

Importance of Intrapreneurship

Amruta S. Hiwarkar

Research Scholar

Tilak Maharashtra Vidyapeeth, Pune

Abstract

Intrapreneurship, a term used to describe entrepreneurship within existing organizations, has been acknowledged in international literature and practice as a vital element of economic and organizational growth, success and competitiveness and can be considered as a unique competitive advantage. This paper provides a review of international scientific studies over last two decades on the concepts of intrapreneurship and its importance. An intrapreneur is an entrepreneur within the confines of an established organization. Therefore it is difficult to discuss intrapreneurship without basing it on the term entrepreneurship; hence this paper also discusses the similarities and differences between entrepreneurship and Intrapreneurship.

Keywords: - Intrapreneurship, Difference between Intrapreneurship and Entrepreneurship, Organizational Environment for Intrapreneurship.

Introduction

In today's context where the source of power is knowledge, harnessing the full potential of the workforce is absolutely vital for a company's success. Profits increase through new and sustainable value creation logic (Piramal, Bartlett and Ghosal, 2002). This is especially important in the knowledge-driven economy in which we find ourselves today where employee involvement and encouragement of innovation are essential and vital. Sustained efforts at encouraging innovation and its torch-bearers, i.e., the intrapreneurs, play a key role in keeping employees motivated and open new avenues for them to bring their vision and creativity into reality for the benefit of the organization. This results in an energized and enthusiastic work environment which helps the company move towards becoming world-class (D V R Seshadri and Arabinda Tripathy, 2006).

Objectives-

This paper tries to present relevant insights on Intrapreneurship. After review of theoretical & empirical studies following objectives were drawn for the study-

- To explore the concept of Intrapreneurship & its importance.
- To understand the Organisational Environment for Intrapreneurship Growth
- To understand differences and similarities between entrepreneurship and intrapreneurship

Concept of Intrapreneurship

Intrapreneurship, as a concept, was introduced by Pinchot (1985). Pinchot described it as the idea of stimulating entrepreneurial activities within existing organizations. The meaning of word 'intrapreneurship' itself combines the prefix intra meaning inside or within and entrepreneurship. Therefore, describing intrapreneurship as entrepreneurship inside/within an existing organization has been accepted as a general definition (Menzel, 2007). The idea behind intrapreneurship is to include the entrepreneurial behaviours and characteristics inside the company, often in the company employees and encourage them to act as entrepreneurs within the company.

In broad terms, intrapreneurship is entrepreneurship within an existing organization. As per Stevenson & Jarillo (1990), intrapreneurship can be seen as a process by which individuals inside organizations pursue opportunities without regard to the resources they currently control. Vesper (1990) sees intrapreneurship as doing new things and departing from the customary to pursue opportunities. Antoncic & Hisrich (2003) finds it as, emergent behavioural intentions or behaviours deviating from the customary way of doing business or a spirit of entrepreneurship within the existing organization.

Intrapreneurship is to existing businesses what entrepreneurship is to the larger market. Just as an entrepreneur creates an enterprise in the marketplace, an Intrapreneur creates enterprises within an organization by driving innovation.

In the words of Dan Hawthway, “Intrapreneurship is about creating enterprises and change from within the organization.”

Bieto (2008) defined Intrapreneurship as, “Intrapreneurship is the set of strategies and practices which a company undertakes to promote, cultivate, and manage the entrepreneurial competencies in the organization to create the context conditions that make feasible the development of new ideas and business projects or the renewal of key ideas upon which the company had been founded.”

Antonic and Hisrich, 2003, defined Intrapreneurship by its content which includes dimensions based on the Schumpeterian innovation concept, a building block of entrepreneurship. The pursuit of creative or new solutions to challenges confronting the firm, including the development or enhancement of old and new products and services, markets, administrative techniques and technologies for performing organizational functions, as well as changes in strategy, organizing, and dealing with competitors, may be seen as innovations in the broadest sense.

Jordon (2008) identified seven parameters of Intrapreneurship-Innovation: new ideas, creativity, and experimentation.

Pro-activeness: acting in expectation of future problems, changes or needs.

New business venturing: new business or business units within the organization.

Risk taking: venturing into uncertainty and committing assets.

Organisational self-renewal: a reformulation of strategic plans, organizational change.

Autonomy: self-direction and independent action.

