
The figure of the intrapreneur in driving innovation and initiative for the firm's transformation

Jesús Rodríguez-Pomeda*,
Fernando Casani-Fernandez de Navarrete,
Patricio Morcillo-Ortega and
José Miguel Rodríguez-Anton

Department of Accountancy and Firm Organization,
Universidad Autónoma de Madrid and
Strategic Management Research Group (Grupo de Investigación en
Dirección Estratégica, GIDE), Carretera de Colmenar Viejo, km. 15,
E-28049-Madrid
E-mail: jesus.pomeda@uam.es E-mail: fernando.casani@uam.es
E-mail: patricio.morcillo@uam.es E-mail: josem.rodriguez@uam.es
*corresponding author

Abstract: To survive in the present economic environment, organizations need to develop new capabilities. The classic concept of *internal entrepreneur* combines innovation and entrepreneurial initiative. From our point of view, the new concept of intrapreneur has three dimensions: innovation (change and culture), intramarkets (changes in organisational structures) and initiative (proactive attitude). These are the '3 Is for Intrapreneurship'

This theoretical statement is applied to an empirical analysis of 50 intrapreneurs from major Spanish firms. They were interviewed using the McClelland's 'Critical Incident Review'.

We conclude that corporate development is a complex adaptive process aided by the intrapreneur.

Keywords: Intrapreneurship; internal entrepreneur; innovation; entrepreneurship; intramarkets.

Reference to this paper should be made as follows: Rodríguez-Pomeda, J., Casani-Fernandez de Navarrete, F., Morcillo-Ortega, P. and Rodríguez-Anton, J.M. (2003) 'The figure of the intrapreneur in driving innovation and initiative for the firm's transformation', *Int. J. Entrepreneurship and Innovation Management*, Vol. 3, No. 4, pp.349-357.

Biographical notes: Dr. Jesús Rodríguez-Pomeda holds a doctoral degree in Business Administration. He is Assistant Professor of Firm Organization, Universidad Autónoma de Madrid. His research areas are organisational behaviour, strategic management of technology and organisational learning.

Dr. Fernando Casani-Fernández de Navarrete holds a doctoral degree in Business Administration. He is Professor (tenured) of Firm Organization, Universidad Autónoma de Madrid. His research area is strategic management.

Dr. Patricio Morcillo-Ortega holds a doctoral degree in Organisational Sciences. He is Full Professor (tenured) of Firm Organization, Universidad Autónoma de Madrid. His research area is strategic management of technology.

Dr. José Miguel Rodríguez-Antón holds a doctoral degree in Business Administration. He is Professor (tenured) of Firm Organization, Universidad Autónoma de Madrid. His research areas are firm organisation, strategic management of hospitality firms and banking.

1 Introduction

If they are to survive and prosper in the present economic environment [1], organisations have to cope with major changes that will bring them closer to a more enterprising internal attitude so that they can identify and take advantage of the new opportunities that are significantly changing the competitive landscape in the majority of business sectors [2]. In order to do this, they have to develop new capabilities, whilst maintaining and exploiting existing capabilities. Many authors have suggested intrapreneurship as the appropriate method for stimulating innovation and exploiting the creative energy of employees, by giving them the resources and autonomy necessary to develop their entrepreneurial attitudes within the company [3–13].

However, after analysing the evolution of the concept of internal entrepreneur or intrapreneur in the last 20 years, we find that the figures of the entrepreneur and the intrapreneur have been studied from two different but complementary angles: innovation and entrepreneurial initiative. In this respect, from our standpoint, the concept of internal entrepreneur or intrapreneur should imply the symbiosis of these two concepts. For this reason, we propose to approach this concept by indicating three dimensions that precisely and rigorously define everything involved in and implied by what today is understood by intrapreneur. The term has been strongly questioned, as there is a tendency to associate complexity with a single individual, however, it really affects the entire organisation. Lastly, the conclusions of an empirical study, conducted in conjunction with Hay Management Consultants, shows us the common and distinguishing features of the figures of the pure entrepreneur and the intrapreneur in a sample of Spanish companies.

