

Determinant factors for intrapreneurship: a case study based analysis*

Unai Goyogana Quesada¹, Eneritz Onaindia², Carlos Ochoa Laburu²

¹ Dpto. Organización de Empresas, UPV – EHU. Escuela Politécnica. Universidad del País Vasco. Plaza de Europa 1, 20018 San Sebastián, carlos.ochoa-laburu@ehu.es

Keywords: Intrapreneurship, Case study, Intrapreneurs

1. Introduction

The interest on “business creation” (entrepreneurship) and its protagonists (entrepreneurs) is a classic issue in economic literature and, specifically, in literature about management. This issue is specially recurrent and relevant in economic crisis times:

- Josef Schumpeter (1934) is the most relevant predecessor in the study of the “*entrepreneurial businessman*”.
- In 1958, the Entrepreneurial History Research Centre was created in Harvard University to study, from a historical perspective, the entrepreneur as a prominent factor for economic development.
- In 1970, the first scientific conference about “enterprise development” was celebrated in Purdue University and the Academy of Management founded its Entrepreneurship Division. In 1975, the International Symposium of Entrepreneurship and Enterprise Development took place in Cincinnati.
- Since the beginning of the 1980s, pressed by the huge economical downturn (the “Oil Shock”), the needs of entrepreneurs and enterprise creation were rediscovered as the main way for job creation and the maintenance of living standards. In that moment, the concept of Intrapreneurship raised powerfully with authors like Rosabeth Moss Kanter (1983), Gifford Pinchot III (1985), and examples of enterprises such as Lockheed Martin, 3M or Toyota.

“Intrapreneurship” is not a universally used term. Researchers have used different terms to refer to the “*entrepreneurship inside an existing company*” phenomenon. Terms such as Intrapreneurship (Pinchot, 1985, among others), Corporate Entrepreneurship (Burgelman, 1983, among others) and Corporate Venturing (MacMillan et al, 1986) have been used to describe essentially the same phenomena.

There is a variety on the aims of these studies: to analyze the organizational factors that influence Intrapreneurship (Pinchot, 1985; Hornsby et al, 2002), the effects of Intrapreneurship in business results (Lumpkin and Dess, 1996; Zahra and Gravis, 2000) or the personal characteristics of intrapreneurs (Howell *et al.*, 2005).

A conclusion of these studies might be that Intrapreneurship is the result of an interaction between processes carried in two different levels: the organizational level and the personal level.

2. Conceptual framework

Block and MacMillan (1993) suggest six different characteristics to identify Intrapreneurship:

1. It is a new activity for the organization
2. It is promoted and developed in the organization.
3. It is more hazardous than the regular activity of the organization
4. It implies more uncertainty than the regular activity of the organization
5. It will be operated as a separate business in the future.
6. Its aim is to increase sales, benefits, productivity or quality

And it can be defined as follows:

“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.” (Eugenia Bieto, 2008)

As a consequence, the companies in which intrapreneurship happen, have some characteristics in common:

- They are companies with an entrepreneurial spirit.
- They promote inside their organizations:
 - Intrapreneurs
 - To identify new opportunities
 - To launch of new business
- The creation of new business units implies a strategy renewal process of and a change in organizational culture in order to be able to recognise the capacity of the existing human resources to exploit the new detected activities.

Anyway, in spite of these common characteristics, there can be two different *Intrapreneurship* typologies:

- *External Intrapreneurship*: activities that produce new autonomous or semiautonomous units out of the frame of the mother company. Usually, this happens through acquisitions, joint ventures or spin off.
- *Internal Intrapreneurship*: new business units are created and operated by employees of the actual company and they are, at least temporarily, under the common frame of the mother company.

