A CRITICAL REVIEW OF INTRAPRENEURSHIP RESEARCH ON ORGANIZATIONS’ SIZE AND LOCATION

1GEORGIA C. KOSTA, 2CHRISTOS S. NICOLAIDIS

1, 2University of Macedonia, Economic and Social Sciences, Thessaloniki, Greece
E-mail: 1georgia.kosta@gmail.com, 2cnicol@uom.gr

Abstract- The primary objective of the present research is to provide a comprehensive analysis on intrapreneurship literature and to highlight the gaps in current research methodology which focuses primarily on intrapreneurship in large organizations in the U.S.A. In international literature, intrapreneurship has been acknowledged as a vital element of organizations’ performance in their search for success and uniqueness. Overall, even though intrapreneurship exists in firms in general irrespective of the size, research on intrapreneurial posture focuses mainly on large corporations in the U.S.A., leading to a lack of research available on smaller companies established in other countries. However, intrapreneurship is a vivid phenomenon which is affected by various organizational conditions and it seems that does not apply mindlessly to the intrapreneurial norms as proposed by research conducted on large corporations. Based on the above insights, the paper suggests directions for future research.

Index terms — Competitiveness, corporate entrepreneurship, intrapreneurship, SMEs.

I. INTRODUCTION

Over the last few decades the expansion of the corporate sector, and particularly due to the recent strenuous global financial situation which has intensified competition between organizations, a new stream of entrepreneurship, intrapreneurship, has come to the fore as a means of achieving a unique competitive advantage [1], [2]. Intrapreneurship refers to the phenomenon of entrepreneurship in already existing organizations [3] and embodies activities of new internal and external business venturing, transformation through innovation and strategic renewal [4], [5]. As a result, organizations which tend to seek solutions that will differentiate them from the competitors, turn to intrapreneurship in order to predate in terms of profitability, innovativeness, international success and knowledge accomplishments [1]. Literature reveals that intrapreneurship refers to all types and sizes of organizations, from very small to large multinational corporations, as well as from private profit businesses to non-profit or public organizations [6]. Managing intrapreneurial behavior within an organization differs radically from traditional management due to the dynamism, complexity and uncertainty that characterizes the intrapreneurial process. The breadth of the scope of intrapreneurship explains the heterogeneity of intrapreneurial behavior and activities [7], and it seems that traditional management methods have no place in the process of supporting and enhancing intrapreneurial behavior. As a result, literature highlights the need for further research regarding the forces that act upon and impact intrapreneurial posture [8].

The major motivation of the present review is to provide new insights and directions for such research, concerning the neglected aspects of intrapreneurship theory and practices through empirical research. The literature was identified using major electronic databases such as EBSCO, JSTOR, ProQuest and Google Scholar, and the key search terms used were corporate entrepreneurship, intrapreneurship, SMEs, innovation and competitiveness.

II. THE INTRAPRENEURSHIP CONCEPT

A. Definitional issues

Entrepreneurship represents a notion, or a phenomenon, with a history of over 200 years, having its earliest citation in the mid-1700s by Richard Cantillon. Despite the considerable attention drawn to entrepreneurship and all the scientific researches on the subject, the field still remains unclarified. Indeed, Bruyat and Julien [9, p.166] point out that “the problem of defining the word ‘entrepreneur’ and establishing the boundaries of the field of entrepreneurship has still not been solved”. One of the main reasons for this lack of understanding, seems to be the fact that to the realm of entrepreneurship apply to many science fields such as economics, sociology, anthropology, psychology, political science and arts [10]. In fact, according to Ucbasaran, Westhead and Wright [11, p.3] “entrepreneurship as a discipline is fragmented among specialists who make little use of each other’s work”.

