

Building an Intrapreneurial Culture: A Sine-Qua- non for Organizations Today

Sneha Bhatia¹ and P.N.U. Khan²

¹*Ph.D Scholar, Faculty of Social Sciences, Dept. of Social Work (HRM),
Jamia Millia Islamia, New Delhi, INDIA.*

²*Dept. of Social Work (HRM), Jamia Millia Islamia, New Delhi, INDIA.*

Abstract

The Indian economy today is thriving on innovation. Current times are not only highly competitive, but are also characterized by constant market changes occurring at a rapid pace. The only way of dealing with this challenge of globalized times is constant innovation. One way of catalyzing this system of self renewal for sustained competitive advantage is through Intrapreneurship. Also, with the rising interest in 'doing your own thing' mentality among the workforce today: it becomes imperative for the companies to support/fund start-ups in order to retain creative employees. This is a prime reason why a number of organizations are promoting the idea of developing internal entrepreneurs – intrapreneurs. Hence, the researcher, by means of this paper, aims to provide a spring board to the ongoing challenges and discussions in organizations pertaining to the Intrapreneurial process.

Keywords: Intrapreneurship; Organizational Culture.

1. Introduction

There is a plethora of existing literature arguing that firms benefit by an entrepreneurial approach to business (Zahra, 1993; Covin and Slevin, 1991) and that they should engage in the process of radical product innovation (Chandy & Tellis, 1998, 2000; Leifer *et al.*, 2000; Rice *et al.*, 2001; Schumpeter, 1934; Tushman & Nadler, 1986). Webb (2013), in his article states that the old school thought of intrapreneurship being the domain of a 'select few' individuals is being replaced by the

recognition that a pervasive ‘intrapreneurial culture’, centered on the customer experience and driven by entrepreneurial values, is the key to sustained innovation. The intrapreneurs who are typically defined as entrepreneurs within established organizations and described as intra-organizational revolutionaries — challenging the status quo and fighting to change the system from within thus being a cause of potential organizational friction — are not a natural fit in such cultures. Nevertheless, they are driven by their internal locus of control, reinventing companies, transforming them, pushing them up to new highs. Intrapreneurship may be said to be more important than entrepreneurship. Because while entrepreneurship creates organizations; it is intrapreneurship that drives them to glory. (Teltumbde, 2006). Intrapreneurship should be ingrained in the overall culture of the business: adopted as a core practice and directed towards the organizational goals. Companies must therefore become well versed in the methods and practices for activating and developing intrapreneurship if they are to attain a sustainable competitive advantage (Webb, 2013).

1.1 Why foster a Culture of Intrapreneurship?

An intrapreneurship-conducive culture would build on policies and practices – supported by organizational structures – that maximize the likelihood that people meet (also by chance), communicate openly, share ideas and information, listen to and learn from each other, and develop a culture of mutual trust and support (Anfuso, 1999; Bingham, 2003; Eesley & Longenecker, 2006; Ekvall, 1996; Fishman, 2000; Frohman, 1998; Russell & Russell, 1992; Sherwood, 2002; Thwaites, 1992; Ulijn & Weggeman, 2001). The repercussions of globalization have impelled many companies to rethink their traditional management practices. The competitive Advantages associated with inculcating an intrapreneurial culture are many. Increasingly organisations not only need to have intrapreneurs amongst its team, but also need to provide a conducive environment in which they can thrive and thus help retain or improve a company’s market position.

For the Company: By fostering an intrapreneurial ethic within a company, employees can be empowered and enabled to become company “change agents” who are comfortable bringing new ideas forward and promoting their execution through moderate risk taking abilities. However, the company needs to keep a check on factors that would inhibit the intrapreneurial culture. Hwengere & Emily (2002) describe these factors as: Organizations resistance to change, Problems in resource allocations to new ideas, Lack of training and support for employees, Low rewards for success coupled with high costs of failure, lack of infrastructure for promising projects. In addition to these; corporate bureaucracy may also hamper or slow down project approval.

