked on, reflections on key success factors and challenges, and how they responded to the challenges. Table 1 shows the primary and secondary data we collected for the study.

INSERT TABLE 1 HERE

As interviews were retrospective by up to four years, we did not assume extensive retrospective rationalization, misinterpretation, or idealization. However, respondents may have developed less openness in this relatively short time, as their statements could have affected their career or ongoing project work. Interview insights were hence triangulated with information from other meetings and concurrent secondary data. Several informants were interviewed repeatedly over six years to trace how managerial decisions were made and how they impacted the CE activities and outcomes. Interviewing informants from different levels and who were involved in different ways and at different times with The Lab, along with the use of secondary and archival data, helped include diverse perspectives and complementary information on the same events (Glaser and Strauss, 1967), thereby increasing the validity of our findings (Yin, 2003).

### ***Data analysis***

We used an abductive approach to analyze the longitudinal data. Iterating between data and theory allowed us to “expand [our] understanding of both theory and empirical phenomena” (Dubois & Gadde, 2002: 555). The goal was to allow new theoretical insights to emerge from data collected from multiple sources, which we analyzed through constant comparison and validated by extant theories and ongoing data analysis.

We started by analyzing the interviews in Nvivo 12 and developing in-vivo codes. These codes included mentions of activities and interactions in our data and which organizational members performed them (see also Pettit et al., 2023). As we progressed through the coding, it became clear that the interactions between agents (senior managers and the innovation managers, including The Lab directors and innovation leads) played a crucial role in terms of

what CE initiatives The Lab focused on exploring, how these initiatives evolved and how successful they were. Our data revealed that the involvement of senior managers in innovation and CE processes and the unit's governance were adjusted several times during the study period, primarily driven by the focus of The Lab directors on optimizing The Lab's relationship with senior managers and the TMT. This prompted us to turn to the literature on innovation and CE to explore how agent interactions were addressed specifically.

We focused on internal agents that influenced the setup and development of The Lab. As Cillo and Verona (2022) identify, agents are crucial in shaping and informing strategic innovation. We engaged concepts such as “governance”, “strategy”, “innovation processes”, “innovation roles”, “interaction”, “innovation management”, and “decision making,” and coded activities of senior and middle managers in relation to these concepts, as well as their interactions. We paid attention to the decisions and actions of senior managers and how these impacted the work of the corporate entrepreneurs, as this was a recurring theme in our data. As we progressed with our analysis, we noted that interviewees reflected on senior managers' activities that supported their efforts to drive innovation and others that didn't. We coded statements about “quarantining the budget”, “spending money”, “protected”, “maintaining a separation”, “dedicated full-time innovation team/resource”, “talking to the TMT”, “touching base with TMT”, “bringing everyone on this journey”, “workshopping”, “training the TMT”, “part of the culture” as innovation enabling activities. Statements about activities that hindered the pursuit or implementation of innovation, such as “TMT wouldn't fund it”, “close down ideas”, “put a hold”, “losing confidence”, “questioning progress”, “focus on the next year”, “connected to the business” were coded as innovation inhibiting practices.

We also noted corporate entrepreneurs' activities to build and maintain a favorable relationship with the TMT. For example, a key activity that enabled innovation managers to continue to navigate senior managers changing priorities and expectations was developing trust. We coded statements such as “building trust”, and building “political capital” under trust building. In the next step, we noted changes in the senior managers' activities over time and mapped the reactions or responses to these changes by corporate entrepreneurs. We organized the data around major emergent conceptual themes per the Gioia method (e.g., Gioia et al., 2013). Table 2 outlines the core theoretical concepts and supporting quotes.

We then validated our interpretations throughout the analysis. On several occasions, we shared insights with the The Lab team. Progress reports were shared in late-2017 and mid-2018, and two informal progress presentations took place in November 2019 and January 2020. These feedback sessions allowed us to check our understanding of the key issues and

provided additional insights that were later incorporated into the ongoing rounds of data analysis. The member checks revised and clarified the findings discussed below (Hirschman, 1986; Lincoln and Guba, 1985).

## **Findings**

When The Lab was established in 2014, this was the first time Construct had attempted to formalize innovation. A key element of this formalization was the establishment of an innovation council which included the TMT: CEO, CFO, CSO, Head of Culture, the Company Secretary, the director of the investment unit and the Heads of the four Business Units. The innovation council was an important way for The Lab directors to interact with senior managers. Initiatives and activities that the innovation managers and corporate entrepreneurs worked on were frequently presented to the innovation council for ongoing approval and funding. The innovation council also reviewed the whole portfolio of innovations and provided feedback on their composition.

Our data shows that while the role of the senior managers was to support innovation and to ensure a focus on radical rather than incremental innovation, at times, the TMT inhibited radical innovation. Over the six years of our study, The Lab directors adapted their interactions with the TMT several times to ensure ongoing support. While TMT members were involved via scheduled progress presentations with The Lab directors in the initial years, later, the innovation directors included senior managers much earlier in exploring and developing innovation initiatives seeking their input via co-design sessions or by engaging them as sponsors for specific projects.

We identified three types of activities senior managers were performing that impacted innovation and entrepreneurial initiatives and, more broadly, the work of the innovation managers. We also identified two distinct types of activities performed by corporate entrepreneurs to create and maintain a positive relationship with senior managers. We describe each of these activities in what follows.

### ***Boundary setting activities***

Boundary setting activities provided strategic direction for The Lab's innovation efforts. This was particularly important because innovation directors had to operate within a culture focused on minimizing risks. There was a strong sense within the TMT, including the Board, that innovation needed to align with the company's overall corporate strategy:

“It does get down to everyone being aligned about where we've got to go to, and it comes from strategy. Then if the strategy's being inhibited, why? Or is it being supported, great? How do we support it more?” (Chair of Board, 2016).

