

Overcoming Institutional Inertia: Intrapreneurship in Public Sector

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Abstract

Public organizations face higher demands for innovation while operating under institutional structures that prioritize stability and control. This study develops a theoretical model that explains how entrepreneurial leadership (intrapreneurship) strengthens innovation capability in public organizations. Although research on leadership and public sector innovation has expanded in recent years, the two literatures have evolved separately, leaving limited understanding of how leadership orientations shape the conditions needed for sustained innovation. This study integrates insights from public entrepreneurship, leadership theory, and innovation capability research to explain how intrapreneurship influences organizational processes that support continuous innovation. The model identifies five mediating mechanisms that translate leadership behavior into organizational capability: learning orientation, psychological safety, organizational agility, digital

readiness, and absorptive capacity. It also specifies contextual moderators, including administrative burden, political support, digital infrastructure, public service motivation, and bureaucratic culture, which shape the effectiveness of intrapreneurship. The framework positions innovation capability as a multidimensional construct incorporating knowledge management capability, technological capability, collaboration and networking capability, dynamic capabilities, and digital transformation maturity. By linking intrapreneurship to innovation capability and ultimately to public value outcomes, the model advances theoretical understanding of how leadership contributes to organizational adaptability and modernization. The study concludes by outlining implications for leadership development, administrative reform, and digital transformation, while identifying opportunities for future empirical research to test and refine the proposed relationships.

Keywords: intrapreneurship; innovation capability; public sector innovation; public value; organizational learning

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Introduction

Governments today operate in environments shaped by rapid technological change, interconnected policy challenges, and rising citizen expectations. Public institutions face pressure to deliver better services, respond swiftly to emerging crises, and experiment with new delivery models (Goetzinger et al., 2025). Yet most public organizations still function within rigid bureaucratic systems that prioritize stability, procedural compliance, and risk avoidance (Bierschenk, de Sardan, 2021). This tension between growing complexity and traditional administrative structures limits the capacity of governments to innovate at the pace required by contemporary governance demands. Scholars note that while many public organizations attempt to introduce new digital tools, policy approaches, and service models, their efforts often fail because internal leadership and organizational capabilities do not support sustained innovation (Ansell, Torfing, 2021; Kattel, Mazzucato, 2018).

Research on public sector innovation has expanded significantly, with strong empirical and theoretical foundations on innovation capability, organizational learning, and digital transformation. Innovation capability has been examined as a multidimensional construct involving learning processes, knowledge integration, collaboration networks, and dynamic adaptability (Arundel et al., 2019). In parallel, public administration literature has advanced the study of leadership by exploring transformational, adaptive, and collaborative leadership approaches suited to modern governance environments (Clark, 2021). However, these two bodies of literature have developed separately. Studies on innovation capability rarely incorporate leadership as a central explanatory factor, while leadership studies often overlook the organizational capabilities that convert leadership behavior into innovation outcomes. As a result, there is limited understanding of how specific leadership orientations shape innovation capability in the public sector (Samuvel et al., 2024).

A particularly notable gap concerns entrepreneurial leadership (intrapreneurship). Intrapreneurship has gained attention in management and entrepreneurship research, focusing on leaders who recognize opportunities, mobilize resources, take calculated risks, and foster creativity among employees (Leitch, Volery, 2017; Renko et al., 2015). Despite its relevance, intrapreneurship has received far less attention in public administration. Public organizations often view entrepreneurship as incompatible with bureaucratic norms, which leads to an underdeveloped theoretical basis for how intrapreneurship operates in government settings (Lecuna et al., 2020). Recent work highlights that public managers increasingly engage in entrepreneurial behaviors such as opportunity recognition, experimentation, interagency collaboration, and proactive problem solving, particularly in digital government and smart governance contexts (Demircioglu, Chowdhury, 2021; Balaji, George, 2024). Yet the relationship between intrapreneurship and innovation capability in the public sector remains largely unexplored.

This gap has become more persistent because innovation in the public sector increasingly depends on leadership. Digital transformation, data-driven decision making, and AI adoption require leaders who can navigate uncertainty, en-

courage learning, and support teams in experimenting with new solutions (Ferreira, Santos, 2025). Leadership influences whether employees feel safe to take initiative, whether agencies build capacities for technological integration, and whether innovation becomes embedded in organizational routines. Without supportive leadership orientations, investments in digital tools, innovation labs, and capacity-building initiatives often fail to create lasting change (Wegrich, 2023). Intrapreneurship, with its focus on opportunity creation and strategic experimentation, offers unique potential to strengthen innovation systems inside public organizations.

Simultaneously, innovation capability has emerged as an essential determinant of how effectively public organizations adapt and improve. Innovation capability refers to the ability of an organization to generate, adopt, and implement new ideas in a consistent and sustainable manner (Mendoza-Silva, 2021). Scholars describe it as a function of learning processes, resource flexibility, collaboration networks, digital readiness, and the ability to reconfigure routines in response to changing conditions (Arundel et al., 2019). While public agencies may launch individual innovation projects, only organizations with strong innovation capability can innovate repeatedly. Understanding how leadership shapes this capability is therefore essential for advancing theory and guiding practice.

To fill this gap, this study proposes a theoretical model that links intrapreneurship with innovation capability in public organizations. The main argument is that intrapreneurship acts as a foundational driver of innovation capability by shaping organizational learning, psychological safety, opportunity recognition, and strategic resource allocation. These mechanisms increase the ability of public organizations to search for new solutions, integrate technological and knowledge resources, and adapt to emerging governance challenges. The model further suggests that strengthened innovation capability contributes to broader public value outcomes such as improved service quality, citizen trust, transparency, and resilience. By connecting intrapreneurship, innovation capability, and public value, this study advances a more coherent theory of how internal leadership orientations shape public sector innovation systems.