Competitive aggressiveness: a strongly challenging competition to achieve entry or improve position and the value of the organization.

Quesada, Onaindia, and Laburu (2011) in their literature review reviewed Block and MacMillan (1993) who suggested six different characteristics to identify Intrapreneurship as follows-

- Intrapreneurship is a new activity for the organization
- It is promoted and developed in the organization.
- It is more hazardous than the regular activity of the organization
- It implies more uncertainty than the regular activity of the organization
- It will be operated as a separate business in the future.
- Intrapreneurship aims is to increase sales, benefits, productivity or quality

Understanding what Intrapreneurship is can be a starting point for igniting growth and innovation in organizations. By harnessing the Intrapreneurial approach we can empower workers of any generation to progress in their careers while improving their organizations. Increasing awareness of the concept of Intrapreneurship in employees is the first step to empower a new cadre of innovators within organizations. Nurturing Intrapreneurship may be the key to powering the global economy forward

Definitions of Intrapreneurship-

Sharma & Christman (1999) defined Intrapreneurship as “employee initiative from below in the organization to undertake something new; an innovation which is created by subordinates without being asked, expected, or perhaps even given permission by higher management to do so”.

Zahra (1995) defined intrapreneurship as “the process of creating new business within established firms to improve organizational profitability and enhance a company’s competitive position or the strategic renewal of existing business. Corporate entrepreneurship entails creating new business by redefining the firm’s products (or services) or by developing markets”

Importance of Intrapreneurship

Intrapreneurship is considered an important element in organizational and economic development, as it provides a potential means for revitalizing established companies (Antoncic & Hisrich, 2001). In fact, there is a growing consensus that established companies need to nurture entrepreneurship throughout their operations in order to compete successfully in changing environments. Many authors have considered corporate entrepreneurship as a method to offer an organization a strategic option to refine its business concept, to meet changing customer needs and expectations, and to enhance its competitive position.

Intrapreneurial behaviour is found to be a significant factor in organizational effectiveness especially when higher levels of economic uncertainty require more innovative, flexible and entrepreneurial management practices (Davis, 1999).

Intrapreneurship is important for the economic development of an organisation as:

- Intrapreneurship helps organizations generate new business growth.
- Intrapreneurship provides an environment to support and sustain innovation over time.
- Intrapreneurship is one of the best ways to attract and retain entrepreneurial leaders.
- Intrapreneurship enables organizations to effectively accelerate and manage change.
- Intrapreneurship helps employees stretch and grow while keeping them engaged.

Intrapreneurship provides a platform to engage employees in work that is challenging and meaningful. Intrapreneurs are highly engaged in their work. Their passion and determination inspire others to get involved and try new things. As they grow, the organization grows.

Intrapreneurship has become a critical imperative for all organizations and a survival strategy for others. Organizations that have embraced Intrapreneurship have achieved higher financial returns, increased productivity, more innovation and higher levels of employee engagement.

Intrapreneur

The term intrapreneur was first used by Gifford Pinchot in the late 1980's and refers to individuals who take hands-on responsibility for shaping innovation inside the organization. According to Carland & Carland (2007) intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment.

The American Heritage Dictionary defines Intrapreneur as: "A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation".

In the current context, innovation need not be only in product, but it can be also in operations, executions and business models. These innovations add lots of value to the typical service industry.

Menzel, Aaltio & Uljin (2007) claims that intrapreneur can be determined as entrepreneurs within established firms, and they almost resemble independent entrepreneurs. According to Sayeed & Gazdar (2003) an intrapreneur changes his/her own environment and Shetty (2004) believes that intrapreneurs turn ideas into realities within an organization. The intrapreneur challenges the status quo and struggle to improve the system from within. Intrapreneurs come up with new estimations, take full advantage of opportunities and turn them to beneficial new realities, support change and develop creative reactions in the organization.

Intrapreneurship vs Entrepreneurship

An entrepreneur is someone who, through his or her skills and passion, creates a business and is willing to take full accountability for its success or failure. An intrapreneur, on the other hand, is someone who utilizes

his or her skill, passion and innovation to manage or create something useful for someone else's business with entrepreneurial zest.

Though both are visionary, it is the entrepreneur who spots an opportunity in the marketplace and has the courage and zeal to turn this opportunity into a business. In contrast, however, the Intrapreneur uses his or her passion, drive and skills to manage the business or create something new and useful for the business.