To ensure innovation initiatives were aligned with the strategy, the TMT worked with the corporate entrepreneurs to set up specific areas of focus: “So, we wanted to identify what areas we wanted to innovate around so that we were focused on it and not just random, created eight what we call missions” (CEO, 2016). Derived directly from the company’s corporate strategy and vision statement, the senior managers defined eight missions that sought to provide direction to corporate entrepreneurs and ensure time and energy would not be focused on areas outside the core strategic business objectives. These missions extended across incremental and radical areas. However, as the corporate entrepreneurs pursued a range of innovations, they repeatedly found that the TMT did not support most of the innovation initiatives that did not strongly align with a specific part of the business and were seen as more radical. This led to an increasing focus on ideas that were seen as more ‘palatable’ to the TMT:

"So what we ended up with was the ideas that were more palatable or more aligned with some of [Construct]’s core capabilities but were still targeting a completely new customer group is where a lot of [TMT] was like, that makes sense, that solves a massive problem, and we learned some other strategic reasons why we would want to do those ideas as well. So that process was extremely valuable and definitely the right way to go” (The Lab director 2, 2019).

Therein lies a key tension experienced by the corporate entrepreneurs: the TMT set in place The Lab and committed to supporting a range of innovation initiatives, yet, at the same time, they were also performing activities that inhibited innovation. In the following, we discuss how the TMT enabled or inhibited innovation.

### ***Innovation enabling activities***

Innovation-enabling activities foster and support radical innovation. They included providing funding for innovation; ensuring the independence/structural separation of the innovation unit; supporting structural changes to the innovation unit, especially the establishment of dedicated innovation roles; contributing to the co-design of innovation initiatives; acting as a soundboard to the corporate entrepreneurs; supporting culture change by role modelling a deliberate, supportive engagement with innovation.

### Providing dedicated funding and a dedicated sponsor

It was not surprising that providing funding is an essential innovation-enabling activity. What was influential in the case we studied was that a certain amount of funding was dedicated to the innovation unit from the start of the initiative and could not be repurposed in other areas. This ensured not only that the corporate entrepreneurs knew how much funding they had available within a specific amount of time but also signaled TMT's commitment to innovation to the rest of the organization:

“So, that's the approach that we took, and we [] deliberately took [the budget] out of the line management so that it's protected and there's a safe place over here which is funded, and we give people space and training and time to go ahead and think of innovative ideas around these very specific missions.” (CEO, 2016).

As the Company Secretary explained, “I think the [TMT] made a very powerful statement by actually quarantining the budget for innovation saying no matter what, this is – we're always going to spend this much on innovation and trying to think differently in training and that.” (Company secretary, 2018)

As The Lab evolved and several of The Lab initiatives did not progress further due to a lack of funding from the organization, the corporate entrepreneurs increasingly focused on securing a TMT member as a sponsor for specific initiatives. They found that without a dedicated TMT sponsor who could commit a budget to an innovation initiative, the willingness of the TMT to invest further in this initiative was not there.

“Our leadership didn't actually support it [earlier innovation initiatives]. So now we've built in some more steps around who's the sponsor for this at an executive level. What evidence do we have that they support it, as in, are they putting some of their people onto the project? [] Are they actually also providing some funds towards this?” (The Lab director 3, 2022).

Our data showed that having a pool of funding to commence innovation initiatives was insufficient to implement these.

### Ensuring the independence/structural separation of the innovation unit and team

Another key senior management activity enabling innovation was structurally separating the innovation unit from the rest of the organization:

“[The Lab] deliberately sits outside the normal management hierarchy. Because innovative ideas are all well and good, but when a project gets under pressure, the [BU]

manager is going to stop it [], and the idea [] won't get any airtime because it costs. So, we set up a budget and a very small team.” (CEO, 2016).

The corporate entrepreneurs had to constantly defend the independence of The Lab, especially as it began to show the value of contributing to innovation initiatives and the Business Unit Heads realized the value of having a dedicated innovation team. On the one hand, the corporate entrepreneurs had to ensure they worked with the Business Units and contributed to their innovation initiatives to demonstrate value. On the other hand, they had to ensure they remained separate and could focus on innovation initiatives as agreed with the TMT. Thus, this tension needed to be navigated:

“But that’s again that tension you, you don’t want to be isolated group but when you are integrated, you’re going to have swings and roundabouts, I guess. And in that case, I actually think we’re a victim of our own success because they were like, “Actually I want to, I want to run that now, that’s awesome, I want that in my business. [] no, thank you” (The Lab director 2 2018)

Part of this activity was also creating a small number of dedicated innovation roles independent of a particular business unit. Originally, apart from The Lab director, the organization had no other dedicated innovation roles. But soon, the Lab director realized it was impossible to drive innovation by asking volunteers to work on innovation activities. On the one hand, this reduced the time available to pursue innovation initiatives. On the other hand, volunteers were accountable to their managers and business unit. It was difficult to justify their focus on innovation initiatives that were not aligned with the priorities of their business unit. The TMT approved the creation of four dedicated *innovation lead* roles:

“We have done a pivot with setting up [The Lab] core team [] because we lacked the horsepower to get things going []. [The Lab] team is on a journey around how they play the role of what I call incredible activists – they have credibility in the system – they know the system, but they have a point of view and [] drive the innovation agenda.” (Head of Culture 2017).

These dedicated roles were critical to creating an innovation portfolio of incremental and radical innovation initiatives for the organization.

#### *Providing feedback to corporate entrepreneurs based on strategic priorities*

Another key activity enabling innovation was critically assessing innovation ideas and initiatives and providing feedback to the corporate entrepreneurs regarding company priorities and expectations. In this way, the corporate entrepreneurs could pulse-check



whether the initiatives they worked on were aligned with strategic priorities. “So basically, the first thing that we did was do a scan with [TMT] members [] and a few other people in the business as well [] to understand, okay, where could we add value?” (The Lab director 1, 2020). To continue to support innovation initiatives, the TMT members had to understand how the innovation initiatives were going to contribute to the vision and aims of the company:

“So we look for varying degrees of commitment from [the TMT] along those stage gates, as well as the desirability, and all of that. And we realise that we actually need to show [the TMT] more of the vision of where this could go....” (The Lab director 3, 2022)

#### *Contributing to the co-design of innovation initiatives*

An activity that enabled TMT's even more intensive involvement in the innovation process was contributing to the design of innovation initiatives. The importance of this activity became especially clear when one of the radical innovation initiatives at The Lab began to face increasing opposition from the TMT, who needed to understand the initiative's potential to contribute to the company's mission. The TMT had been too far removed from the initiative when it had been conceived and tested. The corporate entrepreneurs pivoted at this stage and revised their process of interacting with the TMT, deciding to involve TMT members in co-designing innovation initiatives from the onset.