The contribution of this study is threefold. First, it integrates two research streams that have typically remained separate: intrapreneurship and public sector innovation capability. Second, it offers a theoretically grounded explanation of the mechanisms through which leadership shapes innovation capability in public organizations. Third, it presents a conceptual framework that can guide future empirical research on public entrepreneurship and innovation management in government. This framework responds to calls for stronger theory building in public management, especially regarding the internal drivers of innovation and the conditions that enable governments to experiment, adapt, and transform.

Recent research highlights a shift in public sector innovation away from isolated reform initiatives toward more open, collaborative, and capability-driven approaches. Public organizations increasingly rely on open innovation practices that integrate external knowledge, stakeholder participation,

and experimental methods into policy design and service delivery. These developments reflect a broader transformation in governance, where innovation is understood not merely as technological adoption but as a systemic process involving organizational culture, leadership, and institutional learning (Brilhante, Romero, 2025).

One prominent trend is the institutionalization of innovation labs, living labs, and regulatory sandboxes as structured spaces for experimentation. These mechanisms allow public organizations to test new solutions while managing risk and maintaining accountability. Rather than bypassing bureaucratic systems, such approaches seek to adapt them by embedding experimentation within formal governance structures. Empirical evidence suggests that these initiatives are most effective when supported by leaders who can mobilize resources, protect experimentation, and translate pilot projects into organizational learning (Brilhante, Romero, 2025).

Another emerging trend concerns the growing emphasis on organizational and transformative capacity in the public sector. Recent work argues that public organizations must develop dynamic capabilities that enable them to sense emerging challenges, reconfigure internal routines, and coordinate across levels of governance. This perspective moves beyond static notions of capacity as resources and instead conceptualizes capacity as an action-oriented set of abilities shaped by leadership, institutional roles, and learning processes (Borrás et al., 2024). Innovation is thus increasingly framed as a leadership-dependent process that unfolds through organizational capabilities rather than through discrete projects.

Altogether, these trends suggest that public sector innovation depends on leadership that can navigate complexity, align experimentation with public value goals, and build durable innovation capability. This evolving landscape reinforces the need for theoretical frameworks that explain how leadership orientations contribute to organizational capacity for sustained innovation, particularly in environments characterized by institutional constraints and political accountability.

The remainder of this paper is organized into several sections. The next section reviews the conceptual foundations of public sector entrepreneurship, entrepreneurial leadership, and innovation capability. Then we develop the theoretical relationships linking intrapreneurship to innovation capability and advances a set of testable propositions. Further we present a conceptual framework that visually illustrates these linkages, and discuss the theoretical contributions and implications for public management theory together with outlining practical and policy implications for governments seeking to strengthen innovation systems. The final section identifies directions for future research and concludes the paper.

Conceptual Foundations

Public Sector Entrepreneurship: Definitions and Evolution

Public sector entrepreneurship has developed through several scholarly traditions that sought to explain how innovative behaviors emerge within formal government in-

stitutions (Funko et al., 2023; Olumekor, 2024). Early work highlighted the role of policy entrepreneurs (intrapreneurs) who promote new ideas, frame policy problems in novel ways, and build coalitions to advance reform agendas. These actors influence policy change by recognizing opportunities, investing political capital, and mobilizing networks to shift established policy paths (Mintrom, Norman, 2009). Alongside this perspective, the concept of administrative entrepreneurship focused on managers inside public organizations who redesign processes, introduce new service models, and search for creative solutions to administrative constraints (Vivona et al., 2025). Together, these traditions broadened the understanding of entrepreneurship beyond market actors and suggested that governments also contain individuals who behave entrepreneurially within institutional limits.

The evolution of public sector entrepreneurship reflects a growing recognition that government reform, digital transformation, and innovation require proactive actors who are capable of challenging established routines. Several scholars argue that public entrepreneurship differs from private sector entrepreneurship in its motivations, outcomes, and governing conditions. While private entrepreneurs seek profit and market advantage, public entrepreneurs pursue improvements in public value, equity, service performance, and policy outcomes (Klein et al., 2010). Public entrepreneurs also operate within formal accountability systems, political oversight structures, and normative expectations that shape their risk tolerance and decision choices (Demircioglu, Chowdhury, 2021). This means that entrepreneurship in government is embedded in institutional contexts that constrain action but also provide unique opportunities for cross-sector collaboration, large-scale impact, and system-level innovation.

Entrepreneurship within government matters because public organizations face problems that require novel approaches rather than incremental adjustments. Issues such as climate adaptation, digital governance, and administrative modernization demand experimentation and agility (Funko et al., 2023). Public entrepreneurs help identify emerging challenges, introduce new technologies, and create pathways for policy and service innovation. Recent studies find that agencies with entrepreneurial actors are more likely to adopt digital tools, collaborate across sectors, and develop innovative solutions to complex problems (Kousina et al., 2025). These actors drive change not only through individual initiative but also by shaping organizational cultures that support learning and continuous improvement. Public sector entrepreneurship therefore plays a critical role in the development of innovation capability within governments.

Intrapreneurship in the Public Sector

Intrapreneurship describes a style of leadership in which individuals influence others to pursue opportunities, innovate, and generate value in uncertain or resource constrained environments. Scholars define it as a leadership approach that combines opportunity orientation, strategic thinking, and the ability to motivate others to search for new solutions (Renko et al., 2015). In the public sector, intrapreneurship involves encouraging innovation while balancing the expect-

tations of accountability, transparency, and legality. Public leaders who adopt an entrepreneurial style serve as catalysts who help organizations identify emerging opportunities, question established practices, and experiment with alternative solutions (Hoang et al., 2025).

A vital element of intrapreneurship is opportunity recognition. Leaders who excel in this area scan their environments, interpret signals from stakeholders, and anticipate shifts in policy or service needs. They help their organizations perceive possibilities that may not be visible within traditional bureaucratic routines. Proactive orientation is another key dimension (Mehmood et al., 2021). Entrepreneurial leaders move ahead of administrative pressures and act before problems escalate. They encourage teams to test new approaches, explore emerging technologies, and reconsider established processes. Risk tolerance is equally important. Public leaders face strong incentives to avoid failure, yet innovation requires room for experimentation. Entrepreneurial leaders accept calculated risks, protect their teams during setbacks, and create environments where employees feel safe to innovate (Corrêa et al., 2022; Vicentin et al., 2025).