Over the years, the growing interest in the entrepreneurship research field has led to the emergence of several research sub-areas. One of the sub-areas which has gained considerable interest is intrapreneurship. In parallel, later researches concluded that although the neoclassical Schumpeterian theory of entrepreneurship focused mainly on the entrepreneur’s activities, entrepreneurship seems to be more of an organizational activity [12], [13], [14], [15], [16]. As a result, intrapreneurship is considered to be the subsequent extension of entrepreneurship within already existing organizations.
“Intrapreneurship” as a term was first cited by Gifford and Elizabeth Pinchot in 1978 [17] and is not the only term used to depict this specific phenomenon. In literature, we observe that, there are two theoretic approaches: the first approach treats intrapreneurship as an expression of corporate entrepreneurship, along with internal corporate entrepreneurship, corporate venture or internal corporate venture [18]. In the same line, other similar classifications propose intrapreneuring, corporate venturing, organizational transformation and industry rule breaking, to be the expressions of corporate entrepreneurship [19]. On the other hand, the second theoretic approach, uses terms such as intrapreneurship, corporate entrepreneurship, corporate venturing and internal corporate entrepreneurship interchangeably to depict the exact same phenomenon [3]. Therefore, the different theoretic approaches and the use of multiple alternative terms impede a common understanding for this field of research.

Intrapreneurship, is the result of intrapreneurs’ activities and has been defined as “a process by which individuals, either on their own or inside organizations, pursue opportunities without regard to the resources they currently control” [13, p.23]. For Pinchot an intrapreneur is “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” [20, p.149], adding that “if you need to innovate, you need intrapreneurs” [21, p.63]. The main difference between an entrepreneur and an intrapreneur lies to their organizational and personal status, since an entrepreneur is generally the owner of the organization and acts for himself, whereas intrapreneur’s activities are representations of the organization he is part off [22]. In a more generalized definition, intrapreneurship is considered to be “the 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” [3, p.498]. In the same line, Zahra [18, p. 261] defines 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”. According to Vesper intrapreneurship is perceived as “doing new things and departing from what is customary to pursue opportunities” [23, p.324], while Ping et al. [24] point out that the purpose of intrapreneurship is to promote innovation, a practice that is expected to add business value.

B. Intrapreneurship dimensions

A very important issue in the understanding of the intrapreneurship research field is the clarification of the dimensions which determine intrapreneurship. Due to the fact that many authors have addressed this issue, a variety of intrapreneurship dimensions has been proposed. Nonetheless, it is important to emphasize that all the dimensions should be treated and managed as a set, or an integrated intrapreneurial system, for enhancing organization’s performance. All authors, scholars and researchers agree that the foundation of intrapreneurial posture is new venture creation [17], which represents the creation of new businesses, units or internal and/or external activities that would be incorporated to organizations’ entrepreneurial portfolio. The pivotal role of new venture formation lays to the fact that it is the obvious and tangible evidence of intrapreneurial behavior. In addition to new venturing, Knight [25] and Zahra [26] relate technological innovations with intrapreneurship, whereas Covin and Slevin [14, 15] link intrapreneurship to the frequency of product innovation and the tendency for technological leadership. Indeed, product/service innovation and process innovation is recognized to be an important element of intrapreneurial posture [27]. These innovations include both the development of new and/or the improvement of the already existing products, services, technologies and procedures [27]. However, views which limit intrapreneurship to the emergence of innovative activities or new business formation seem to be one-dimensional. Antoncic and Hisrich relate intrapreneurship with activities beyond the customary. More specifically, they propose two more distinct dimensions linked to intrapreneurship: self-renewal and proactiveness [3]. Self-renewal is considered to be “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” [3, p.498]. Given these points, the aim of self-renewal activities is to enhance competitiveness through adaptability and flexibility [28], requiring at the same time all the necessary strategic decisions in order to reorganize activities, business concepts and innovation systems [26]. Equally important is the fourth dimension of intrapreneurship, “proactiveness”, which refers to the foresight of organizations’ management by taking risks and initiatives, a practice that finally forms the leader of a market. Proactiveness is defined as “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” [29, p.631] and it is thought to be a crucial dimension for organizations’ performance. In addition to the above, authors proposed as well risk-
taking [30], [31], competitive aggressiveness [31] and autonomy [31] as intrapreneurship dimensions. However, subsequent research concluded that risk-taking and competitive aggressiveness can be acknowledged as characteristics of proactiveness [25], whereas autonomy can be treated as a characteristic of new business venturing [3].

