Intrapreneurship as a Unique Competitive Advantage

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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. The purpose of the paper is, first, to provide a comprehensive analysis of the concept of intrapreneurship, and, second, to highlight the need for a different approach in the research on the field of intrapreneurship. Concluding, the paper suggests directions for future research.

Keywords—Intrapreneurship, entrepreneurship, unique competitive advantage, competitiveness

I. INTRODUCTION

Over the last decades, there has been an increased interest in the field of entrepreneurial attitude. The Austrian economist Joseph Schumpeter [1] treated entrepreneurship as a distinct and separate business operation and identified five ways to change the pattern of production: a) to introduce goods or new services, b) to introduce new methods on production, c) to handle new market, d) to source out for new raw materials, and e) to manage a new organisation for any industry. Based on the above theory and taking into account the different theories regarding entrepreneurship, most economic, psychological and sociological research concludes to the fact that entrepreneurship is a process rather than a static phenomenon or a mechanical economic factor [2]. Due to the realisation that entrepreneurs, as individuals, and entrepreneurship, as an integrated process, can contribute to society in various ways - innovation process [1], economic growth [3], national identity [4], and business creation [5] – strong research interest has been given in order to understand the mechanisms under which entrepreneurship acts and operates.

Overall, research has shown that as the corporate sector expands and becomes increasingly more complex and more competitive, a new stream of entrepreneurship, intrapreneurship, comes to the fore as a means to obtain and attain a unique competitive advantage [6]. Consequently, more and more organizations are turning to intrapreneurship hoping to benefit in areas of profitability, strategic renewal, fostering innovativeness, gaining knowledge for future revenue streams, and international success [6]. As Mitchell points out “intrapreneurship demands a unique blend of managerial and entrepreneurial skills to achieve...organisational innovation, growth and competitive advantage” [7, p.1].

The paper is organized as follows: in the first part summarizes a comprehensive review of literature on intrapreneurship, its definition, dimensions/characteristics, antecedents and strategies. In the second part the paper presents different research approaches on intrapreneurship that emphasize the influence of different cultures and firms’ sizes to intrapreneurship and stress the need for new comparative researches on a different basis in order for the organizations to explore the uniqueness of intrapreneurship and achieve competitive advantage.

II. THE INTRAPRENEURSHIP CONCEPT

To begin with, in spite of the growing interest on entrepreneurship, the understanding of the field is limited and entrepreneurship is fairly characterized as one of the most intriguing and elusive concepts of economic analysis [8]. One of the main reasons for this luck of understanding is that the boundaries of the field of entrepreneurship are not determined, as the concept of entrepreneurship includes fields of economics, sociology, anthropology, psychology, political science and arts [9]. Consequently, the multidimensionality of the field of entrepreneurship encouraged the development of several forms of entrepreneurship beyond the traditional, neoclassical or Schumpeterian notion of business/economic entrepreneurship [10]. In this respect, the new streams in entrepreneurial concept include forms such as social entrepreneurship, intrapreneurship, sustainable entrepreneurship, environmental/ecological entrepreneurship, institutional entrepreneurship, public entrepreneurship, philanthropic entrepreneurship and distributed entrepreneurship [10].

Among the new streams, international literature puts special emphasis on intrapreneurship, a term used to describe entrepreneurship within existing organizations, recognizing it as a fundamental element of the performance of large companies, small and medium sized enterprises, and firms in general irrespective of their size [11]. On the whole, the increased interest in intrapreneurship over the recent years is derived from the large firms’ will to compete seeking their competitive advantage in flexibility, growth and innovation associated with entrepreneurship [12].

A. Definition

From a historic perspective, the ideas that supported the existence of entrepreneurship within existing organizations can be traced back to the mid-1970s [11, 13]. In 1976 Macrae wrote an article in The Economist and predicted a number of new trends and changes in business [14]. More precisely, he
argued that “the methods of operation in business are going to change radically in the next few decades, in a direction opposite to that which most businessmen and nearly all politicians expect” [14, p.42]. Around the same time the term “intrapreneurship” was first introduced in the academic community by Gifford and Elizabeth Pinchot, in an article in 1978 [15] and since then the concept of intrapreneurship was popularized and became a separate research topic.