Strategic vision forms the foundation that aligns these elements. Entrepreneurial leaders articulate a clear direction that connects innovation efforts to broader organizational missions. This vision builds coherence and helps employees understand how innovative projects contribute to long term goals (Ahmed, Harrison, 2025). Resource mobilization completes the set of core dimensions. Public organizations often operate with constrained budgets and procedural requirements. Entrepreneurial leaders work creatively within these conditions by forging partnerships, reallocating resources, and securing support from internal and external stakeholders. They help their organizations acquire the human, financial, and technological resources needed for sustained innovation (Razzaque et al., 2024).

Despite these strengths, intrapreneurship in the public sector faces unique constraints. Accountability requirements impose strong oversight that can limit risk taking (Vivona, 2024). Political pressure shapes priorities, influences resource allocation, and may discourage experimentation when leaders fear negative reactions from elected officials or the public. Administrative rules also restrict flexibility by imposing formal processes for procurement, staffing, and decision making (Thuy et al., 2022). These constraints do not make intrapreneurship impossible but rather shape the strategies leaders must use to support innovation. Scholars argue that effective public entrepreneurial leaders navigate these institutional environments by developing trust, building coalitions, and framing innovation in ways that align with public value goals (Clark, 2021). While intrapreneurship shares some features with transformational leadership, it is distinct in its emphasis on opportunity recognition, experimentation, and resource mobilization under conditions of uncertainty. Table 1 summarizes the core dimensions of intrapreneurship and their relevance to public sector contexts.

Innovation Capability in Public Organizations

Innovation capability refers to an organization's capacity to generate, adopt, and implement new ideas in a consistent

and systematic way. It is a multidimensional construct that highlights not only the presence of innovative activities but also the organizational conditions that support continuous improvement (Mendoza-Silva, 2021). Scholars define innovation capability as the ability to integrate knowledge, respond to environmental changes, learn from experimentation, and apply new approaches to achieve improved outcomes (Tang et al., 2024). In the public sector, innovation capability determines whether agencies can adapt to technological advances, evolving policy demands, and rising citizen expectations.

Knowledge management capability forms an essential component of innovation capability. Public organizations need systematic processes for capturing, sharing, and applying information. These processes support learning from experience and allow teams to incorporate new insights into practice (Migdadi, 2022). Technological capability is another key component. Modern public organizations rely on digital platforms, data systems, and analytical tools. Technological capability reflects the ability to integrate these tools into service delivery, decision making, and organizational processes (Tello-Gamarra, Fitz-Oliveira, 2021). Collaboration and networking capability strengthen innovation by enabling public organizations to work with other agencies, private firms, and civil society partners. These relationships expand knowledge flows, provide access to new resources, and support joint problem solving.

Dynamic capabilities also play a central role. They describe the ability of an organization to sense opportunities, seize them through strategic action, and reconfigure internal processes in response to changing conditions. Dynamic capabilities allow public organizations to move beyond isolated innovations and develop routines that support continuous adaptation (Teece, 2023). Digital transformation maturity represents another dimension. It reflects the degree to which public organizations have integrated digital tools into their operations and developed the skills, structures, and cultures needed for sustained digital innovation. Higher maturity levels indicate that digital tools are embedded in organizational practices rather than restricted to isolated projects (Gökalp, Martinez, 2022).

A clear distinction exists between innovation capability and innovation output. Innovation capability refers to long

Table 1. Dimensions of intrapreneurship

Dimension	Description	Key Sources
Opportunity recognition	How leaders sense and interpret emerging possibilities	Corrêa et al., 2022
Proactive orientation	Acting ahead of pressures or crises	Wegrich, 2023
Risk tolerance	Acceptance of experimentation and managed failure	Demircioglu, Chowdhury, 2021
Strategic vision	Connecting innovation to long term goals	Ahmed, Harrison, 2025
Resource mobilization	Securing resources, partnerships, and capabilities	Razzaque et al., 2024

Source: author.

term organizational potential, while innovation output refers to the specific innovations produced within a certain timeframe, such as new digital services, revised procedures, or policy reforms (Mendoza-Silva, 2021). A public organization may produce several innovations without possessing strong innovation capability if those innovations arise from short term pressures or individual champions. Conversely, an organization with strong innovation capability may generate innovations more slowly but in a more consistent and sustainable manner. Scholars argue that innovation capability is a more reliable indicator of long-term adaptability and resilience because it reflects embedded organizational routines rather than isolated outcomes (Arundel, Huber, 2013).

Innovation capability therefore represents a foundational concept for understanding how public organizations adapt to emerging challenges. It captures the structural, cultural, and technological conditions that shape innovative behavior and supports the argument that intrapreneurship plays a critical role in strengthening these capacities. Table 2 provides an overview of the main components of innovation capability and explains their contribution to sustained innovation in public organizations.

Theoretical Integration: Linking Intrapreneurship and Innovation Capability

How Intrapreneurship Builds Innovation Capability

Innovation capability does not develop automatically in public organizations. It emerges from leadership choices, organizational cultures, and the ways managers support learning, collaboration, and adaptation. Intrapreneurship shapes these internal conditions by influencing how teams interpret opportunities, manage resources, and respond to uncertainty. Leaders who adopt an entrepreneurial style help public organizations develop the routines and mindsets needed for sustained innovation.

A primary mechanism is the creation of strategic clarity. Entrepreneurial leaders articulate a compelling purpose that links innovation to public missions. This clarity helps employees understand why experimentation matters and how it contributes to long term outcomes. Research shows that public organizations with leaders who communicate a clear strategic direction are more likely to develop structured innovation capabilities, particularly in digital service delivery and data driven governance (Ahmed, Harrison, 2025). Strategic clarity guides resource allocation and shapes organiza-

tional priorities in ways that support learning and experimentation (Razzaque et al., 2024).