“I'm really excited about the next twelve months, and then twelve months after that about – because we're just going to learn more and more about doing it. Our approach was, sort of to shut out the business to do explore, and I actually think, this time around, we're going to bring the business in as early as possible.” (The Lab director 2 2019).

Engaging more with the TMT to ideate innovation initiatives didn't guarantee their success. Still, it increased the TMT's understanding of the underlying motivation and data supporting innovation initiatives, which the corporate entrepreneurs perceived as very beneficial: “So, we will set that mission, that explore mission with the entire [TMT], so the head of [all BUs] will all be involved. They will know what the mission is. They will have a view, visibility into that mission.” (Innovation Lead 1, 2019).

#### *Fostering culture change by role modeling a deliberate, supportive engagement with innovation*

In addition to making structural changes to support The Lab and providing input and ideas towards specific innovation initiatives, the TMT was focused from early on demonstrating their support for a culture change towards innovation. One of the key roles of The Lab was to

train employees in the innovative methods they used and to create a shared language and a set of processes for fostering innovation across the organization. From the start, the CEO was strongly committed to ensuring the whole TMT was also trained in the innovation methodology. This activity also included a more deliberate approach to holding senior managers accountable for their support: “So, that's how I try and support [The Lab] by holding the business unit leaders accountable that I'm going to be asking are they easy to deal with on that front [innovation].” (CEO, 2017).

### ***Innovation inhibiting activities***

While the TMT and senior managers knew that their role was to foster innovation and they sincerely supported the initiatives, sometimes how they enacted this responsibility was detrimental to achieving innovation outcomes. Activities that restricted innovation and entrepreneurial outcomes included: holding back funding for innovation initiatives that were perceived to be misaligned with company strategy or seen as too risky; shifting strategic priorities and desired outcomes for innovation, preventing the cultural change that was needed to achieve innovation which resulted in some actors' resistance to engage and contribute; adopting a short-term view on innovation which resulted in directing The Lab directors to focus on incremental innovation. We also found that seeking consensus before investing in specific radical innovations was, at times, restricting such initiatives as it was difficult for corporate entrepreneurs to gain the approval of the TMT.

### **Holding back funding**

While the TMT provided a limited dedicated budget to The Lab, to progress innovation initiatives beyond their original scoping required further funding commitment from the TMT. On several occasions, more radical innovation initiatives that had received initial approval and support by the TMT were discontinued when members of the TMT began to see them as too risky or as misaligned with the corporate strategy. Often, this decision took the corporate entrepreneurs by surprise:

“When it happened [funding was withdrawn], I called him [one of the TMT members], I'm like, what does this mean? You've got to tell me because we're all kind of a bit deflated because [TMT] were saying go, go, go, go and then in the 11th hour it was no, you know big turnaround thing” (The Lab director 1, 2021).

Such sudden turnaround decisions by the TMT had a negative impact on the corporate entrepreneurs who felt the TMT were not sufficiently committed to supporting radical

innovation: “I know in January when that decision was made to pull the capital raise, take off the equity – kind of just a full back pedal, and one of [The Lab] team members was like, this is a grave day in the world of innovation” (The Lab director 2, 2021)

### Changing innovation priorities

Changing the innovation priorities of the TMT was, at times, hindering innovation because it created a sense of uncertainty for the corporate entrepreneurs. While defining the original eight missions set the boundaries of the space in which the team could experiment and innovate, in later years, these missions were discarded, and the TMT only agreed on one mission at the time, which created uncertainty for the corporate entrepreneurs about the direction and support for existing innovation initiatives:

“So the team, again as part of resetting their strategy, they will make a decision around is that mission now stopped and are we going to set a new mission for next year or would they like to pick up [the existing idea] and continue with that” (The Lab director 2 2019)

Related to the above were cases when the TMT tried to influence the direction of certain innovation initiatives based on changing priorities or on political interests within the organization. As the Lab director 2 reflected, this practice impacted the team’s motivation to pursue the innovation further:

“[the innovation idea] had been kind of again pushed in a direction from stakeholders within the business that was not really the intention of the idea. Again, so looking back, it’s an obvious error that we should have said the value and the idea are this, so we drive it this way, but someone else you meet says, oh, I see that it’s – it would be great for X” (The Lab director 2 2019).

### Prioritizing incremental innovation

Another activity that stifled especially radical innovation was prioritizing incremental innovation and improvements. The corporate entrepreneurs were constantly battling to justify pursuing more radical ideas as Business Units increasingly asked The Lab team to support incremental innovation opportunities. “[BU managers] don’t necessarily want to come to [The Lab] and give [us] something because [they] won’t get anything out of it for two years []; [they were] feeling like the innovation process was too intense or too long.” (Innovation lead 2, 2017). This focus on incremental innovation was underpinning the TMT’s expectation of how The Lab will add value to the company, as explained by the CSO:

“It might not be things that develop into the next amazing thing that changes the world, but if it’s that incremental change at the project level and if you have lots and lots of

people across the business doing that, then that in aggregate creates a lot of value” (Head of Strategy 2017).

Our data showed that corporate entrepreneurs faced ongoing tensions in their interactions with the TMT. On the one hand, the TMT supported its innovation agenda, but on the other hand, the TMT was engaging in practices that limited innovation, especially radical innovation. The corporate entrepreneurs acknowledged that navigating this ongoing tension is not easy and requires much effort and being able to adjust what they were doing and re-engage with the TMT. We found that in the context of this tension, there were two key practices that the corporate entrepreneurs used that enabled them to build and maintain positive relations with the TMT.