III. THE IMPORTANCE OF INTRAPRENEURSHIP IN THE ORGANIZATIONAL CONTEXT

Considerable research within organizations reveals the significant role of intrapreneurship in preserving and promoting the competitiveness of organizations [32], [33], [34], [4], [35], [36], [37], [38]. The global market is characterized by extreme pressure and competitiveness and organizations try to cope with this complicated environment by turning to innovation in order to make the necessary changes and adaptations. Indeed, literature highlights the prominent role of innovativeness in intrapreneurial posture [26], [3]. According to Dougherty and Hardy [39], and Zhang and Bartol [40] organizational innovativeness is of particular importance for organizations which want to renew and attain a competitive advantage. At the same time, intrapreneurship comprises organizations’ unique competitive advantage to enhance their strategic position [2], and has been linked to strengthening organizations’ performance through growth and profitability [41]. In fact, intrapreneurship has been acknowledged to be an important characteristic of successful organizations [42], [43]. Exemplary organizations invest in intrapreneurial strategies that promote innovations and lead to product/service/process innovativeness [44]. According to Antoncic [43] organizations that promote intrapreneurial behavior tend to deliver higher in terms of growth and profitability than organizations with more conventional managerial orientation. With this in mind, we realize that the benefits from the implementation of intrapreneurial behavior are associated, not only with organizations’ performance, but also with strategic renewal and overall success. At the same time, Toftoy and Chatterjee [45] relate intrapreneurship to individual and group performance, emphasizing that intrapreneurial organizations provide a supporting and enhancing environment for intrapreneurs to act and flourish. In short, the benefits for an intrapreneurial organization are so many that there is no doubt for the pivotal role of intrapreneurship in organizations’ overall posture.

IV. ORGANIZATIONS’ SIZE AND LOCATION

Previous literature on intrapreneurship demonstrates that the scope of intrapreneurial activity is constantly expanding, since organizations which did not previously apply entrepreneurial practices, are now forced to adopt them in their endeavor to survive and become competitive in the rigorous environments and markets in which they operate. In addition, literature has highlighted the need for further research, firstly, on the particular and heterogeneous character of intrapreneurship, and, secondly, on the activities involved in the intrapreneurial process.

These notes raise some considerable issues. Firstly, the most important issue is whether the implementation to entrepreneurial organizations of managerial structures and processes which have been developed in more traditional organizations, is the appropriate practice. Likewise, another important issue that has been reported in literature, but without due attention, is whether the research results and the theoretic and practical models about structures and processes in intrapreneurial organizations of a specific category, can be generalized and adopted by all-types of organizations in their efforts to strengthen their strategic position. In this respect, the size of organizations and the relationship between size and intrapreneurial activity come to the fore as an important, but rather neglected topic in academic research concerning intrapreneurship theory. The majority of scholars failed to put the appropriate emphasis on this specific and pivotal factor, and as a result, intrapreneurship theory seems to lack in-depth research that explicitly addresses the issue of the size of organizations, rather than silencing it and generalizing the results.