Although evolving over the last 25 years, the concept of intrapreneurship is considered to be new as there is still no consensus, not only, on the content of the concept, but also, on the use of a common term to describe it. Studying the international literature we observe that the terms used to depict the phenomenon of intrapreneurship vary from corporate entrepreneurship, to corporate venturing, internal corporate entrepreneurship and finally intrapreneurship [16]. The fact that the researchers who dealt with intrapreneurship used different terms to describe it reinforced the lack of consensus regarding the definition of the concept. Every writer, scholar or researcher provided a different definition of the concept and we may conclude that there are so many attempts to define intrapreneurship, as there are researchers who have addressed this issue.

More specifically, Pinchot described intrapreneur as “the 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” [17, p.149]. The main difference between entrepreneur and intrapreneur is that entrepreneurs innovate for themselves, as they mostly own much of the business they start up, while intrapreneurs innovate on behalf of an established organization in which they may have no equity within the company or only a small percentage [18]. Additionally, some of the most indicative definitions of intrapreneurship designate it as “doing new things and departing from what is customary to pursue opportunities” [19, p.324], or as “a process by which individuals, either on their own or inside organizations, pursue opportunities without regard to the resources they currently control” [12, p.23]. Antonic and Hisrich provided a more comprehensive view on the concept, and emphasized that intrapreneurship is “a process that goes on inside as existing firm, regardless of its size, and leads not only to new business ventures but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies, and competitive postures” [16, p.498]. From another point of view intrapreneurship is also perceived as a process of organizational renewal [20], where “renewal” is defined as “revitalizing a company’s business through innovation and changing competitive profile” [21, p.227]. According to Guth and Ginsberg [22] intrapreneurship can be expressed in two forms: new venture creation within existing organizations and the transformation of organizations through strategic renewal. In the same line of argument Zahra [23, p.261] 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”.

B. Dimensions and characteristics of intrapreneurship

Studying the given literature we observe that the basic idea that constitutes the concept of intrapreneurship is the new venture formation [15]. However, apart from new business-ventures creation, intrapreneurship also refers to other innovative activities such as development of new products, services, technologies, administrative techniques, strategies and competitive postures approach [24]. In more detail, literature recognizes three main entrepreneurial activities: new venture formation, product/service innovation and process innovation [24]. The first activity, new venturing, is the most salient dimension of intrapreneurship. It mainly comprises the creation of autonomous or semi-autonomous firms, internal venturing, corporate start-ups, autonomous business unit creation, venturing activities, new streams or corporate venturing. Product/service innovation and process innovation refer to new product development, product improvements, and new production methods and procedures, or the development of products, services, techniques and technologies in production.

Other classifications recognize four dimensions of intrapreneurship: new business creation, innovativeness, self-renewal and proactiveness [16]. The first two dimensions were described above. The third dimension, self-renewal, reflects “the transformation of organizations through the renewal of key ideas on which they are built...Includes the redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation” [16, p.498]. Finally, the proactiveness dimension refers to “the extent to which organizations attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques” [25, p.631]. Consequently, proactiveness emphasizes top management decisions in order to enhance competitiveness.

Different categorization also identified dimensions such as risk-taking [26, 27], competitive aggressiveness, and autonomy [27]. However, subsequent findings proved empirically that risk-taking and competitive aggressiveness should be acknowledged in the dimension of proactiveness [28], while autonomy should be included in the new business venturing dimension [16].

Although each classification provides different dimensions of intrapreneurship, however the dimensions may and should be combined in order for an organization to gain a competitive advantage.

C. Intrapreneurship and strategic management

Through literature, it becomes apparent that entrepreneurship and strategic management are inextricably linked and strategic management practices may facilitate entrepreneurial behavior [23, 29, 30, 31]. Strategic
management is considered as the process that connects an organization with its environment [32]. It consists of the analysis, decisions and actions an organization undertakes in order to create and sustain a competitive advantage [33].