Intrapreneurs also strengthen innovation capability by cultivating learning-oriented cultures. Learning orientation involves openness to new knowledge, reflection on past actions, and willingness to revise existing routines. Leaders influence these conditions by encouraging employees to test new ideas, share lessons, and collaborate across units. Studies show that when leaders support learning behaviors, public organizations become more capable of integrating knowledge and adapting to changes in policy environments (Lundqvist et al., 2023). Learning orientation expands the ability of teams to develop solutions that extend beyond incremental improvements.

Another key mechanism is psychological safety. Public organizations often operate under strong accountability pressures that discourage risk taking. Employees may avoid suggesting new ideas because failure can be visible and politically sensitive. Entrepreneurial leaders work to reduce these fears by framing experimentation as part of organizational learning rather than as personal risk. They protect teams when projects do not succeed and emphasize collective improvement rather than individual blame. Psychological safety increases employees' willingness to participate in innovation processes and supports the development of creative problem-solving skills (Mehmood et al., 2022).

Intrapreneurship also enhances innovation capability by improving opportunity recognition. Leaders help their organizations interpret signals from the policy environment, understand citizen needs, and identify areas where new approaches may create value. Opportunity recognition expands the organization's ability to sense changes and adjust its strategies. This sensing ability forms a central element of dynamic capabilities, which underpin long term innovation capability in public organizations (Corrêa et al., 2022; Vicentin et al., 2025).

Finally, intrapreneurship influences resource orchestration. Public organizations often face strict budget rules, procedural constraints, and staffing limits. Entrepreneurial leaders mobilize resources by building partnerships, negotiating with higher authorities, and reallocating internal capacities. They secure access to digital tools, expertise, and collaboration networks that are essential for innovation. Resource orchestration determines whether public organizations can move from ideas to implementation, and recent studies show that leadership is a central factor in bridging this gap

Table 2. Components of Innovation Capability in Public Organizations

Component	Description	Relevance to Public Sector
Knowledge management capability	Ability to capture and share knowledge	Supports learning orientation
Technological capability	Integration of digital tools and systems	Essential for digital public services
Collaboration and networking capability	Ability to work with external partners	Enhances absorptive capacity
Dynamic capabilities	Sensing, seizing, and reconfiguring	Enables adaptation
Digital transformation maturity	Degree of embedded digital practices	Predicts technological innovation

Source: author.

(Razzaque et al., 2024). These combined mechanisms form the foundation through which intrapreneurship strengthens innovation capability.

Mediating Mechanisms

The relationship between intrapreneurship and innovation capability is influenced by several internal processes that mediate how leadership behaviors translate into organizational capability. These mediators help explain why some public organizations achieve sustained innovation while others struggle, even when they adopt similar leadership practices.

Learning orientation is an essential mediator. Entrepreneurial leaders promote curiosity, information sharing, and reflection. These behaviors create conditions where teams can integrate diverse knowledge and apply insights to innovative solutions. Learning orientation supports routines that help organizations absorb and adapt new ideas, which strengthens innovation capability over time (Lundqvist et al., 2023). Psychological safety also mediates this relationship. When employees feel safe to contribute ideas, challenge established practices, and experiment with new methods, innovation processes become more robust. Entrepreneurial leaders foster a climate where dissent is constructive and failure is treated as a learning tool. Psychological safety increases participation in innovation activities and enhances the organization's capacity to generate and test new ideas (Paredes-Leon et al., 2023).

Organizational agility is another important mediator. Agility refers to the ability to adjust priorities, reconfigure processes, and respond to emerging challenges. Entrepreneurial leaders encourage flexible decision making and reduce unnecessary procedural barriers. This agility enables faster implementation of new initiatives and strengthens the organization's ability to innovate consistently in changing environments (Aityassine et al., 2024). Digital readiness serves as a mediator that links leadership behavior to technological components of innovation capability. Leaders who prioritize digital transformation encourage investment in digital infrastructure, skill development, and data driven practices. Digital readiness expands the organization's ability to use technology for problem solving, service delivery, and strategic planning (Moeini Gharagozloo et al., 2022). This increases the technological dimension of innovation capability and improves the quality of innovation output.

Absorptive capacity is another mediator that influences how intrapreneurship affects innovation capability. Absorptive capacity refers to the ability of an organization to acquire, assimilate, and apply external knowledge. Entrepreneurial leaders strengthen absorptive capacity by encouraging collaboration, seeking external expertise, and promoting partnerships with universities, private firms, and civil society. When absorptive capacity is strong, public organizations can integrate external ideas into their innovation processes more effectively (Rehman et al., 2021). Collectively, these mediators explain how leadership influences innovation capability beyond direct managerial actions. They capture the deeper organizational routines that are necessary for innovation to become embedded and sustainable.

Moderating Contexts

Intrapreneurship does not produce the same effects in all public organizations. The impact of leadership depends on contextual factors that either support or constrain innovation processes. These moderating conditions shape the strength and direction of the relationship between intrapreneurship and innovation capability. Administrative burden further moderates this relationship by influencing how easily leaders can implement changes. High administrative burden, characterized by extensive paperwork, complex procedures, and rigid approval processes, reduces leaders' ability to reallocate resources and support experimentation. Organizations with lighter administrative requirements provide more room for leadership to influence innovation capability (Fuchong, 2025). Likewise, Leaders who operate in politically supportive environments gain greater legitimacy, resources, and discretion to pursue innovation. When political actors prioritize stability or express concern about risk, leaders may face limits even if they strongly support innovation (Bennett et al., 2023). Political support therefore shapes the space within which intrapreneurship can act.