#### *Seeking consensus before committing to invest*

Our data also showed that the TMT at Construct focused on working collaboratively and reaching a consensus on a strategic decision, including innovation. While there is value in pursuing such a highly collaborative approach, the innovation managers at The Lab found that often, this activity inhibited certain innovations from being progressed: “If you make decisions by consensus, it’s always going to be a luke, middle of the road, diluted answer.” (The Lab director 2 2021). Having to spend a lot of time understanding and aligning to the priorities of all senior managers was frustrating and took a lot of effort. However, the innovation managers also understood that without investing time and effort to ensure a consensus within the TMT, they were risking losing the support for innovation initiatives:

“The team can find it frustrating if – because obviously there is a lot of stakeholder management, but I’ve been through the ringer with this role and I’ve seen [The Lab] almost on life support years ago, so I know how important stakeholders are” (The Lab director 1 2021).

#### *Limiting culture change and the pursuit of innovation*

Throughout the period of data collection, we repeatedly found examples of attempts to minimize culture change and the pursuit of innovation in the organization. While the TMT and especially the CEO were very supportive of The Lab and signaled their support, some of their decisions were limiting the progress of culture change and the pursuit of especially more radical innovation. As the Head of Culture explained, recognizing that certain parts of the organization are more forward-thinking and open to innovation than others, “I think the challenge is cultural in terms of – innovation is hard right – it’s a difficult topic and at one

level conceptually everyone says yes we need to do this – it’s easy to agree to but at the same time so much of who we are and what we do is invested in the current state.”

Developing a culture of innovation is difficult in any large, established organization as there is a tendency to focus on existing, proven ways of thinking and working. The Company secretary recognized this: “With any organisation or large corporate, you know, [] no-one wants to rock the boat.” In his reflection on this issue, the company secretary then explains that this is a good approach as companies cannot be seen to be too innovative and taking too many risks:

“And that’s the right thing to do, you know? You have this [] requirement that you have in terms of your listing and various other things, and you’ve got bank debts and [] your investors. And so you don’t want to, something you just [don’t want to be seen as] totally radical, and it might be seen as being irrational. So it’s got to be a measured approach.” (Company Secretary 2018).

This shows that the TMT was generally adopting a careful approach of innovation and were limiting the culture change by doing so.

### ***Trust building***

The innovation managers realized early on that building trust with senior managers was critical to ensuring TMT’s ongoing support for innovation. At the start of The Lab, the corporate entrepreneurs sought to gain the trust of the TMT by designing and using a rigorous innovation methodology that was seen as scientifically proven and reassuring that innovation ideas pursued were properly tested and iterated with customers. As the Lab directors explained, establishing a formalized process for innovation was key to building trust with the TMT and the rest of the organization:

“So, have a process, work on your culture, and build capability, set a strategy, so, around exploit and explore, vetting your missions, having dedicated resources, being really clear on what everyone’s roles are, measuring success, communicating it and then positioning yourself as a ... leader externally.” (The Lab Director 2, 2018).

As The Lab progressed, the corporate entrepreneurs understood that to maintain this trust with the TMT and the rest of the organization, they had to focus at times on delivering on the priorities of the TMT and other senior leaders, even if these were not the priorities they wanted to pursue: “so build the political capital with the business projects, do lots of great exploit stuff, and then on the side, have our [The Lab] explore stuff with our connections straight into the CEO to do that really cool stuff.” (The Lab Director 2, 2019). Trust was also

maintained by ensuring key stakeholders were brought on board early on when the corporate entrepreneurs pursued innovation ideas and by listening and acting upon feedback from the senior managers without a political agenda:

“Because you’re trusted in the organization because [] I’m not in the business, it’s very much listening to people, not making assumptions, doing that. So I feel like as long as we have a brand where people trust us, management trusts us [we can continue to drive innovation]” (The Lab director 1, 2022).

The increasing levels of trust between the TMT and the corporate entrepreneurs could be considered to exemplify the organization's cultural evolution. In the early stages, several participants noted a contrary culture to that described here. Several participants suggested a marked change in many aspects of the culture over time. Trust between levels was viewed as a foundational component of positive change, particularly as a factor that enhanced corporate entrepreneurs’ perceptions of their freedom to innovate.

### ***Ongoing adapting***

The other key activity the corporate entrepreneurs used to navigate the tension between the innovation-enabling and inhibiting activities they faced was the ongoing adapting to the changing priorities, views and decisions of the TMT. The aim of doing so was to understand changes in the senior managers’ strategic views and to re-align innovation to these:

“So that was a big step back and a disappointment [when one of the innovation initiatives was not supported] but it just means we need to do more work with that senior team to bring them back up to basically a renewal of the vows, of where we were in 2013 when we set this strategy and to be fair to them to, to make sure that they can get back into that disruptive headspace” (The Lab director 2 2017).

Achieving this adaption was not easy, as explained by The Lab director:

“Such a contrast to the early days of [The Lab] where we would work or with our team sort of only occasionally giving the business an update from ‘this is what we’re doing point of view’, we were way too far removed, so now it’s just kind of been close but not too close, so trying to walk a very fine line” (The Lab director 2 2019).

Navigating this fine line between adapting to the expectation of the TMT and the organization while still staying true to their aims to drive innovation was a constant battle. It led to several of the original members of The Lab moving into new roles or leaving the organization.

## *Summary*

Our data shows that TMT's innovation-enabling activities often directly contradicted activities that inhibited innovation. For example, while senior managers agreed on a separate, protected budget for The Lab, they also withdrew funding from several innovation initiatives. They created a structural separation for the unit and the team but, at the same time, prioritized innovation initiatives that were championed by individual BUs and drew away the innovation leads from working on organization-wide and more radical ideas. The TMT provided regular feedback to ensure that innovation initiatives were aligned with priorities and stayed on track. Still, at the same time, they suddenly withdrew their support from even more advanced initiatives when their priorities changed. The TMT contributed to the co-design of initiatives but was also focused on reaching a consensus, which delayed the progress of initiatives and prevented some initiatives from being explored. And while the TMT supported a culture change towards innovation, they did so in a risk-averse way, sometimes stifling innovation, especially more radical innovation initiatives.