On intrapreneurial level, strategic management is viewed as the means for organizations to achieve diversification through internal development [34] and contributes to firms’ survival and performance [35]. In order to attain these benefits a combination of the pre-mentioned dimensions and aspects of an organization is needed under a targeted intrapreneurial strategy. For an organization, strategy can be considered all activities undertaken aiming at change or transformation. These activities are unique, transparent and cannot be imitated. More specifically, intrapreneurial strategy is viewed as “a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity” [36, p. 21].

The literature on intrapreneurship has identified a set of antecedents or factors affecting intrapreneurship [16, 23]. According to Zahra [23] the main influencing factors of intrapreneurship include environmental factors such as hostility, dynamism and heterogeneity. Anstonic and Hisrich [16] supported that the factors influencing intrapreneurship can be both of the internal and external environment. Namely, the authors identified as internal influencing factors communication, use of formal controls, environmental scanning, organizational support, competition-related values and person-related values. As for the external influencing factors, the authors recognized dynamism, technological opportunities, industry growth, demand for new products, unfavorability of change and competitive rivalry. In order to adopt the appropriate intrapreneurial strategy an organization should take into consideration all those factors influencing intrapreneurship.

The intrapreneurial strategy followed by an organization can be internally or externally oriented [37]. Internal orientation includes activities that cover various and different levels of the organization, focusing on product, process, and administrative innovations [34, 38, 39]. Such activities may be the formation of small independent groups within existing organizations, in order to create internal test-markets and expand innovative services, technologies, or production methods [40, p.181]. On the other hand, external orientation may consist of mergers, joint ventures and acquisitions. Most importantly, Zahra [23] observed that although many organizations form special groups or teams to deal with the internal or external intrapreneurial activities, international literature emphasizes to the fact that intrapreneurial activities can be both formal and informal. Formal activities derive from formed units with that scope, while informal activities are the result of a more autonomous and creative individual behavior motivated by self-interest that may finally be an integral part of the organizational concept [34].

III. INTRAPRENEURSHIP AS A UNIQUE STRATEGIC MATTER

As it was foresaid, intrapreneurship has been acknowledged in academy and practice as a vital element of economic and organizational growth, success and competitiveness. At this point, it should be stressed that despite the significance of the concept of intrapreneurship in business and economy worldwide as a unique competitive advantage, most research had a primarily focus on large organizations especially in U.S.A. basis. Such approach led to a lack of researches on intrapreneurship as a unique strategic matter in smaller organizations and other countries as well.

In more detail, with respect to the size of the organization, researchers such as Schollhammer, Burgelman, Pincho, Kuratko, Rule and Irwin, considered intrapreneurship a phenomenon existing only in large companies and focused their research only on large corporations [16]. On the contrary, intrapreneurship is essential for smaller organizations [41] as entrepreneurial activities are vital for firms of all sizes in order to prosper and flourish in competitive environments [35]. Wortman [42, p.270] asserted that research on the field of intrapreneurship “needs to be carried out in both large and small businesses because new venture formation and new venture management may be quite different in these organizations”. Wortman especially pointed out that intrapreneurship in small organizations can have its own special characteristics. Covin and Slevin [29] also emphasized the importance of intrapreneurship in smaller organizations and introduced a conceptual model that would apply at various levels of smaller firms. It the same line of argument, Anstonic and Hisrich, as foresaid, pointed out that intrapreneurship is an organizational process regardless of the size of an organization [16]. Carrier [43] supported that in smaller firms exist specific motivating and influential factors such as the simplicity of the organizational structure or the lack of multiple managerial hierarchy that lead to the development of intrapreneurship, making the small size of the firm a competitive key advantage.