For the Employee: Employees who succeed as intrapreneurs tend to possess many of the same talents and traits as traditional entrepreneurs as well as a commitment to the organization and its goals. Working within an existing company—rather than launching an independent start-up business—offers a number of advantages to such individuals. Access to the company's resources increases their chances of success, for

example, while maintaining a salaried position provides them with added security in case of failure. Intrapreneurs also gain experience that they can apply to future entrepreneurial ventures, as well as a stimulating work environment, (Byrd et.al, 2002).

1.2 The Challenge of Translating Entrepreneurship into Management Behaviour

Any organization having multiple stakeholders involved in it, needs to imbibe entrepreneurship; but within the existing structure, peripheries and risk factor(s). An intrapreneur behaves like an entrepreneur except within a large organizational setup. He is the one who takes direct responsibility for identifying a new market potential and turning that idea into a profitable finished product or service. In recent years, enterprises have established “*innovation units*” or “*incubators*” to stimulate new ideas and utilize the same for wealth creation. Other companies (such as Google); have created special positions such as a ‘*Chief Innovation Officer*’ for the same purpose. Various theories have suggested that there is a positive relation between Intrapreneurship and organization culture and it becomes more prominent in the presence of an effective reward system. The systems of the organizations play an important role in developing the entrepreneurial orientation of the employees, (Srivastava, 2010). However even those companies that have adopted employees from a progressive culture are now seen struggling trying to strike a balance between the alignment of the larger mission and vision of the company with the desired entrepreneurial spirit of the young workforce. This is because even though these companies wish to hire talented people to think and behave like entrepreneurs; very few companies provide opportunities for them to unleash their creative potential and have their rein in their own hands. They forget that nurturing and rewarding these intrapreneurs is as essential as attaining them. The goal is to empower them by providing the trust, freedom, and resources they need to be successful. If the top management does not ensure that the creative lot fits seamlessly in their management style, chances are, that they may hop to other companies for more flexible/open work cultures.

In a series of 2010 global surveys among 263 top entrepreneurs and industry leaders, Ernst & Young found that 82 percent of the respondents “agreed strongly that the ability to innovate was critical to the growth of their organizations.” For many of these leaders, the study shows, supporting internal innovation is what drives their company’s competitive edge and ability to sustain growth (Meek, 2011). Hence many companies are now looking at innovation and creativity as distinctive business competencies for growth. Avinash Vashistha, M.D Accenture India, explains in his article, that a company’s ‘innovation culture’ has the ability to retain creative talent while prompting intellectual property and employee engagement. In this type of culture, the staff’s intrapreneurial spirit thrives to ensure that risk taking behaviour, ownership; accountability and innovative thinking become integral part of the organization’s DNA. Both the individual and the organizational process level need to build a common understanding of the entrepreneurial opportunity considering the

needs and choices of all involved stakeholders and, based on that, commit to an action that is satisfying to a majority of those stakeholders (Kotter & Heskett, 1992).

Teltumbde (2006), in his article states that Intrapreneurship may be said to be more important than entrepreneurship. Because while entrepreneurship creates organizations; it is intrapreneurship that drives them to glory. That is one of the prime reasons why companies fail and close down every year. The reason is not entrepreneurship but the lack of intrapreneurship in managers in such companies who could not save them from collapse. In the dynamic world that we live in, the companies falter with outdated business models conceived by their entrepreneurs. It is the intrapreneurs who set them right and go on reinventing organizations.