Digital infrastructure represents another important factor that influence this relationship between intrapreneurship and innovation capability. Institutions with strong digital infrastructure are better positioned to use technology for innovation. Leaders in these environments can leverage existing tools and systems to promote experimentation and collaboration (Bergholz et al., 2024). In contrast, weak digital infrastructure restricts the technological dimension of innovation capability and limits the effect of leadership on innovation outcomes. Similarly, Public service motivation interaction explains how employees respond to intrapreneurship. Teams with strong motivation to contribute to public value may be more receptive to leadership initiatives that encourage innovation (Hameduddin, Engbers, 2022). Public service motivation increases engagement in collaborative efforts and supports the cultural dimensions of innovation capability.

Bureaucratic culture also plays a moderating role on the relationship between intrapreneurship and innovation capability. Cultures that emphasize rules, control, and stability may weaken the effect of intrapreneurship, while cultures that value collaboration, learning, and adaptability strengthen it (Kattel et al., 2022). Leaders must navigate these cultural contexts to translate their entrepreneurial orientations into organizational capability. These moderating conditions highlight that intrapreneurship functions within institutional boundaries. The effectiveness of leadership depends on the administrative, political, technological, motivational, and cultural contexts that shape innovation processes.

Theoretical Propositions

Based on the integration of these concepts, several theoretical propositions can be advanced:

1. Intrapreneurship increases learning orientation, which enhances innovation capability in public organizations.
2. Intrapreneurship strengthens psychological safety, which promotes creative problem solving and contributes to innovation capability.

3. Intrapreneurship enhances organizational agility, which improves the ability to sense and respond to emerging challenges and strengthens innovation capability.
4. Intrapreneurship supports digital readiness, which increases the technological dimension of innovation capability.
5. Intrapreneurship strengthens absorptive capacity by promoting collaboration and knowledge acquisition, which improves innovation capability.
6. The relationship between intrapreneurship and innovation capability is stronger in organizations with supportive political environments.
7. Digital infrastructure strengthens the positive effect of intrapreneurship on innovation capability.
8. Bureaucratic culture weakens the relationship between intrapreneurship and innovation capability, whereas collaborative and learning oriented cultures strengthen it.

Conceptual Framework

The relationship between intrapreneurship and innovation capability in public organizations requires a structured theoretical model that clarifies the pathways through which leadership shapes organizational capacity for continuous innovation. The conceptual framework developed here integrates insights from public entrepreneurship, leadership theory, and innovation capability research. It explains how intrapreneurship influences internal organizational processes, how these processes translate into innovation capability, and how broader contextual conditions shape the force of these relationships.

The framework begins with intrapreneurship as the primary antecedent. Intrapreneurship is characterized by opportunity recognition, proactive orientation, risk tolerance, strategic vision, and resource mobilization. These dimensions act together to shape organizational mindsets and behaviors that support innovation. Leaders who demonstrate these qualities influence how public organizations perceive emerging challenges, how they allocate resources, and how they support experimentation.

The framework proposes that the effect of intrapreneurship on innovation capability operates through several mediating mechanisms. These mechanisms reflect internal processes that help organizations translate leadership influence into sustained innovative behavior. Learning orientation is central because it supports continuous improvement and the integration of new knowledge. Psychological safety enables employees to contribute ideas without fear of blame or criticism. Organizational agility allows public organizations to adjust strategies and routines in response to changing conditions. Digital readiness increases the ability of organizations to use technology to support innovative solutions. Absorptive capacity expands the organization's ability to acquire, integrate, and apply external knowledge. These mediators represent internal routines that strengthen the foundations of innovation capability.

Innovation capability is positioned at the center of the framework as a multidimensional construct composed of

knowledge management capability, technological capability, collaboration and networking capability, dynamic capabilities, and digital transformation maturity. These dimensions reflect the structural, cultural, and technological qualities that support continuous innovation in public organizations. The framework assumes that innovation capability improves the organization's potential to generate, adopt, and implement new solutions across a wide range of policy and administrative domains.

The model also incorporates moderating conditions that influence how intrapreneurship affects the mediating mechanisms and innovation capability. Administrative burden shapes the organizational space available for leaders to promote change. Political support provides legitimacy and access to resources that facilitate innovation. Digital infrastructure affects the ability to integrate technological solutions. Public service motivation influences employees' willingness to engage in innovative efforts. Bureaucratic culture affects whether leadership influence aligns with or is constrained by existing norms and routines. These moderators illustrate that leadership operates within institutional boundaries and that the effectiveness of intrapreneurship depends on contextual conditions.

Finally, the framework links innovation capability to public value outcomes. Public value outcomes may include improvements in service quality, transparency, responsiveness, citizen trust, and policy performance. While the framework does not empirically test these outcomes, it positions them as the broader purpose of strengthening innovation capability. This reinforces the argument that leadership driven innovation capability contributes to long term improvements in public governance and service delivery.

Overall, the conceptual framework presents a coherent model that connects intrapreneurship to innovation capability through specific mediating processes and contextual moderators. It brings clarity to how leadership influence moves through an organization and explains why some public organizations develop strong innovation capabilities while others struggle. It also offers a foundation for future empirical research by identifying clear pathways and conditions that can be tested across organizational and national settings. Figure 1 illustrates the conceptual framework linking intrapreneurship to innovation capability through mediating mechanisms and contextual moderators.

Discussion

This article advances the literature by theorizing intrapreneurship as an internal capability-building mechanism that links leadership behavior to innovation capability and public value outcomes in public organizations. The main objective of this theoretical study is to clarify how intrapreneurship contributes to innovation capability in public organizations and to explain the mechanisms through which this relationship unfolds. The conceptual framework developed in this study highlights leadership as a foundational driver of organizational capacity for innovation. This section discusses the significance of these linkages, situates them within the broader literature, and explains how the model advances

theoretical understanding of innovation management and entrepreneurship in the public sector.