This shows that being a corporate entrepreneur in a large, established organization requires acceptance that innovation is precarious and heavily influenced by the decisions and actions of senior managers who might not have a clear commitment to or a stable outlook on innovation. Corporate entrepreneurs in such contexts need to learn to accept that innovation is about managing conflicting priorities and views and that their decisions and actions are impacted and constrained by the decisions and actions of senior managers. In such context, innovation becomes a collective process that requires inputs and approvals from multiple actors, who can steer initiatives in directions that are different from what was originally intended:

“Why did one [innovation initiative] work, and why didn't the other work? I think [the first innovation initiative] was very much [The Lab] led, [The Lab] protected. We didn't really involve the business, in fact, we actively said we're going to rebrand it, it's going to have nothing to do with [Construct], and then there was a whole fight internally []. Whereas [on the second innovation initiative], we're working side by side with [one BU]; so I called the Head of [this BU], we got them to fund a Development Manager on it, we got people from [the BU], so it's very much a collaborative approach, so they feel – again, it comes back to the same thing, they feel part of it. So that's been, I guess, positive.” (The Lab director 1, 2022).

The experience of navigating this context can be frustrating for a corporate entrepreneur and requires a lot of resilience and perseverance to keep going.

While the company we report on has won several awards for various innovation initiatives that have been pursued and implemented since The Lab was created, most of these initiatives fall into the incremental spectrum of innovation. Only a few radical innovations were pursued and even less successfully executed.

## **Discussion and contribution**

We analyze how the above TMT activities impacted corporate entrepreneurs (The Lab directors and innovation leads involved in radical innovation initiatives) and how they strategically adapted their interactions with the TMT to ensure ongoing support for the innovation unit. Assuming a process perspective in analyzing the data, we seek to make three key contributions to existing research.

First, we expand research on the microfoundations of CE (e.g., Palmie et al., 2023) by outlining a set of activities that explain key individual-level mechanisms impacting innovation in established organizations. While corporate entrepreneurship was approached collectively across the organization, the individual as an independent actor (within the confines of the innovation process) surfaces as important in the data. We found that the CEO, as the initiator of the innovation unit, played a key role in ensuring ongoing support for the corporate entrepreneurs and signaled to the rest of the organization that innovation is a priority. We also found that the TMT engaged in several activities, some enabling and some inhibiting innovations, often conflicting regarding their impact on innovation. The data shows tensions between enabling and inhibiting practices as actors sought to balance individual and collective objectives, for example, around factors such as financial risk or decision-making processes. We argue that corporate entrepreneurs sought to manage the tension between these activities by focusing on developing a trusting relationship with the TMT and pursuing an ongoing adaptation to the views and priorities of the TMT. While these activities ensured the ongoing survival of the innovation unit, the outcome was mainly the pursuit of incremental innovations. Radical innovations struggled to gain the TMT's ongoing support, and several were discontinued even after they had been pursued a while and were still regarded as desirable, feasible and viable. Corporate entrepreneurship was ultimately a codesigned, collective practice but often was individually driven.

Second, we contribute to research focusing on the role of middle managers in fostering innovation. Recent research has shown that middle managers are critical in selecting and



implementing radical innovation (Wilden et al., 2023). We seek to build upon this research by focusing on how middle managers enact and adapt their strategic role over time to foster radical innovation. Key to the ability of middle managers to foster innovation is their adaptability to the changing requirements and expectations of the senior managers, which leads to changes in structures and processes related to the management of innovation initiatives. We found that the senior managers' priorities in relation to specific innovation initiatives change based on a range of other strategic decisions. Sometimes this means that innovation initiatives that are supported for a while suddenly lose the support of senior managers. These setbacks can have a significant negative impact on middle managers driving these initiatives. CEs who best adapted displayed resilience in the face of shifting expectations. We found that middle managers who successfully performed in the role of CE managed to cope with such changes and turnarounds by developing a portfolio of incremental and radical innovation initiatives, which enabled them to shift their focus to those still supported and to keep a positive outlook on innovation.

Third, we add new insights to studies focusing on the role of governance in innovation (Cillo & Verona, 2022). We discuss the need for governance models to adapt to the changing needs of corporate entrepreneurs. As O'Connor et al. (2008) stress, a key requirement for the governance mechanism is the continuous reconfiguration of people and processes to support radical innovation. Drawing upon earlier studies on paradoxes of governance (e.g., Sundaramurthy & Lewis, 2003), we expand insights into how corporate entrepreneurs can manage these tensions over time. We show that corporate entrepreneurs need to be prepared to regularly check the organization's pulse, including how senior managers prefer to be involved in managing innovation initiatives. They must adjust their interactions with the TMT (i.e., more or less involvement) and processes (decision-making, funding requirements) based on changes in external conditions and internal priorities. Even personal changes, such as appointing a new CFO, can require existing processes of overseeing and approving innovation initiatives to change when there are different risk appetite levels.

Our data also showed that middle managers must proactively make changes to processes to be perceived as trustworthy. We bring together interactions at the interface between senior and middle managers by showing trust building as a foundational activity to creating a positive relationship between corporate entrepreneurs and TMT despite setbacks and the ambiguous support offered by TMT. The changing demands of the innovation process relied upon this foundation to keep the continual negotiation and necessary adaptations between management levels sustainable over time. Building trust between each level of management

is integral to sustaining effective and continuous progress toward developing innovation initiatives. To do so, middle managers driving innovation need to demonstrate that they are willing to accommodate changes to processes based on changing expectations and priorities of senior managers; pivot their focus on innovation initiatives that senior managers deem better aligned with changing strategic priorities; engage with each senior manager from the TMT to ascertain their views and support for specific innovation initiatives from early on, and be willing to discontinue working on innovation initiatives that are no longer supported by senior managers even the middle manager still sees these as desirable, viable and feasible. This, of course, means that often, incremental rather than radical innovations are pursued.