The arising of these new activities depends on many factors that can promote or prevent them. Different authors have proposed and studied the following ones:

- J. Hornsby and D. Kuratko, with different co-authors, after reviewing the literature since 1980, have found five internal factors relevant for the success of *Intrapreneurship*: retribution, management support, resources (including time), organizational structure and risk assumption (Kuratko et al, 1990; Hornsby et al., 2002). After an empirical study, Kuratko et al. (1990) found that only three from the above - management support, organizational structure, resources (including time) - are really important.
- Zahra (1991) suggests that besides internal organizational factors, business strategy and external environmental factors like dynamism, heterogeneity and competitiveness of the industry also play a decisive role on the success of intrapreneurship.
- According to Hornsby et al (1993), individual characteristics of intrapreneurs have a main influence on the success of intrapreneurship. These characteristics are: tendency to risk, autonomy, need of fulfilment, orientation to achievement and self-control capacity.
- Menzel Hans C (2007), studied cases of companies with policies (corporate culture) which aim to promote a professional culture (creativity, productivity, risk propensity) and so facilitate the appearance of potential intrapreneurs.
- External factors have been also studied. Antoncic and Hisrich (2004) state that both internal organizational factors and environment conditions are important in relation with *Intrapreneurship*. Among the former they mention management support, formal control, and the number of alliances. Among the latter they outline market dynamism, technology opportunities, industry increasing and the demand of new products.
- Covin y Slevin (1991) developed a model that tried to integrate external factors as technology sophistication, dynamism, hostility, life cycle product stage on one side with internal factors such as company strategy top management values and attitudes, organizational resources and competencies, organizational culture and organizational structure on the other side.
- Zahra (1993) proposed a modification in the model of Covin and Slevin (1991). He eliminated technology sophistication on the base that this characteristic is a part of environment dynamism and added “*munificence*”, defined as the abundance of opportunities for innovation in industry. Zahra also justifies the inclusion of the stage in the life-cycle of the product because it is related with a different level of dynamism, hostility and *munificence*.

3. Hypotheses

Table 3.1. A summary of Hypotheses

Theory	Hypothesis
Intrapreneurship and business results:	
<ul style="list-style-type: none"> - Cunningham (1991) - Lumpkin et al (1996), - Zahra (2000) - Bieto (2008) 	<p>1) Intrapreneurship allows the survival of the Enterprise. New business unit each 5 years. Old business units loose contribution</p>
Intrapreneurship success:	
<ul style="list-style-type: none"> • External Factors <ul style="list-style-type: none"> - Zahra (1991) - Covin and Slevin (1991) - Antoncic and Hisrich (2004) 	<p>External Factors</p> <p>2a) Intrapreneurship is more likely to happen in industries with high rate of technological change</p> <p>2b) Intrapreneurship is more likely to happen in emergent industries</p> <p>3) Intrapreneurship is more likely to happen in</p> <ul style="list-style-type: none"> a) technology-intensive industries b) R+D intensive industries <p>4) Intrapreneurship is more likely to happen if institutional policies to promote entrepreneurship exist: risk capital, public funds, consultancy public agency. And if enterprises know and use them.</p>
<ul style="list-style-type: none"> • Internal organizational factors <ul style="list-style-type: none"> - Kuratko et al. (1990) - Covin and Slevin (1991) - Hornsby et al., (2000) - Antoncic and Hisrich (2004) 	<p>Internal organizational factors</p> <p>5a) The ideas for new business units/enterprises come directly from R+D results (products, patents) generated inside the enterprise.</p> <p>5b) The ideas for new business units/enterprises come from outside the enterprise: a customer, a supplier, a competitor.</p> <p>5c) The Board of the enterprise looks for ideas for new business units/enterprises either inside or outside the enterprise. Innovation and creativity is a strategic issue in the company.</p> <p>6a) The Management identifies and promotes potential intrapreneurs. There are internal champions to promote new ventures.</p> <p>6b) New business units are promoted with external entrepreneurs.</p> <p>7a) Intrapreneurship is more likely to happen if there is a „<i>safety net</i>“ in the enterprise, the possibility to return to the former job.</p> <p>7b) There are organizational barriers to intrapreneurs or innovation champions.</p>

8a) The new business unit ends as a new enterprise „ex-novo“, owned by the mother company.

8b) The new business unit ends as a new enterprise by buying an existing company (supplier or competitor).