A fundamental insight of the framework is that innovation capability is not only a matter of resources or technology but is shaped by how leaders influence organizational mindsets, structures, and routines (Cortes, Herrmann, 2021). Public organizations often invest heavily in digital platforms, data systems, and innovation labs, yet many still struggle to generate meaningful improvements in service quality or administrative performance. The model developed in this study suggests that without intrapreneurship, these investments may produce fragmented results because the underlying organizational conditions remain unchanged. Leadership helps build the cultural and cognitive foundations that allow innovation tools to be used effectively. This insight aligns with recent research that stresses the importance of managerial behavior and organizational learning in shaping innovation outcomes in government (Kattel et al., 2022; Lakshman, Rai, 2021).

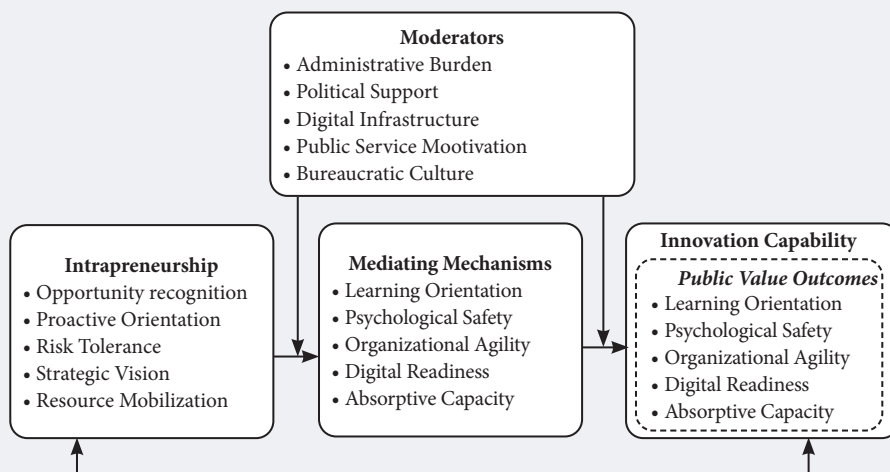
The theoretical integration also clarifies why traditional leadership styles may be insufficient for modern governance demands. Public organizations are expected to adapt quickly to technological change, shifting policy priorities, and rising citizen expectations. Leadership approaches that emphasize compliance, stability, and procedural control are well suited for predictable administrative environments but may limit innovation capability when conditions change rapidly (Ahmad et al., 2023). Intrapreneurship, by contrast, supports opportunity recognition, encourages experimentation, and creates the psychological and structural conditions needed for continuous adaptation (Leitch, Volery, 2017). This shift from control-oriented leadership to opportunity-oriented leadership reflects the growing complexity of public governance. It also provides a theoretical foundation for understanding why public organizations differ in their ability to innovate even when facing similar environmental pressures.

The mediating mechanisms identified in the framework contribute to a more granular understanding of how leadership influences innovation capability. Much of the existing literature treats leadership as a broad and somewhat abstract variable, often linking leadership styles to innovation outcomes without a clear explanation of the mechanisms involved (Alblooshi et al., 2021; Nguyen et al., 2023). By identifying learning orientation, psychological safety, organizational agility, digital readiness, and absorptive capacity as mediators, the model provides a more precise account of how leadership translates into organizational capability. This contributes to theory by specifying the internal processes that leadership must activate to produce sustained innovation. It also aligns with calls for more detailed explanations of innovation capability in the public sector, particularly those grounded in evidence from organizational learning and dynamic capability research (Arundel et al., 2019).

The model further extends public entrepreneurship literature by positioning intrapreneurship as a distinctive leadership orientation that can operate within formal government institutions. Traditional views often suggest that entrepreneurship is difficult or incompatible with bureaucratic environments (Holm et al., 2025). In contrast, this study argues that intrapreneurship can emerge within public organizations and that it plays a critical role in shaping innovation capability. The theoretical logic presented here challenges the assumption that entrepreneurship is inherently private sector in nature and instead shows how entrepreneurial behaviors can be embedded in public sector leadership (Demircioglu, Chowdhury, 2021). This contributes to a growing body of work that highlights the role of entrepreneurial thinking in government, especially in contexts of digital transformation, crisis management, and complex policy environments.

Contextual moderators as well advance theoretical understanding by showing the conditions under which intrapreneurship is more or less effective. Public organizations oper-

Figure 1. Conceptual Framework linking intrapreneurship to innovation capability



Source: author.

ate within institutional systems that shape what leaders can realistically achieve. Administrative burden may slow innovation, political support may accelerate it, and bureaucratic culture may filter leadership influence in either direction (Fuchong, 2025). These moderators help explain why leadership effects vary across agencies, sectors, and countries. This insight is particularly relevant for comparative public administration, which seeks to understand how contextual differences shape innovation processes. By specifying these moderators, the model avoids overestimating the autonomy of leaders and instead acknowledges that leadership operates within institutional constraints and opportunities.

The inclusion of digital readiness and digital infrastructure as part of the theoretical logic is especially important in the current governance landscape (Moeini Gharagzloo et al., 2022). Innovation capability increasingly depends on the ability to integrate digital tools and analytical practices into decision making and service delivery. Entrepreneurial leaders who support digital learning, encourage experimentation with new technologies, and invest in technical skills help build the technological foundations for innovation. This extends the digital governance literature by linking leadership behavior to digital transformation maturity and showing how these technological conditions shape innovation capability. It also aligns with recent work that emphasizes the need for leaders who understand the strategic value of technology in public organizations (Ferreira, Santos, 2025).

The theoretical model also contributes to public value theory. Innovation capability is positioned as a pathway through which public organizations generate improvements in service quality, transparency, responsiveness, and trust. Intrapreneurship influences these outcomes indirectly by shaping organizational capability. This indirect pathway enriches public value theory by showing that leadership does not simply produce value through direct decisions but also through the creation of organizational conditions that sustain long term improvement. This aligns with research that views public value as an outcome of systemic processes rather than discrete innovations (Clark, 2021).