1.2 Role of Management changing from a Top-down approach to sponsoring innovations

An intrapreneur initiates risk intensive new venture process, but without top management's willingness to support highly risky R&D and new venture projects large scale innovation cannot reach fruition (Quinn, 1979; Stevenson & Gumpert, 1985). To boost financial performance and satisfy shareholders, it is tempting for managers to focus on the short-term goals and dedicate their limited resources to the current business activities (Quinn, 1979, 1985; von Hippel et al., 2000). A high degree of uncertainty is often not accepted in established organizations. It is much easier and safer for these firms to stay with the familiar than to explore the unknown (Stevenson & Gumpert, 1985). As a consequence, they will only develop and commercialize incremental innovations that aim at further development and enhancement of the current business (Bingham, 2003; Christensen, 1997; Kelley *et al.*, 2002; Leifer et al., 2000). To nurture radical innovations, organizational structures need to be flexible and provide room to facilitate informal and organization-wide collaboration and problem solving (Burgelman, 1983a; Dougherty & Hardy, 1996). For intrapreneurial process to be effective, several important factors need to be taken into consideration; those which balance risk with reward, and opportunity with challenges, and yet cater to creating a new market space and ultimately wealth generation. For any intrapreneurship process to flourish in an organization, the top management has to be willing to recognize good ideas with potential of new venture creation. This thought must constantly be reiterated among the employees so they are not hesitant in voicing their ideas.

In order to prevent their employees from becoming their competitors, modern companies are devising ways to help intrapreneurs develop potentially lucrative products within the corporation. By providing seed capital to the promising projects, awarding successful intrapreneurs with stock options or guaranteeing a stable paycheck, companies manage to retain the brightest employees (Byrd et.al, 2002). When effectively promoted and channeled, intrapreneurship not only fosters innovation, it also helps employees with good ideas to better channel the resources of a corporation to develop more successful products or services. The management and decision making structures should be flat and decentralized including multiple informal networks to mobilize people, enable direct access to resources, as well as to

allow entrepreneurial behavior to emerge (Ahmet, 1998; Dougherty & Hardy, 1996; Eesley & Longenecker, 2006; Fry, 1987; Haskins & Williams, 1987; Howell & Higgins, 1990a, 1990b; Kanter, 1985; McGinnis & Verney, 1987; Nakata & Sivakumar, 1996; Rodriguez-Pomeda et al., 2003; Stevenson & Gumpert, 1985).

There are other ways of accomplishing the same. Employees may be encouraged to form competing teams that function like small internal businesses or vendors. The company may also invest in training and developing these employees by executing training workshops on innovation, new venture creation, customer service management, product diversification. The company mission and vision can also be reiterated in these workshops to ensure they are in line with the larger goal of the organization. The top management can then scrutinize the new venture proposals that are generated in these workshops and can act like a venture capital firm, evaluating and providing financial support for promising new ideas. Also, the employees on the individual level need to feel that management is willing to support intrapreneurship because it is managements' trust that enables people to take risks without fear or undue penalty of failing (Ahmet, 1998; Bitzer, 1991; Chandler et al., 2000; Chisholm, 1987; Cooper & Kleinschmidt, 1995; Fry, 1987; Haskins & Williams, 1987; Hisrich, 1990; Kuratko & Montagno, 1989; Kuratko et al., 1990; Rule & Irwin, 1988; Süßmuth-Dyckerhoff, 1995).

2. Summary & Conclusion

Firstly, the Innovation aspect should be a part of the corporate culture of the company. The top management of the company should focus on not just attaining talented people; but also on retaining them; by giving them ample of opportunities to display their entrepreneurial abilities within the realms of the organization along with an effective reward system in place. This helps to boost confidence, triggers active employee participation and encourages personal responsibility/accountability for outcome.

Secondly, the top management should be approachable and accessible to its employees, so that intrapreneurs can openly discuss and deliberate their ideas on new venture creation across all hierarchies and positions in the firm. This would be possible in an organization having flatter structures and decentralized power systems ensuring open communication and interaction, thereby encouraging employee engagement.

Lastly, the top management also needs to develop a system to scrutinize the new venture proposals and invest in the ones that are more likely to reap profits. Creating, fostering, and sustaining the right environment are intrapreneurial pre-requisites. Companies that are less likely to do so will sooner or later slip into stagnation, because of a lack of innovation.

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