9a) Enterprises that encourage intrapreneurship have „seed capital“ to promote new ventures

9b) Enterprises that encourage intrapreneurship use external capital risk to promote new ventures

9c) Enterprises that encourage intrapreneurship use public funds and programmes to promote new ventures

Internal personal factors:

10a) Engineers (people with technical background) as intrapreneurs

10 b) People with commercial focus/background as intrapreneurs

11) The motivation of the intrapreneur is:

a) proactivity

b) achievement spirit

c) risk tendency/tolerance

Internal personal factors:

- Pinchot (1985)
 - Fry (1987)
 - Hisrich (1990), Howell (1990)
 - Hornsby (1993)
 - Block, Mc Millan (1993)
 - Leifer (2000)
 - Hitt (2002)
 - Fayolle (2004)
 - Menzel, Altio (2007)
-

4. Research methodology: Case studies

The methodology proposed for this study is Case Studies, which allows analyzing the phenomena studied in a real context, using multiple evidence sources, quantitative and qualitative altogether (Eisenhardt, 1989; Yin, 1989, 1994 and 1998; Maxwell, 1996 and 1998; Rialp, 1998; Shaw, 1999; Fong, 2002, Voss et al, 2002; Woodside et al, 2003; Villarreal, 2007). These are the characteristics of the proposed methodology:

- Research methodology: Contemporary, multiple, holistic (simple unit of analysis) case study. A descriptive, exploratory and potentially explicative study.
- Unit of Analysis: Business in the Basque Country with relevant experience in Intrapreneurship and with a positive attitude to collaborate in this project.
- Sample type: Logical and theoretical sample (suitable for analytic generalization of the studied phenomena). Samples will not be selected randomly.

- Sample: Business in the Basque Country with relevant experience in Intrapreneurship and business which fit perfectly the established profile for the study: technology-based business, with a relevant investment in R+D, with entrepreneurial experience.
- Information sources:
 - Internal Information: internal documentation (Yearbooks, Studies and reports, web pages, presentations) and deep interviews.
 - External Information: specialized publications, data bases, reports of official institutions.
 - Two questionnaires have been prepared for the interviews: a closed questionnaire with 14 items to be answered by email before the interview, and an open questionnaire with several items divided in 6 blocks to be used during the in-situ interview.

5. Some preliminary conclusions

- We have executed three case studies as a test to validate both the questionnaires and the hypotheses.
- We have analyzed three companies with a medium-high technological base. These companies present medium-high rates of assets/employee, sales/employee and added value/employee although they are in very different industries (design of electric power generation utilities, public building construction and computer interactive graphics applications). Two of them are mature companies, more than 30 years old, so a second or third generation is managing the company. The other one is quite young, less than 10 years old, and the first generation, the entrepreneur, is managing the company.
- Their size is also very different, from 50 to 5000 employees. The three of them have a high percentage of employees with a university degree. The three of them devote an important effort to R+D, either internally or in collaboration with technological centres.

Table 5.1: Characterization of the companies in the study

Company	Industry	Age (Years)	Size (No. of Employees)
A	electric power generation	60	5.000
B	building construction (structures)	40	70
C	computer interactive graphics	5	50

Technology Intensity	Low	Medium	High
Assets/employee (€)	<100.000		>200.000
Sales/employee (€)	<100.000		> 200.000
Added value/employee (€)	<40.000		>70.000
Company		C	A, B

	Low	Medium	High
R+D Intensity			
% university graduates	<10%		>50%
% R+D (Sales, employee)	<5%		>10%
Patents			
Company		B	A, C
Internationalization			
	Low (<10% sales)	Medium	High (>25% sales)
Company		B, C	A

– One of them, the working on computer interactive graphics and multimedia, is in a very emergent industry with increasing markets, in which there are not consolidated demand or competitors. The other two companies work in consolidated or mature industries but they are exposed to great technological changes. In any case, the duration of the life-cycle of product or activity lines is decreasing to less than 10 years and these companies are forced to set new activities, at least, every five years. This is why Intrapreneurship is so important for them in two aspects: new product development and new companies development based on some of the former products.