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**Table 1: Data inventory table (interviews and secondary data)**

Secondary data source	Type	# of item	# of pages	Primary data source (Interviewees)	# of interviews/ interviewee	Interview period	# of pages per transcript
Company Annual Reports 2009 to 2019	Report	10	~772	Senior Managers / Top Management Team (TMT)			
Press releases, media coverage, blog posts and media mentions	Text	5	18	CEO	2	2017, 2018	20, 13
Client/partner briefing and industry conference presentations	Presentation	29*	266	Chair of Board	1	2017	21
Strategy documents (acceleration, partnerships, spin off, governance review)	Presentation	5	199	CFO	1	2017	12
Consulting firm reports and strategic recommendations	Report	2	207	Head of Strategy	2	2017, 2018	19, 22
Board papers and presentations	Presentation	2	10	Head of Culture	1	2018	23
Leadership status updates	Presentation	8	185	Middle Managers (MM)			
Innovation Council status updates	Presentation	15	294	Innovation Director 1 (Pseudonym: Tina)	8	6/2017; 5/2018; 12/2019; 8/2020; 2/2021; 5/2021; 6/2021; 11/2022	26, 38, 23, 17, 18, 19, 13, 6
BU briefing, HR dept, Tax dept and other functional areas or locations	Presentation	17*	299	Innovation Director 2 (Pseudonym: Carol)	5	3/2017; 7/2018; 4/2019; 11/2019; 5/2021	26, 18, 7, 19, 19, 16
Mission overview documents for Innovation champions	Report	8	8	Innovation Director 3 (Pseudonym: Lisa)	1	6/2022	12
Electronic pasteboards, posters, digital screens, intranet posts	Text	37*	84	Company secretary/Head of Urban internal investment fund	1	2018	15
				Group General Manager of Workplace Experiences	1	2017	23
Innovation champion recruitment, role descriptions and briefing documents	Text	12	15	Business Unit manager 1	1	2017	16
Nest training materials	Presentation	10	377	Business Unit manager 2	1	2018	23
Nest process guide and toolkit	Report	2	305	Business Unit manager 3	1	2018	11
General email announcements	Text	5*	6	Business Unit manager 4	1	2018	30
Personal email forwarded to researchers	Text	6	6	Business Unit manager 5	1	2018	19
Personal email exchanges with researchers	Text	22	29	Innovation champion 2	1	2017	9
Photographs of events, workshops, trainings	Images	12	57	Innovation champion 4	1	2017	15
				Frontline employees			
				Innovation lead 1	2	2017, 2019	20, 18
				Innovation lead 2	1	2017	20
				Innovation lead 3	2	2018, 2019	13, 27
				Innovation lead 4	1	2018	20
				Innovation champion 1	1	2017	17
				Innovation champion 2	1	2018	20
<b>Total # pages</b>			<b>3133</b>		<b>38</b>		

\* these documents contain information that was used for multiple purposes and is at times repetitive and/or an amended copy of an earlier version.



**Table 2: Evidence for key constructs**

Constructs	Example quotes
<b>Senior managers activities</b>	
Boundary setting	<p>“So, we wanted to identify what areas we wanted to innovate around, so that we were focused on it and not just random, created eight what we call missions” (CEO 2017)</p> <p>“So, the process of setting those missions was a series of workshops which I ran with [the TMT] where we basically started from our group strategy, so what does [Construct] do and where do we operate and who are our customers and provided them with a lot of stimulus to come up with opportunities. [] So, we end up with all these opportunities and then we ranked them or selected 8 from them and made sure that they were a mixture of exploratory based missions, looking at disruptive breakthrough innovation and then [] looking at more of the incremental type ideas.” (The Lab director 2, 2018)</p> <p>“So, we will set that mission, that explore mission with the entire [TMT], so the head of [all BUs] will all be involved. They will know what the mission is. They will have view, visibility into that mission.” (Innovation lead 2019).</p> <p>“So we ran a workshop with our [TMT] in May and it was to set a new mission, one mission for the business” (The Lab director 2 2019)</p> <p>“we will do an idea, this is an explore mission, it’s about a new customer group, but we will make sure that we are harnessing and leveraging [Construct]’s privileged assets, so the things that we have that give us a competitive advantage, and we had a list of those. So again, when we came to the idea, that was how we could help it land with people who were challenged by new customers” (The Lab director 2 2019)</p>
<i>Innovation enabling activities</i>	
Providing dedicated funding	<p>“Be very supportive of it and encourage consideration of innovation and spend a little bit of money. You actually can't innovate if you're not prepared to spend some money but make sure that it's not wasteful if you know what I mean...” (Chair of Board 2016)</p> <p>“[The Lab] deliberately sits outside the normal hierarchy of management. Because innovative ideas are all well and good but when a project gets under pressure, the [BU] manager is going to stop it [] and the idea [] won't get any airtime because it costs. So, we set up a budget and a very small team.” (CEO 2016)</p> <p>“So we got funding to actually do a pilot site in [major city], which [The Lab] is leading [], which is huge” (The Lab director 1 2022).</p> <p>“It’s still a small budget, enough to ensure that things don’t get killed really early, but not enough to maybe go off and deliver something on our own, which I think is fair.” (The Lab director 3, 2022)</p>
Setting the innovation unit and team as independent	<p>“the approach that we took and we did it - as I said, deliberately took it out of the line management so that it's protected and there's a safe place over here which is funded and we give people space and training and time to go ahead and think of innovative ideas around these very specific missions.” (CEO 2017)</p> <p>“[Need to] [m]aintain a separation between the [The Lab] innovation program and the conventional business hierarchy, ensuring autonomy and independence” (The Lab TMT presentation, 2017)</p> <p>“So I guess when you’re a group outside of the hierarchy and you’re looking at stuff like that [radical ideas], I don't think a lot of companies would be comfortable. But in our business, because we’ve got the buy-in from the very top, it’s okay.” (The Lab director 1 2017)</p> <p>“And one of the key tenants of [The Lab] is that it’s separate to the hierarchy; its governance is set up entirely separately because we learnt that that was best practice, that the hierarchy can block innovation.” (The Lab director 1, 2017)</p> <p>“I [] see benefit in having a fulltime team of people who can start to build-up that [innovation] experience and that knowledge and share those learnings. It was [] hard for the champions to switch from their day-to-day [work] back into [The Lab] and back out again” (Nest director 2017)</p> <p>“The success of the [The Lab] program, has resulted in a dedicated full-time innovation team to support progress on [explorative projects], and help the business apply the [The Lab] process to various business projects. [] The team has expert knowledge in best-practice innovation and works closely with the entire [Construct] business.” (Construct website)</p> <p>“[The innovation] lead role has [] in a very short space of time [] increased the internal capability when it comes to innovation.” (Innovation lead 2017)</p> <p>“[The Lab] CORE TEAM: 4 Lead Innovators; ‘A dedicated innovation resource for [Construct]’. [They bring]: Innovation Training, Team Coaching, Diversity of thought.” (The Lab presentation to TMT 2017)</p> <p>“So went to the business [TMT] and said “We need a team”. [] And then obviously working with [the TMT], I did obviously a scan of all of them and then “Okay this is what we need to do, we need to restructure, they’ll give me the team but this is what we need to do” (The Lab director 1 2018)</p>
Providing feedback to corporate entrepreneurs based on strategic priorities	<p>“...you then present a business case to the investment committee [of the TMT]. [] after ideation, after we select the idea, we have to go through a very rigorous experimentation stage. Unless we’ve proven our idea does work in that experimentation stage, we won’t even take further to the roll out.” (Innovation champion 1, 2017)</p> <p>“So, [we are] talking to all of TMT and all of their direct reports, to understand, what success looks like? What are their biggest problems at the moment? [] what’s top of mind for them. How can [Nest] help. What do they need from us? [] where should innovation go next and to try to understand their jobs to be done to formulate the strategy for next year.” (The Lab director 2019)</p> <p>“We are going to be more regularly touching base with the delegation [TMT representatives] in a much more ad hoc way and bringing them on our journey of how we work []. So that the support is there right from the beginning, and they come all the way through that process with us.” (Innovation lead 2019).</p>