2 Evolution of the concept of internal entrepreneur or intrapreneur

Amongst the precursors of the term, we find Macrae, the assistant editor of *The Economist*. In his weekly article, this author argues that the days of the large company as we know it are over and that enterprise is required within the large organisation [9]. Some years later, Pinchot III coined the term ‘intrapreneurship’ to describe entrepreneurial activity conducted within large corporations [10,11], giving rise from that moment to a current of thought that has developed this idea in recent years. In this sense, the word ‘intrapreneurship’ refers simultaneously to the three aspects identified by Haskins and Williams [6]:

- Internal entrepreneurs within large companies and the ways of identifying, training and motivating them in such a way that the companies can capitalise on their contribution, motivate them to remain in the organisation and make advantageous use of their entrepreneurial talents (a good part of the literature existing up until the end of the 1980s focused on this).
- Approaches that help to boost entrepreneurial potential within organisations and direct it towards the identification and development of new products or services, or other significant contributions to the company.
- The development of an entrepreneurial climate in the large company which foment and feeds on new ideas and new ways of doing things, providing opportunities for enterprise so that creativity and innovation are actively exploited, making them a commercial advantage.

At the beginning of the 1980s, in view of the need to drive innovation and due to the difficulties involved in this at large companies, some academics and professionals suggested encouraging innovation by 'taking it out' of a company's R&D department. The idea was to foment the development of creativity, with a view to renovating the portfolio of products and processes through the drive of some employees who have the same features and characteristics as external entrepreneurs. In the most dynamic sectors, these entrepreneurs, committed to a new idea, with clear market orientation and financed by risk capital, are creating small companies – in some cases technologically very advanced – which are achieving high levels of growth and profitability.

The idea is to exploit the potential of these employees so that they develop their projects within the company and do not have to leave it to create a new business initiative. The company would, thus, benefit from the ideas and commitment of these people to complement their formal innovation processes. For their part, the employees would be interested in realising their projects within the company itself, because the process would, thus, be simplified, as they could make use of the material, personnel and financial resources at their disposal.

These employees with initiative have special psychological characteristics, such as the need to achieve, the capacity to assume calculated risks, individualism or autonomy in their behaviour that leads them to get around the rules. In short, a set of qualities that makes them comparable with the entrepreneur capable of setting up a new company. There was a boom in the study of these two figures in different fields, such as management and psychology; these studies sought to combine the analysis of the characteristics of the entrepreneur – much more widely addressed to date - with the organisational change and a review of company's processes, in order to find formulae that would enable them to be developed within the company.

In this manner, the need of companies to seek new ways of coping with changes in the environment and the ideas of academics expressed in specialist journals about the importance of enterprise at large companies, come together in the consultants and professionals who seek a way to apply it in practice.

This period of time, which covers the 1980s, is when this concept was most popular and intrapreneurship programs were introduced into numerous large companies. In its practical application, the emphasis is placed on the first objective, the drive of the individual intrapreneur, who has to develop his activity under the shadow of a sponsor so that he is protected from interference from the formal structure of the organisation. In this

way, isolated projects are started and, although they have some influence on the company's mentality, they do not imply profound changes in the organisation. The most quoted and admired example is that of Art Fry, the intrapreneur of 3M, who put the successful 'Post-it Notes' on the market.

Generally speaking, the programs directed at entrepreneurship within the company were not the panacea they had been predicted to be. If we take the case of Eastman Kodak, for example, we observe that, in a very short space of time, this company went from being an enthusiast of the concept to announce, in 1989, that it was abandoning this strategy to concentrate anew on its core businesses. From the beginning of the 1980s, Kodak launched a much more extensive program of internal initiatives than any other company. In 1990, of the 14 initiatives which had been created, six had been closed, three had been sold, four had been absorbed by the controlling company and only one continued to function as an independent subsidiary [14].