– The three of them have started and/or bought other companies, two of them to start new business, and one of them to buy a supplier and a competitor. The drive for the Intrapreneurship has come in the three cases from the R+D department but also from external partners, mainly customers. R+D push, supported with patents, is very important in two companies. In the third company, which also uses R+D, opportunities that may appear in the market are more important.

– They have created new companies and the new entrepreneurs have been either internal employees or external people. The required capital, though important, has not been a critical issue although, eventually, some of the companies have asked for risk capital. The organizational structure of the company before developing the new venture seems to be very important. Project oriented structures seem to be more prone to develop new ventures.

Table 5.2: Some preliminary results

	A	B	C
Use of Intrapreneurship?	YES	YES	YES
New Companies?	YES	NO	YES
New Internal Business units?	YES	YES	YES
Frequency (< 5 years)	YES	YES	YES
New Companies EX-NOVO?	YES	NO	YES
New Companies through acquisitions?	YES	NO	NO

Acquisition of suppliers/competitors	YES	YES	NO
Related Diversification			
Technology	YES	YES	YES
Product/Market	YES	YES	YES
No Related Diversification.	YES	NO	NO
Some failures in intrapreneurship?	YES	NO	YES
Internal Intrapreneurship	YES	YES	NO
External Intrapreneurship	YES	NO	YES
Drive For intrapreneurship			
I+D	YES	YES	YES
Company Board	YES	NO	YES
Other partners			YES
Customers	YES	NO	NO
Intrapreneur			YES
Project Oriented Organization (Matrix)	YES	YES	NO
Safety Net	YES		NO
Risk Capital	NO	NO	YES
Public funds and programmes	YES	YES	YES

Summing up, the proposed methodology shows to be efficient and results are coherent and comparable with hypothesis. The first results show a bigger influence of the “personal factors” than the “organizational factors”. As a consequence, the most relevant organizational factors are related, precisely, with the management of this human factor.

References

- Antoncic, B.; Hisrich, R. (2004) “*Corporate entrepreneurship contingencies and organizational wealth creation*”. The Journal of Management Development, 23(5-6):518-550
- Bieto, E. (2008) *Aproximación al Corporate Entrepreneurship en España. Tipologías y relación con los resultados empresariales*, Tesis Doctoral, ESADE – Escuela Superior de Administración y Dirección de Empresas, Universitat Ramon Llull, Barcelona
- Block, Z ; MacMillan, I.C. (1993) *Corporate Venturing: Creating New Business within the Firm*, Boston, Harvard Business School Press
- Burgelman, R. A. (1983) ”*Corporate Entrepreneurship and Strategic Management: Insights from a process study*”. Management Science, 29(12):1349-1363.
- Chang, J. (1998) “*Model of corporate entrepreneurship: intrapreneurship and exopreneurship*” Borneo Review, Vol. 9, No. 2, pp. 187-213

Christensen, K.S. (2004) "A classification of the corporate entrepreneurship umbrella: labels and perspectives" International Journal of Management and Enterprise Development, Vol. 1 No. 4, pp. 301-15

Covin, J; Slevin, D. (1991) "A conceptual model of entrepreneurship as firm behaviour". Entrepreneurship: Theory and Practice, 16(1):7-25

Eisenhardt, K. M. (1989): "Building Theories from Case Study Research", Academy of Management Review, Vol. 14, nº 4, pp.532-550.

Fong, C. (2002): *Rol que juegan los activos intangibles en la construcción de ventaja competitiva sustentable en la PYME. Un estudio de casos con empresas de Cataluña y Jalisco*, Tesis Doctoral, Universidad Autónoma de Barcelona, Barcelona

Hornsby, J; Naffziger, D.; Kuratko, D.; Montagno, R. (1993) "An interactive model of the corporate entrepreneurship process". Entrepreneurship: Theory and Practice, 17(2):29-37

Hornsby, J.; Kuratko, D.; Zahra S. (2002) "Middle managers' perception of the internal environment for corporate entrepreneurship: Assessing a measurement scale". Journal of Business Venturing, 17(3):253-273