Constructs	Example quotes
Contributing to the co-design of innovation initiatives	<p>“[W]hat we totally changed in the last sprint – we spent so much time workshoping [] with every range of stakeholders – [TMT], board, everyone, we crossed off things, we added things on, we honed again, we honed again, none of that work was done with our prior ideas.” (The Lab director 2019)</p> <p>“Key learning was in the past we hadn’t involved the senior people in [Construct] in helping make that decision [on innovations]; so we [] spent a solid week every day, one person at a time or two people at a time [] – bringing everyone on this journey. [] The senior exec, we invited the Board and then just other key people [], so a lot of that [middle management] level and then some of [them] brought some of their teams as well, so there was probably a good 50 or 60 people that we kind of got through that information.” (The Lab director Nov 2019)</p> <p>“We set up a room downstairs for ideation; opened it up to the [BUs] - sent out an email saying, ‘we’re doing ideation from this whole day, in this room’. And we had so many people come and get involved. I think in total we had about 120 ideas that were developed.” (The Lab director 2019)</p> <p>“[] a huge difference from the past was [] this whiteboarding made everything feel like people were co-creating, the feedback from prior delegations [TMT] was that they felt like it was a fait accompli and they couldn’t contribute and if they said something negative they’d be anti-innovative and the CEO is sitting there so they didn’t want to, so then they’d walk out of the meeting and kind of white-anted outside because they felt like they couldn’t speak up at the meeting, so we wanted to completely turn that on its head and constantly ask for feedback” (The Lab director 2 2019)</p>
Supporting innovation/culture change by role modelling	<p>“I think it’s really important for people to see that [the CEO is committed to innovation], but it does start at some point and I remember it so clearly where [the CEO] was saying that’s the environment we want to create and I said well that’s what I would love to do.” (CFO 2017)</p> <p>“Some of the senior people from the [BU] were also training in [innovation] research, and my [] manager was at that training, and she was quite excited about the opportunity to [] bring some of that into projects.” (Innovation champion 1, 2017)</p> <p>“[T]he methodology is almost part of the culture – [] I was in the leadership team meeting and they were talking about understanding our customers and this is always how people now think; that you have to actually go out and do the research and scan or get your assumptions might not be right, [] everyone speaks a common language in relation to it. And so, I think it’s changed how the business operates in terms of actually thinking about the customer first and not just thinking about your assumptions are correct.” (Company secretary 2018)</p> <p>“[N]ow everyone uses the innovation techniques, terminology []. They know the process we go through; they know how important it is to go and do the scans, to use the methodology.” (BU manager 2, 2018).</p> <p>“generally the [TMT] and also the Board are quite progressive in terms of how they think about doing things and quite interested in experimenting.” (Company secretary, 2018)</p> <p>“I was in the [TMT] meeting and they were talking about for a project like understanding our customers [] and scan or get your assumptions might not be right, so it’s – and that’s just across the business in everything and people understand that as well, everyone speaks a common language in relation to it” (Company secretary 2018)</p>
<i>Innovation inhibiting activities</i>	
Holding back funding	<p>“[The TMT] wouldn’t fund it so we were kind of left with no way forward with this kind of really strong vocal opposition and no money” (The Lab director 2 2019)</p> <p>“The one big, unresolved issue for the process is that the whole way through, we did not know where our money was coming from at the end and it was not through lack of trying” (The Lab director 2 2019)</p> <p>“the biggest problem to solve at the moment is funding. So we just went through the whole thing blind” (The Lab director 2 2019)</p>
Changing innovation priorities	<p>“[] we’re going to close down those ideas that the business thinks really are of no value and we’re going to realign and reset mission and start again” (The Lab director 2 2019)</p> <p>“So then it basically – CFO and everyone just said we actually have to put [this innovation initiative] on pause indefinitely and we can’t fund it and it was really devastating” (The Lab director 1 2022)</p> <p>“The Board approved it reluctantly, like they were kind of looking at us kind of rocking because of the issues with that [] sector and our perceived lack of expertise in the area, which they were right – but then the new CFO came in and said that’s on pause indefinitely because of the risk profile and also because of the market [], it’s not something we want to go into at this stage.” (The Lab director 1 2022)</p>
Limiting cultural change and the pursuit of innovation	<p>“[] early on, I know for [The Lab director at the time] it was a bit like “What, you already do innovation, why ... innovation?”, there were a lot of sceptics. Yeah we still have blockers, but we’ve learnt now to kind of work around them or influence them.” (The Lab director 1)</p> <p>“[] at that point [The Lab] was on life support, that was a really important time because up until then leaders were losing confidence, because a lot of the leaders that set the missions had gone, [] and there were new leaders and they’re like, [], I haven’t seen anything coming out of the missions yet, you’re taking all these time and resources and what’s coming out” (The Lab director 1 2018)</p>