The adverse results in this company, and others, to some extent brought a certain loss of credibility to the concept of the intrapreneur. An article published in *The Wall Street Journal* in 1990 [15], which reflected the state of opinion at the time, comes to the conclusion that it is impossible to integrate the dynamic culture of the small business into the large corporation. The practices that lead to the success of the large company, such as hierarchical structures and regulation of procedures, are regarded as being incompatible with the desire for autonomy and attitude with respect to risk of the entrepreneur. As a result of all of this, the popularity of the concept of intrapreneur declined in companies, the majority of which believe that it failed to meet their expectations.

If we make a valuation that can be applied today, with a broader time perspective, we might come to the following conclusions:

- The companies that have not incorporated the innovatory culture into their structures analyse the results of the initiatives from a short-term economic-accounting perspective, considering them, in many cases, as failures and eventually abandoning the programs.
- The companies with strong innovatory cultures, which have indeed incorporated them into their organisational structures, such as 3M or Hewlett-Packard, generate many successes and failures through their initiatives and the successes eventually renovate the company because, despite the obstacles, they are allowed to continue until their whole potential is developed.

3 The conceptual dimensions of the figure of internal entrepreneur or intrapreneur today

Although the concept of intrapreneur is no longer in vogue, academics and professionals at the most innovatory companies continue to study and analyse the implications of the concept (for example, we could mention the special issue of *Strategic Management Journal* [16], devoted to the said concept, or the Intrapreneurship Exploratory Study of Select Norwegian Industries [17]) and relate it to the new problems in business from a broader perspective. The need to totally change traditional organisational structures becomes manifest.

The hierarchical divisional model of large companies is questioned, as is the excessive watertightness of the different departments and functional areas. The importance of every level of the company being involved in innovation and of it not just affecting specialised departments or being of interest to individual 'champions' is underlined. Flatter organisational structures are proposed, where labour relations are more flexible, both from the contractual angle and in terms of functions, with more highly motivated staff and greater empowerment.

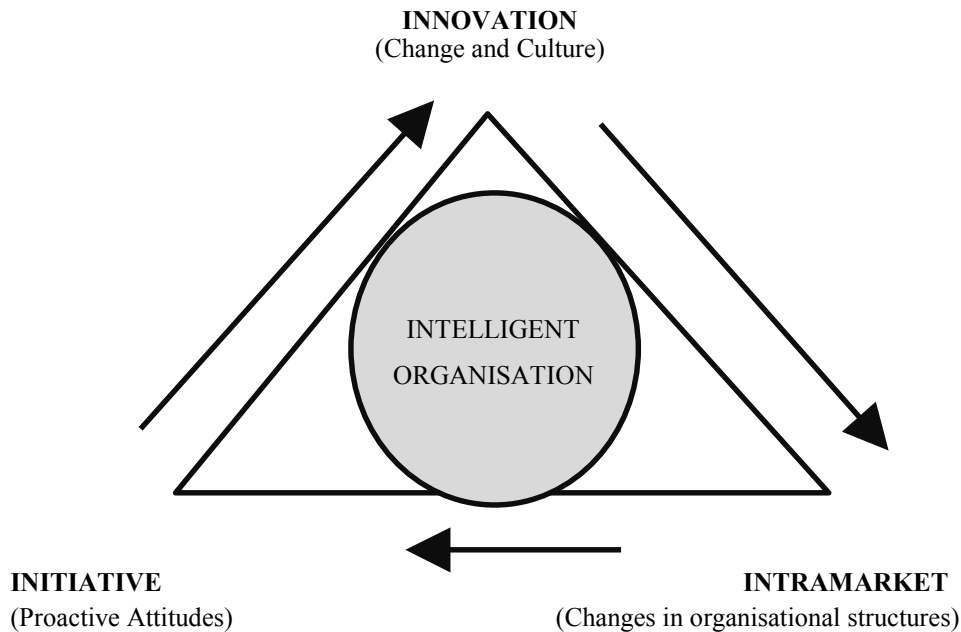
All the members of the organisation, without exception, are to develop very specific attitudes and capabilities. However, it is not simply a case of collecting and selecting the ideas and suggestions they propose in the company, but it is essential to instil into all the employees the idea that innovating is conceiving, developing and launching the products resulting from the ideas which gradually appear. From this moment, it is essential to begin to modify the elements that are obstacles and prevent innovation being a way of life in the company. Systems, procedures and a culture that will foment the employee's spirit of enterprise have to be created.