Intrapreneurship is recognized in international literature as a performance and renewal determinant of large-scale organizations [46], [4], [18]. Increased interest in the exploration of intrapreneurial activity began from the competition of large companies with each other by seeking their competitive advantage in flexibility, growth and innovation [13]. In an effort to meet this need, intrapreneurship research focused mainly on large multinational organizations established mainly in the U.S.A. [32], [47], [48], [46], [49], [50]. As a consequence, the carried-out scientific researches proposed theoretical models of intrapreneurial behavior which were using as basis, data derived from organizations operating in the U.S.A. and applied to such organizations [43]. However, in recent years, both the academic and business world have recognized intrapreneurship as a fundamental element of organizations’ performance in general, regardless of size [51], [52]. In addition, there is considerable research that highlights the importance of intrapreneurial behavior in all business sizes in order to survive and respond to competitive environments [53]. Zahra and Pearce [54], and Covin and Slevin [14], [15] recognize the importance of intrapreneurship in small-scale organizations, with the latter developing a theoretical model that applies to all organizational levels of small-scale organizations. In the same vein, Wortman [55] points out the need for further investigation of intrapreneurial behavior in large and SMEs, based on
the fact that the creation of new business activities and the administrative practices followed in these cases may differ radically between larger and smaller organizations. Indeed, some determinants of intrapreneurship emerge with greater intensity, or to a greater extent, in smaller-size organizations [55]. According to European Commission [56] a company is classified as small if it comprises of less than 50 employees, and medium if it comprises of between 50-249 employees. SMEs, due to their size, do not pose great influences on their environments. However, their small size transfuses flexibility and simplicity in their structures and procedures, which enable them to act faster to environmental challenges in comparison with larger corporations. Consequently, the simplicity of the organizational structure or the lack of complexity in the administrative hierarchy, are the distinguished factors of SMEs which determine the size of the organization as their competitive advantage [57]. Another important reason for the differentiation between large and SMEs is the prominent role of intrapreneurs in SMEs. Small organizations with a small number of employees depend much more on intrapreneurs to generate innovative initiatives, and a potential loss of an unhappy intrapreneur may lead to much severe consequences than in larger organizations. This actually means that intrapreneurs are crucial not only for organizations’ development and success, but for their survival as well.

The research practices followed over the past few years have prevented, for a long time, the investigation of the phenomenon of intrapreneurship in organizations of all sizes, operating in countries outside the U.S.A. and in economies at different stages of development. Taking into account the global character of intrapreneurial behavior, the fact that the majority of research addresses intrapreneurship theory at the American level, creates a strong contradiction. As a result of these approaches, there has been a considerable gap in academic research, which is demonstrated by the lack of intercultural comparative studies both on the determinants of intrapreneurial posture and on the correct implementation of the internal business models that have been developed to enhance intrapreneurial behavior. On these grounds, Antoncic and Hisrich [3] argue that despite the fact that the phenomenon of intrapreneurship is global, it is not wise to generalize and apply the theoretical models mindlessly, because of the lack of generalized cross-cultural comparative surveys in the field.

In order to fill this gap, some notable, but occasional, researches were conducted in smaller organizations located outside the U.S.A. In an early subjectivist and interpretative approach, Carrier [57] examined the different types of intrapreneurship, the motivating and governing factors, and the strategies involved in a small number of SMEs established in Quebec, Canada. The results pointed out the specific determinants taking place in the intrapreneurial process in SMEs, and highlighted the need to broaden the notion of innovation to other aspects apart from the technological, such as the commercial, organizational, institutional, procedural and social innovation. According to Carrier small organizations seem to be an ideal environment for intrapreneurs to flourish due to the simplicity of their structure that fosters their ability to negotiate and interact promptly with the environment. Overall, Carrier concludes that the theories developed based on research in large organizations cannot be used in the context of intrapreneurship in SMEs.