With respect to the significance of the concept of intrapreneurship worldwide, Anstonic and Hisrich argued that “intrapreneurship theory and measures have an American basis” [16, p.495]. The authors discussed that although the phenomenon of intrapreneurship is considered to be universal, however a generalization of the theory and the instruments used to measure may not be wise due to the extremely limited cross-cultural testing the generalized studies. In an attempt to fill the research gaps in current literature, the authors conducted a cross-cultural research using as sample two very distinct economies: the United States, a large and advanced economy leader in entrepreneurship research and practice, and Slovenia, a small country in Central and Eastern Europe with an economy in transition and with short entrepreneurship tradition. The firms participating in the research were large, medium-sized, and smaller firms from a variety of different industries (manufacturing consumer and industrial goods, consumer and business services, trade, and construction). The model used was a four-dimensional model that recognized four characteristics/dimensions/constructs of intrapreneurship - new business venturing, innovativeness, self-renewal and
proactiveness - and hypothesized positive relationships between intrapreneurship and organizational and environmental characteristics (predictors), and between intrapreneurship and growth and profitability (consequences). The hypotheses concerning the positive relationship between intrapreneurship and organizational characteristics, and intrapreneurship and environmental characteristics were supported for both samples. However, the hypothesis that there is a positive correlation between intrapreneurship and performance, in terms of growth and profitability, was only confirmed for Slovenia and partially for the United States. Overall, the results of the study indicated both similarities and important differences between the Slovenian and the American economy in terms of intrapreneurship, and pointed out that “intrapreneurship can be particularly critical for profitability and survival in transition economies moving towards the more developed economies’ standards of doing business where growth is yet the primary goal” [16, p.523].

In the same line of argument and using the same research method Fitzsimmons, Douglas, Antoncic and Hisrich [44] conducted a research in Australian firms. The firms participating in the research were medium-sized enterprises (of more than 100 employees) and of a large variety of sectors. The aim of the research was the investigation of the relationship between intrapreneurship and growth and profitability in economies beyond the American basis. The results indicated a significant positive correlation between profitability and organizational support and a negative correlation between profitability and self-renewal in Australian firms. Additionally, growth was found to be positively related to both new business venturing and environmental munificence.

In more recent studies Ağca, Topal and Kaya [45] focused their research on clarifying the role of intrapreneurship in a country such as Turkey whose industrialization is still in progress, considering that it would be very illuminating, both in academic and business world, to see the intrapreneurial activities of firms in an emerging market. In their study they investigated the four constructs of the previous researches - new business venturing, innovativeness, self-renewal and proactiveness – and additionally the risk-taking construct, and their relationship with profitability and growth. The firms participating in their study were medium-sized enterprises of more than 100 employees. The study results showed a significant and negative relationship between profitability and self-renewal, while positively and significantly related with innovation and risk taking. On the other hand, growth was found to have a significant and positive correlation only with new business venturing. The study revealed that in Turkish firms innovation was the only dimension significantly and positively related to customer and employee satisfaction, the main non-financial performance measures.

In spite of the considerable research efforts focusing on the study of intrapreneurship in smaller firms and in countries beyond the U.S.A base, the research on this area remains incomplete and insufficient. The three aforementioned studies are an example of considerable attempts made to fill the research gap in academic and business literature concerning the intrapreneurial activities and the uniqueness of intrapreneurship as a competitive advantage. The researches aimed to bring new perspectives to the business and academic world and provide guidance for future research emphasizing that the results of previous studies on intrapreneurial behavior on large U.S.A. companies cannot be generalized and adopted by all different cultures and sizes of enterprises as they can exist significant variations and deviations.

IV. CONCLUSION

To sum up, as literature reveals, although intrapreneurship exists in firms in general irrespective of their size, however, the majority of researches on intrapreneurial attitude had a primarily focus on large companies in American basis. This led many countries to follow and adopt uncritically the American models of intrapreneurial strategies and in addition, smaller companies to imitate intrapreneurial strategies of large organizations, without considering their diversities. However, such blind adaptation and imitation is in fact a sample of non-entrepreneurial behavior.

Nonetheless, in recent years, research efforts indicate that intrapreneurship can also be a part of smaller organizations in other countries or economies and as far as intrapreneurship is concerned, size doesn’t matter. In particular, intrapreneurship is believed to be a critical factor for firm survival not only in transition economies which are trying to adapt to more developed economies’ standards but in developed economies as well, who had previously adopted American intrapreneurial models uncritically.

Consequently, the need for further comparative research on intrapreneurship in economies beyond the American and in smaller organizations is particularly critical in order to explore the role of intrapreneurship and its impact on the firms’ performance, enhance their innovativeness and their competitiveness and open new horizons, especially in the current difficult global economic state.

REFERENCES