The increase in competition that is occurring in many sectors, largely as a result of the magnitude and speed of change in the environment, especially the tendency towards globalisation and deregulation, make the need for changes in companies more urgent. The strategic direction which, in the 1980s, had focused on the analysis of competitive positioning and market share, enters a second stage where new paradigms are established, amongst which we would mention: the resource-based view, management by competencies, organisational learning and the concept of the intelligent organisation.

In this context, in the early years of the 1990s, there was a revival of the concept of 'intrapreneur' (which has continued to acquire greater importance until today) but within a wider, more valuing, conception. Through this, the idea is to give a global answer to problems characterised by three dimensions [18]:

- the changes, innovations and improvements required to prevent the stagnation and decline of traditional large companies
- the weakness perceived in traditional methods of corporate management
- large staff turnover with greater orientation towards innovation as a result of the disenchantment caused by the considerable impediments of bureaucratic organisations.

In our view, the new concept of intrapreneur is developed along three lines: innovation, intramarket and initiative, which affect the whole of the company. The three 'Is', which reflect the three dimensions the concept of intrapreneur implies, are shown in Figure 1 below. The development of these 'Is' make it possible to create an intelligent organisation [19].

Figure 1

3.1 *I for innovation (change and culture)*

The contemporary environment requires the application of a holistic approach, which views the company as a knowledge creating system. In this system, the ideals of the people in it are never lost sight of and this acts as the driver of innovation. In this way, the essence of innovation is to recreate the world according to a particular view [20]. The intrapreneur has this view in his mind and is capable of driving the process for it to be realised. He is a non-conformist who seeks to solve problems in a novel fashion and, in this uncertain quest, he tries new roads and does not despise the unexpected discoveries that appear ('serendipity').

At the beginning of the 1980s, the approach to innovation proposed was to create multi-disciplinary teams, with the people in them having subtle and significant differences. These teams favour interaction between the main activities and functions that intervene throughout the stages of conception, gestation and development of the innovation. However, it was very soon discovered that these multi-disciplinary teams are not a universal panacea for companies because, in many of them, there is a lack of 'champions' or leaders', i.e. people who create, define or adopt an idea to develop an innovation project and are prepared to risk their position and their prestige in order to realise their project.

After that, the introduction of any new technology or innovation is regarded as a problem of cultural coupling and/or a change in culture. Considering the de-stabilising effects innovations generally produce, it is advisable to anticipate events and to introduce into the companies a culture of innovation that predisposes all their members towards change. This culture is a way of thinking and acting which generates, develops and

establishes values and attitudes in the company that are inclined to give rise to, assume and promote ideas and changes that would bring improvements to the functioning and efficiency of the company, even when this implies a break with convention or tradition [21]. The whole of this approach, which leads to new patterns of behaviour, is what is behind the development of the figure of the internal entrepreneur or the intrapreneur.

3.2 I for intramarkets (changes in organisational structures)

Due to the imperative to adapt to the complex environment in which they move, companies try to achieve the pace of organisational change required by the speeding-up caused by scientific and technological progress. Thus, two effects appear:

- the business organisation becomes flexible and ductile, with hazy structural limits, in order to create and maintain a competitive edge in a globalised and deregulated world
- a crucial factor for changing, and achieving the level of adaptation required, is so-called organisational learning, to which the intrapreneur must pay particular attention.