Nicolaidis and Kosta [2] when reviewing the given literature concerning the significant role of intrapreneurship in organizations, pointed out some significant research following Carier’s study on intrapreneurial behavior in SMEs. In particular, a considerable attempt was made by Antoncic and Hisrich [3] who conducted a cross-cultural research between organizations of all sizes, operating in a variety of sectors, established in the U.S.A. in comparison to organizations established in Slovenia. The choice of the two countries was based on the diversity they present at business and financial level, with the first being a wide-range advanced economy, whereas the second is a country with an economy in transition. Moreover, the two countries had many differences in terms of entrepreneurship as well. The U.S.A. represents a country leader in entrepreneurship, whereas Slovenia is a former communist country lagging behind in entrepreneurial practices. The research tried to explore the relationship of intrapreneurship with organizational and environmental characteristics which are considered as predictors of intrapreneurial posture, and between intrapreneurship with growth and profitability, which represent the consequences of intrapreneurship. The researchers hypothesized the positive correlation of both samples with the predictors and consequences of intrapreneurship. The results indicated that concerning the relationship between intrapreneurship and its predictors, the hypothesis for both samples was confirmed, whereas for the relationship of intrapreneurship with its consequences, the hypothesis was only confirmed for the Slovenian organizations and partially for those established in the U.S.A. Based on the results, the authors concluded that intrapreneurship is a crucial factor for the success and survival of an organization operating in a transition economy, in relation to organizations operating in more developed economies where the primary purpose is growth. Another attempt to explore intrapreneurship beyond the American basis, focused on medium-sized Australian organizations of more than 100 employees operating in a variety of sectors [58]. The researchers aimed at investigating the relationship between intrapreneurial characteristics and organizational performance, demonstrated in terms of growth and profitability as
well. The results concerning profitability pointed out a positive relationship with organizational support, however a negative relationship with organizations’ self-renewal. As far as organizational growth is concerned, the results indicated a significant positive correlation between both new business venturing and environmental munificence. In the same line, Ağa, Topal and Kaya [59] aimed to explore intrapreneurship in Turkey, which is considered to be an emerging market as far as industrialization is concerned. The primary objective of the study was to investigate the role of intrapreneurship in medium-sized organizations of more than 100 employees, operating in a country with more distinct characteristics than those of the organizations with an American basis. Likewise, the research focused on the relationship between the intrapreneurship dimensions with growth and profitability. The authors, apart from the four dimensions that were previously mentioned, recognized risk-taking to be a distinct dimension of intrapreneurship. In terms of profitability, the results indicated a negative correlation with organizations’ self-renewal, while a positive with innovation and risk taking, and in terms of growth, the only dimension that was positively related was the new business venturing.

CONCLUSION

The foregoing analysis emphasized the importance of intrapreneurship in all organizations irrespective of their size. In the process of clarifying the intrapreneurship concept, we have realized that more and more organizations are shifting their attention towards their intrapreneurial growth, hoping to benefit in terms of profitability, strategic renewal, innovation, acquisition of knowledge for future profits, and international recognition [1]. Considerable research indicated that organizations of smaller sizes operating in developing economies have different characteristics than the American-based [3], [58], [59] and confirmed the notion that intrapreneurship is not only a large corporations’ phenomenon, but it appears with considerable intensity in organizations of all sizes. Additionally, the characteristics and dynamics of intrapreneurial posture seem to be differentiated according to size and location, and consequently, the intrapreneurship theory and practices derived from researches on large organizations operating in entrepreneurial countries, should be attentively reviewed.

Despite the importance of intrapreneurship in organizations of all sizes, the majority of the academic and business world takes for granted that intrapreneurship is a large firms’ phenomenon. This approach creates a considerable gap in scientific research concerning SMEs and the role of intrapreneurship, not only in their performance and success, but in their survival as well. By reviewing the given literature, the present study contributes to the business and academic world providing a comprehensive analysis of the intrapreneurship concept. The understanding of the field along with a more thorough analysis on the empirical evidence emphasize the gap in literature concerning the intrapreneurship approaches, and highlights the need for further comparative research on the intrapreneurship role to all kinds of organizations irrespective of their size. Therefore, we believe that future research will take into account the issues unveiled in the present paper and be more purposeful in filling the literature gaps.

REFERENCES

A Critical Review of Intrapreneurship Research on Organizations’ Size and Location