Howell, J; Shea, C.; Higgins, C. (2005) "Champions of product innovations: defining, developing, and validating a measure of champion behavior" Journal of Business Venturing. Vol. 20, Iss. 5; p. 641

Kuratko, D; Montagno; R Hornsby, J., (1990) "Developing an intrapreneurial assessment instrument for an effective corporate entrepreneurial environment". Strategic Management Journal, 11:49-95

Lumpkin, G; Dess, G (1996) "Clarifying the entrepreneurial orientation construct and linking it to performance. Academy of Management Review, 21:135-172

Mac Millan, I.C., Block, Z.; Subbanarasimha, P.N. (1986) "Corporate venturing: alternatives, obstacles encountered and experience effects". Journal of Business Venturing 1(2):177-192

Maxwell, J. A. (1996): *Qualitative Research Design: An Interactive Approach*, Sage Publications, Thousand Oaks.

Maxwell, J. A. (1998): "Designing a Qualitative Study" en BICKMAN, L. y ROG, D. J. (eds.): *Handbook of Applied Social Research Methods*, Sage Publications, Thousand Oaks, pp. 69-100

Menzel Hanns C, Aaltio Liris, Ulijn Jan M. 2007. *On the way to creativity: Engineers as intrapreneurs in organizations*. Technovation , vol 27, nº 12, 732-743

Rosabeth Moss Kanter (1983). *The Change Masters: Innovation and Entrepreneurship in the American Corporation*

Pinchot, G. F.III (1985) *Intrapreneuring. Why you don't have to leave the corporation to become an entrepreneur*, New York, Harper&Row

Pinchot, G.; Pellman, R. (1999) *Intrapreneuring in action: A handbook for business innovation*. Berrett-Koehler Publication, San Francisco

Rialp, A. (1998): “*El método del caso como técnica de investigación y su aplicación al estudio de la función directiva*”, ponencia presentada en el IV Taller de Metodología ACEDE, 23-25 de abril, Arnedillo, La Rioja

Schumpeter, J.A. (1934) *The Theory of Economic Development: an Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, Harvard University Press, Cambridge MA.

Schumpeter, J.A. (1942) *Capitalism, Socialism, and Democracy*, Harper & Brothers, New York, London.

Shaw, E. (1999): “*A Guide to the Qualitative Research Process: Evidence from a Small Firm Study*”, *Qualitative Market Research: An International Journal*, Vol. 2, nº 2, pp. 59-70.

Villarreal, O.; Landeta, J. (2007) “*El estudio de casos como metodología de investigación científica en economía de la empresa y dirección estratégica*” *Empresa global y mercados locales: XXI Congreso Anual AEDEM*, Vol. 1, 2007 (Ponencias), pág. 34

Voss C, Tsiriktsis N, Frohlich M (2002). *Case research in Operations Management*. *International Journal of Operations & Production Management*. V 22, nº 2, pp 195-219

Woodside AG, Wilson EJ (2003). *Case study research methods for theory building*. *The Journal of Business & Industrial Marketing*, V 18, nº6/7, pp 493-508

Yin, R. K. (1989): *Case Study Research. Design and Methods*, Applied Social Research Methods Series, Vol. 5, Sage Publications, London.

Yin, R. K. (1994): *Case Study Research. Design and Methods*, Applied Social Research Methods Series, Vol. 5, Second Edition, Sage Publications, London.

Yin, R. K. (1998): “*The Abridged Version of Case Study Research*”, en BICKMAN, L. y ROG, D. J. (eds.): *Handbook of Applied Social Research Methods*, Sage Publications, Thousand Oaks, pp. 229-259

Zahra, S (1991) “*Predictors and financial outcomes of corporate entrepreneurship: an exploratory study*”, *Journal of Business Venturing*, 6:259-285

Zahra, S. (1993) “*Environment, corporate entrepreneurship and financial performance: a taxonomic approach*”. *Journal of Business Venturing*, 8:319-340

Zahra, S; Garvis, D. (2000) “*International corporate entrepreneurship and firm performance: the moderating effect of international environment hostility*”. *Journal of Business Venturing*, 15 (5-6): 469-492