Moreover, the model highlights the importance of absorptive capacity and collaboration in shaping innovation capability. Public organizations rarely innovate in isolation. They draw knowledge from private firms, academic institutions, civil society, and international partners. Entrepreneurial leaders who foster relationships beyond organizational boundaries strengthen absorptive capacity and create access to knowledge networks that support innovation (Al-Shami et al., 2023). This insight adds to collaborative governance literature by highlighting leadership's role in connecting organizations to external knowledge flows. It also reflects the growing importance of interorganizational collaboration in solving complex public problems.

Illustrative Cases from Contemporary Public Sector Innovation

Recent public sector innovation initiatives offer practical examples of how leadership contributes to the development of innovation capability within institutional constraints. One well-documented example is Denmark's MindLab, an inter-

ministerial innovation lab that supported cross-sector collaboration and user-centered experimentation. Its success has been attributed not only to methodological tools such as design thinking, but also to leadership support that enabled middle managers to act as innovation champions and normalize experimentation within bureaucratic settings (Deliannis, Peristeras, 2025). This case illustrates how intrapreneurship can strengthen learning orientation and psychological safety, both central elements of innovation capability.

Another example is the UK Government Digital Service, which transformed digital service delivery by embedding user-centered design and iterative development into core administrative processes. Leadership played a critical role in aligning digital experimentation with public value objectives while maintaining accountability and legal compliance. The initiative demonstrates how strategic vision and resource mobilization can support technological capability and organizational agility at scale (Fleming et al., 2025).

France's La 27e Région provides further insight into how leadership shapes innovation capability through cultural change. By promoting co-creation workshops and reframing failure as learning, this initiative sought to shift administrative mindsets rather than merely introduce new tools. However, its mixed success in institutionalization highlights the importance of leadership continuity and organizational routines for sustaining innovation beyond pilot phases (Ahmad et al., 2023; Brilhante, Romero, 2025).

Finally, Singapore's Smart Nation initiative illustrates how strong political and administrative leadership can support the scaling of innovation. Through coordinated digital infrastructure investment and feedback-based evaluation systems, leadership enabled pilot innovations to transition into system-wide capabilities. This case aligns with recent arguments that transformative capacity in public organizations depends on the interaction between leadership roles, organizational abilities, and strategic resource alignment (Aigner et al., 2022).

All of these cases reinforce the article's central argument that intrapreneurship is a key driver of innovation capability. They demonstrate how leadership behaviors shape learning, experimentation, and scaling processes, providing empirical grounding for the proposed theoretical framework without shifting the article away from its conceptual focus. Rather than serving as exhaustive case analyses, these examples illustrate recurring patterns through which leadership behavior shapes organizational learning, experimentation, and the institutionalization of innovation capability.

Overall, the study emphasizes that intrapreneurship represents a critical yet underdeveloped theoretical factor in the study of public sector innovation. By linking leadership to innovation capability through clear mechanisms and contextual conditions, the study provides a framework that addresses key gaps in the literature. It advances theoretical clarity and offers a basis for future empirical work that can test these relationships across different governance contexts.

Practical and Policy Implications

The theoretical model developed in this study has several implications for how governments can strengthen innova-

tion capability through leadership practices and institutional support. While the model is conceptual, it offers clear guidance for public sector reform, leadership development, and digital transformation strategies. These implications are relevant for senior public managers, civil service training institutions, policymakers responsible for public sector modernization, and organizations seeking to support innovative practices within government.

A first implication concerns leadership development. Many public administration systems focus on technical skills, legal procedures, and compliance-oriented training for public managers. Although these skills remain important, the findings suggest that governments should also cultivate leadership capacities associated with entrepreneurial behavior. Training programs should help managers learn how to recognize opportunities, encourage experimentation, and support teams through uncertain or complex tasks. This requires leadership curricula that move beyond classic administrative skills and incorporate modules on strategic thinking, creative problem solving, digital awareness, and cross-sector collaboration. By integrating these components, civil service academies can help build a new generation of leaders who are equipped to foster innovation capability in their organizations.

A second implication relates to organizational culture. Innovation capability cannot develop in environments where employees fear blame, where new ideas are discouraged, or where experimentation is seen as risky. Senior officials need to promote cultures that support learning, collaboration, and constructive dialogue. This involves explicit actions such as rewarding creative contributions, recognizing teams that pilot new approaches, and encouraging departments to share lessons from both successful and unsuccessful initiatives. Leadership communication must reinforce that innovation is a collective responsibility and that learning from experience is valued. These cultural signals can reduce risk aversion and strengthen the psychological safety required for innovation processes to flourish.

A third implication concerns internal systems and processes. Even the most capable leaders face constraints when internal procedures are rigid or overly complex. The model highlights administrative burden as a moderator that can weaken the relationship between intrapreneurship and innovation capability. Governments can address this barrier by simplifying approval processes, reducing excessive documentation, and allowing more flexible approaches to procurement and budgeting. When internal systems are streamlined, leaders have greater ability to reallocate resources, support pilot projects, and mobilize teams around new initiatives. Administrative reforms should therefore be viewed as part of a broader strategy to strengthen innovation capability rather than isolated efficiency measures.

Digital transformation presents another practical implication. Public organizations increasingly rely on digital tools to support decision making, service delivery, and data analysis. The framework suggests that digital readiness acts as a mediator that links leadership behaviors to innovation capability. This means that governments should prioritize investments in digital skills, data literacy, and technological infrastruc-

ture. Training programs that help employees interpret data, use digital tools, and understand emerging technologies can expand an organization's capacity to innovate. At the same time, governments should ensure that digital infrastructure is reliable, accessible, and aligned with organizational goals. When leaders have access to strong digital foundations, they are better positioned to guide innovation efforts.