The main disparity between an entrepreneur and an intrapreneur is that an entrepreneur has the freedom to act on his or her whim; whereas, an intrapreneur may need to ask for management's approval to make certain changes in the company's processes, product design or just about any innovation he or she needs to implement. Since an intrapreneur acts on innovative impulses, this may result in conflict within the organization. It is important for organizations who are implementing intrapreneurship, to create an atmosphere of mutual respect among employees.

When it comes to resources, the intrapreneur holds an advantage over the entrepreneur since the company's resources are readily available to him or her. Conversely, an entrepreneur has the difficult task of sourcing for funding and resources on his or her own.

Morris & Kuratko (2002) are of the opinion that the literature is sometimes confusing in underlining what exactly makes an entrepreneur different from an intrapreneur and what they have in common. This is why they point out a series of similarities and differences:

Similarities-

- Both involve opportunity recognition and definition.
- Both require a unique business concept that takes the form of a product, process, or service.
- Both are driven by an individual champion who works with a team
- Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.
- Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time.
- Both entail a window of opportunity within which the concept can be successfully capitalized
- Both are predicated on value creation and accountability to a customer.
- Both entail risk and require risk management strategies.
- Both require the entrepreneur to develop creative strategies for leveraging resources.
- Both involve significant ambiguity.
- Both require harvesting strategies.

Differences-

- In start-up entrepreneurship, the entrepreneur takes the risk; in intrapreneurship the company takes the risk other than career-related risk.
- In start-up the individual entrepreneur owns the concept and business. In intrapreneurship the company typically owns the concept and intellectual rights, individual entrepreneur having little or no equity in the venture at all.
- In a start-up potential rewards for the individual entrepreneur are theoretically unlimited where in intrapreneurship an organizational structure is in place to limit rewards/compensation to the entrepreneur/employee.
- In a start-up venture, one strategic gaffe could mean instant failure; in intrapreneurship the organization has more flexibility for management errors.
- In a start-up the entrepreneur is subject or more susceptible to outside influences; in intrapreneurship the organization is more insulated from outside forces or influence

Intrapreneurship may be said to be more important than entrepreneurship. Because while entrepreneurship creates organizations, it is intrapreneurship that drives them to glory.

Organizational Environment for Intrapreneurship-

Pinchot (1985) derived ten important freedom factors for an ideal intrapreneurial environment. Pinchot's freedom factors and Quinn and Mueller's (1963) policy for a motivational environment have been consolidated and simplified into the following eight elements that can be seen as organizational design concepts:

- Self-selection: intrapreneurs should be encouraged to appoint themselves to their role and receive the corporation's blessing for their self-appointed task.
- Self-determination: intrapreneurs should be allowed to carry out their mission and not be encumbered by remote decision-makers who may not understand the technical intricacies and market potential.
- Long-term discretionary resources: intrapreneurs should be given some discretionary resources over a sufficiently long duration free of attendant administrative over-analysis and over-control.
- Tolerance of risk, failure, and mistakes: mistakes, blunders, and false starts should be considered to be opportunities for learning.
- Freedom from cross-functional barriers: intrapreneurs should be provided opportunities to recruit from within the organization small, dedicated cross-functional teams with full responsibility and full access to company-wide interaction.
- Rewards: reward intrapreneurs with new career paths that fit their needs, and reward those responsible for sponsoring and implementing technological change.
- Education: educate managers that, during downsizing, the greatest opportunity lies in being intrapreneurs.
- Hands-on not hand-offs: the innovation process should involve cross-functional teams, but not handing-off to another team without seeing commitment displayed beforehand.

Despite the clear benefits from intrapreneurship, research shows that intrapreneurship, especially in the early stages of business development can be frustrating and difficult to pursue. The top barriers to intrapreneurship do not refer to financial or time resources restrictions but to a lack of support and systematic encouragement for intrapreneurship to happen. Fostering an intrapreneurial environment means taking risks, not all risks will pay off, but many will.

Intrapreneurship- win win situation

Intrapreneurial behaviours among employees have always been associated with positive results, be it at individual level or organizational level. Holt, Rutherford & Clohessy (2007), found that for the individual, the outcome is often related to higher job satisfaction and greater commitment at workplace whereas according to Zahra & Garvis(2000) at the organizational level, the positive results typically come in the form of objective profitability and better firm performance.