Constructs	Example quotes
	<p>“So with that executive team in the office division, I know them quite well and worked with most of them for a lot of years and I know their personalities and I think that will still be the piece, I think they’ll say we support you, yeah take the 2 days to do the work, and yes we will reward you and recognize you and what great work you’ve done and this is a great initiative, but they're not going to do it themselves.” (Innovation lead 1 2018)</p> <p>“So it’s just two mindsets – it’s the traditional, conservative, corporate, stick within your box – we don’t do that – what precedent will it set? Which kills everything versus the kind of let’s give a shot sort of people.” (The Lab director 2 May 21)</p>
Prioritizing incremental innovation	<p>“I was having monthly catch-ups with whoever the innovation lead was, and making sure that we were progressing things, that I was asking questions. What are we putting in front of people? What are we focusing on? Just putting that business lens over it. So, I think, you need to have the innovation mindset and the thinking and pushing that, but it’s got to be connected to the business.” (BU manager 2018)</p> <p>“I just kind of got this overwhelming sense of we weren’t actually achieving anything. We were going in circles a lot [] and the business was kind of heading in one direction and [The Lab] seemed to be heading in a completely different direction. [] the business knows the business better than anyone, so why are we not going in the same direction? Because there’s plenty to be done in the right – in the right direction.” (BU manager 2018)</p> <p>“the project I worked on just recently, there was a fairly radical idea that came out [from a BU] and it’s on the radar but they want to focus on some of the things that they can do within the next year, but they’re aware that they need to look at more radical things as well.” (Innovation lead 2019)</p> <p>“So we’ve done Explore missions which we think are awesome, and then we come back and everyone shoots at it” (The Lab director 1 2021)</p>
Seeking consensus before committing to invest	<p>“So the complication with having business, individual business unit leaders on that [Innovation] Council is they don’t bring that cross view, they bring. So, so they say, “Oh how does this idea help my business, how does it help my current customer? [] So this is the issue we’re up against with the idea [of bringing everyone onboard with an idea]” (The Lab director 2 2017)</p> <p>“Now that’s great that everybody gets a say, but when you apply that to a decision making process that means you almost go around the room and wait until someone says no, as opposed to saying this is what we are doing and cutting through.” (The Lab director 2 2021)</p> <p>“we did a two-hour workshop with [TMT] and got them to tell us what areas – we actually did it together with them around what areas do you want us to focus on so we’ve got a pipeline. [] if you don’t have buy-in at a mission stage, you’re wasting your time. So we spent a lot of time aligning on the mission. We’re not going to – even though [the CEO] wants us to do it, if other members of [TMT] don’t support it, we’re wasting our time.” (The Lab director 1 2021)</p> <p>“even if it’s a tech start-up it would just never get through all the layers of people that have to say yes to this to happen. It’s just too radical.” (The Lab director 2 2021)</p>
<b>Middle managers activities</b>	
Trust building	<p>“There's enough trust between the board and executive to know that we won't start doing things that are wrong, we'll test them and trial them and satisfy ourselves and then we move onto them. So there's a sense of trust. There has to be a sense of trust that yes, we want to go and innovate and want to try things and once you've passed the verbals you'll make informed decisions around progressing further []. So it's a wide range of innovation but it goes to the culture and the alignment between the board and executive.” (Chair of Board 2016)</p> <p>“as an executive, we know we're in a safe place with our Board. So, it's not that they're not challenging; they certainly push us. But we feel safe to say this went wrong. We didn’t do so well on this; we've missed that. We don't hide. I think, therefore, they trust us also.” (CEO, 2016).</p> <p>“[We have] really spent those nine months focused on the ripple effect, as in, business projects – deliver value to the business, show how [innovation] can be rolled out and help with someone in any way, shape, or form [] – and I think we’ve built a lot of political capital back with the businesses and demonstrated [the] value [of innovation] and so we’re in a much better place now than we were [before].” (The Lab director 2019)</p> <p>“The ability to articulate the alignment of how [The Lab projects] were actually tied to the strategy [] started to happen.” (BU manager 2018)</p>
Ongoing adapting	<p>“We are going to be more regularly touching base with the delegation [TMT] in a much more ad hoc way and bringing them on our journey of how we work []. So that the support is there right from the beginning, and they come all the way through that process with us.” (Innovation lead 1, 2019)</p> <p>“[] in the past, sometimes we would focus purely on the desirability and the feasibility and the viability, but we’d get to a stage where actually [Construct] didn’t want to do this. Our leadership didn’t actually support it. So now we’ve built in some more steps []” (The Lab director 3, 2022)</p>

**Figure 1: Framework**