The framework also highlights the importance of external collaboration. Innovation capability is strengthened when public organizations can draw knowledge and resources from partners in the private sector, universities, civil society, and international organizations. Policymakers can support this by encouraging cross-sector partnerships, creating platforms for knowledge sharing, and promoting open innovation practices. For example, governments can establish innovation labs that bring together multidisciplinary teams or sponsor collaborative challenges that invite external actors to contribute solutions. These partnerships enhance absorptive capacity and expand the range of ideas that public organizations can apply to policy and service challenges.

Political leaders and policymakers play an important role in shaping the environment within which intrapreneurship can operate. Political support influences whether leaders feel empowered to experiment, allocate resources to innovative projects, and challenge established routines. Policymakers should provide clear mandates for innovation, communicate expectations that public organizations should pursue adaptive solutions, and allocate sufficient resources to support these efforts. Stable support from elected officials can help reduce uncertainty and signal that innovation is a valued component of public governance.

Finally, the model identifies public value outcomes as the broader purpose of strengthening innovation capability. Policymakers should therefore align innovation strategies with goals that directly benefit society, such as improving service quality, enhancing transparency, promoting equity, or strengthening resilience. Innovation should not be pursued as an isolated activity but as part of a coherent effort to generate measurable improvements in public value. Governments can achieve this by integrating innovation metrics into performance systems, conducting regular evaluations of innovative initiatives, and ensuring that innovation strategies are linked to national or sectoral development goals.

Directions for Future Research

The theoretical model presented in this study provides several pathways for empirical examination. Although the framework offers a structured explanation of how intrapreneurship influences innovation capability, its propositions require systematic testing across different administrative contexts. Future research can extend this model by exploring variations in leadership behaviors, organizational environments, and the conditions that shape innovation processes in government.

A first direction concerns the empirical testing of mediating mechanisms. The model identifies learning orientation, psychological safety, organizational agility, digital readiness, and absorptive capacity as central pathways through which

intrapreneurship shapes innovation capability. Future studies should use quantitative designs to examine which mediators exert the strongest influence and whether these mechanisms differ across agencies, service domains, or levels of government. Structural equation modeling, multilevel analysis, and longitudinal designs can provide deeper insights into how these internal processes evolve over time and how they interact to support or hinder innovation.

A second direction involves comparative research across countries and administrative traditions. Political systems, legal frameworks, and administrative cultures differ widely, which may affect how intrapreneurship is expressed and how effective it can be. Comparative case studies or cross-country surveys could explore whether the proposed relationships hold in contexts with varying levels of bureaucratic rigidity, digital maturity, or political stability. Such studies would help determine the conditions under which intrapreneurship is most influential and whether certain moderators exert stronger effects in particular national settings.

A third direction relates to digital transformation. The rapid expansion of artificial intelligence, data analytics, and digital platforms has reshaped the possibilities for innovation in government. Future research could examine how entrepreneurial leaders navigate these technologies and whether the relationship between leadership and innovation capability is stronger in digitally advanced organizations. Researchers might also investigate how digital skills, data governance systems, and interoperability influence the mediating and moderating variables within the model.

Another promising direction involves exploring the behavioral foundations of intrapreneurship in the public sector. Experimental or quasi-experimental designs could be used to examine how specific leadership behaviors influence employee motivation, risk tolerance, and collaboration. Observational studies or behavioral audits could help identify the practical actions leaders take when fostering innovation. These approaches would provide richer insight into the micro-level dynamics that shape innovation capability.

Researchers may also investigate the long-term outcomes associated with intrapreneurship. While the model links innovation capability to public value outcomes, future work could test these relationships using performance indicators such as service quality, response times, citizen trust, or policy effectiveness. This would help determine whether investments in leadership development and innovation capability generate measurable improvements in governance performance.

Finally, future research should consider potential challenges and tensions associated with intrapreneurship. Leadership that encourages experimentation may conflict with accountability expectations or raise concerns about risk in politically sensitive environments. Qualitative studies can examine these tensions and explore how leaders navigate competing pressures. Understanding these dynamics will help refine the theoretical model and ensure that leadership strategies

are realistic within public sector constraints. As a theoretical contribution, this article does not empirically test the proposed relationships, which future research should examine across different administrative and national contexts.

Conclusion

This study developed a theoretical model that explains how intrapreneurship shapes innovation capability in public organizations. The central argument is that leadership plays a decisive role in determining whether public organizations can generate, integrate, and apply new ideas in a sustained manner. Innovation capability depends not only on resources and technology but also on leadership behaviors that promote learning, reduce fear of failure, strengthen digital readiness, and mobilize organizational energy toward improvement. By identifying the pathways through which intrapreneurship influences these internal processes, the model clarifies why some public organizations develop strong innovation capability while others continue to struggle despite similar pressures and opportunities.

The conceptual framework makes several contributions to public management theory. It integrates entrepreneurial leadership literature with research on innovation capability, providing a structured explanation of how leadership shapes organizational adaptability. It also identifies mediating mechanisms that link leadership behaviors to innovation capability and highlights contextual moderators that influence this relationship. These contributions bring greater precision to discussions of leadership and innovation in government by specifying the organizational routines and environmental conditions that support or constrain innovation. The framework also connects innovation capability to public value outcomes, emphasizing that leadership driven innovation is ultimately directed toward improving the quality and legitimacy of public services.

The analysis highlights the importance of developing leadership approaches that align with the complex demands of modern governance. Public organizations face challenges that require proactive thinking, technological competence, and an ability to mobilize teams across boundaries. Intrapreneurship offers a promising orientation for meeting these challenges because it encourages opportunity recognition, experimentation, and strategic action within institutional constraints. Strengthening this form of leadership, along with supportive cultural and structural conditions, can help public organizations build the capabilities needed for long term innovation. The study also identifies opportunities for future empirical work. Researchers can explore the mediating mechanisms and moderating conditions in greater depth, test the propositions across different institutional contexts, and examine how digital transformation shapes the connections between leadership and innovation capability. These efforts will help refine the framework and produce evidence that can guide leadership development and public sector reform.

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