Intrapreneurship has been around since 3M developed Post-It notes back in 1977 and is even more popular today as companies leverage their employees to innovate and stay competitive in the marketplace. Some examples include DreamWorks, where employees take free classes to learn how to pitch their ideas and are then able to pitch them directly to executives, and Facebook's "hackathons," where engineers collaborate on software projects that have turned into real features for the site including the infamous "like" button.

In his latest book, Planet Entrepreneur, Steve Strauss argues that companies will grow even faster by encouraging a climate of 'intrapreneurship'. Indeed, as Strauss points out in a chapter called 'Joining the Entrepreneurship Revolution', the growth of many corporate giants has been achieved by the entrepreneurs within. Think Apple -0.41%, Google -2.3%, Intel +0.55%, Lockheed-Martin, Toyota and many more. It was at 3M +0.01% that an employee's accidental discovery when playing with adhesives led to the Post-it notes, or of the Virgin Group, whose boss Sir Richard Branson thinks CEO should stand for Chief Enabling

Officer, and who gave the chance to an employee to come up with the design of first class beds for the companies airline. Even the best organizations face the challenge of hanging on to their best talent. But Strauss believes that those that foster intrapreneurship culture have a distinct advantage. By encouraging staff to be innovative within the workplace, by giving them the tools, resources, and recognition that makes playing in this arena worthwhile, organizations will reap numerous benefits, in particular a highly engaged workforce, and better products and services to sell.

In one research article Sunaina Sehgal, (2011) wrote how Pune-based Kirloskar Brothers Ltd. (KBL), a leading exporter and manufacturer of pumps, has encouraged intrapreneurship since 1940s. As per the article professionals from within the company were given independent jurisdictions as head of entities like Kirloskar Ebara Pumps and Kirloskar Pneumatic. Purandare, who is a winner of Maha-Intrapreneur Award 2010, joined KBL's IT department as vice president but really worked like a CIO to turn things around. When he joined the department was in the midst of attrition and employee dissatisfaction. Purandare observed employees wouldn't last beyond three months in the department. But attrition was brought to zero by mentoring and involved career planning. A robust internal process was set up, and three years later, the attrition dropped to zero. Today the department has become self sufficient in managing their own IT infrastructure, including maintaining a dedicated SAP landscape and implementing SAP with in-house resources for other units within the company. KBL's top management noticed the difference Purandare had made and gave him the responsibility of setting up a new global marketing and strategy department from scratch, to focus on customer intimacy. Purandare equipped the department with the right resources and processes, and today it's a fully-functional unit with 38 people.

According to Carl E. Reid, companies profit more when staff feels empowered to succeed. This works best with Intrapreneurs thinking like an entrepreneur seeking out opportunities for the company. He also suggests to nurture (train) and challenge intrapreneurs to prepare them for those unforeseen obstacles that will cross their paths. This allows intrapreneurs to create win-win-win situations. The company wins as overall economic and performance development and the Intrapreneur wins as standing out with recognition.

Creative expression and growth are the most commonly cited reasons for employees setting up on their own. Consequently if employees have the freedom, fuel and facilitation to develop their ideas, the organisation will gain a competitive, intrapreneurial edge whilst retaining valuable, skilled staff.

Steve Jobs, the ultimate intrapreneur and entrepreneur created a solid string of innovative products including, but not limited to: Apple Computer, Mac, iPod, iTunes, iPad, iPhone, iCloud, Pixar and much more!

Conclusion-

Organisations performance as a result of intrapreneurship results from development of new products and services, improvement of old ones; new and improved processes and systems which improve efficiencies. Therefore, organisations with high Intrapreneurship intensity experience better performance in form of growth and profitability.

This paper also discusses about intrapreneurship and entrepreneurship, similarities & differences. Review of literature shows that, the complexity of economics, culture, society, competition, finance, technology and the nature has moved rapidly with the times, and only entrepreneurship is not favourable for business development. Intrapreneurship, acting as the strategic alternative for organizational revolution and improvement for innovative development or diversification, has played important role as another option for business survival.

In particular, literature review shows that intrapreneurship is a critical factor for organisations survival not only in transition economies which are trying to adapt to more developed economies' standards but in developed economies as well.

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