With respect to the first of these – organisational change – there is a tendency to act through smaller structures not based on hierarchy. This accounts for the appearance of internal markets, which produce a major change in the role to be played by the workers. In the hierarchy, it makes sense to treat the worker as an employee, with limited freedom of action and strictly defined responsibilities. The system of internal markets requires workers to become intrapreneurs. The old labour relations, where people were paid for maintaining a position, is tending to move towards a new relationship, where they are given the opportunity of using their talent with all the freedom, self-control, risk and rewards associated with being an intrapreneur. In order to facilitate this change, corporations must become genuine incubators of companies in order to facilitate the development of new intrapreneurs.

In relation to the second factor mentioned – organisational learning - we find that a learning organisation is a system of continuous adaptation that foment the processes of individual and collective learning in order to meet its clients' needs. The intrapreneur is the nexus that links individual and team learning. Organisational learning implies an increase in the company's reaction capacity and should be systematically planned and developed both for individuals and groups. This type of learning is different from individual learning in two ways: it develops through views, models and theories shared within the organisation; and is based on collective historical experience (which goes back to the concept of *organisational routine*, developed by Evolutionary Economics). Organisational learning is built on four basic pillars: the acquisition of knowledge, the distribution of information, the interpretation of information and organisational memory.

3.3 I for initiative (proactive attitude)

I for initiative consists of transmitting the entrepreneurial spirit to the entire organisation. Every individual in the company should tend towards the behaviour and attitudes characterising the entrepreneur.

In a study effected in conjunction with Hay Management Consultants [22] different intrapreneurs from 50 major Spanish firms were interviewed, using McClelland's 'critical incident interview' technique, in order to analyse and identify the competences of intrapreneurs in Spain. In this work, the intrapreneur was defined as the individual capable of identifying with an already created business project and of acting as an entrepreneur within the organisation. The conclusion reached was that organisations that wish to innovate and triumph should foment initiative, the training of collaborators, conceptual and analytical thinking, empathy and self-confidence – the competences that distinguish the best intrapreneurs.

The intrapreneur shares with the entrepreneur some competencies related to their strong motivation for achievement: initiative, self-confidence, orientation towards results and information seeking. In addition is the capability to commit themselves to the company project. With respect to the distinguishing qualities, three basic competencies must be noted: analytical thinking, understanding of the organisation and the development of people [23]. The first refers to the capability to analyse problems and establish cause and effect relations. The second refers to the capability to know about the informal networks of influence in the company. The third, intrapreneurs are people capable of developing teams and they need large measures of empathy, the ability to put themselves in other people's places and to influence others.

4 Conclusion

We can conclude that corporate development can be seen as a process of adaptation, on the basis of the changing relationship between the exploration of new possibilities and the exploitation of old certainties. Exploration is the territory of the intrapreneur and involves activities such as investigation, variation, risk-taking, experimentation and innovation. Exploitation of the achievements attained is in the hands of managers, who seek to perfect processes, increase the efficiency of corporate sub-systems and enhance decision taking. Achieving some balance between the two facets is a determining factor for guaranteeing the survival of the organisational system.

References

- 1 Prahalad, C.K. (1998) 'Managing discontinuities: the emerging challenges', *Research Technology Management*, May-June, pp.14-22. Prahalad characterised this concept by eight types of discontinuities: globalisation, deregulation and privatisation, market volatility, the convergence of multiple technologies, hazier boundaries between sectors, the establishing of standards, de-intermediation and sensitivity towards ecological issues.
- 2 Greco, S., Caggiano, C. and Ballon, M. (1999) 'I was seduced by the new economy', *Inc.*, Boston, February, pp. 34-57.
- 3 Barringer, B.R. and Bluedorn, A.C. (1999) 'The relations between corporate entrepreneurship and strategic management', *Strategic Management Journal*, May, Vol. 20, No. 5.
- 4 Birkinshaw, J. (1997) 'Entrepreneurship in multinational corporations: the characteristics of subsidiary initiatives', *Strategic Management Journal*, Vol. 1, No. 3.
- 5 Bugerlman, R. (1983) 'Corporate entrepreneurship and strategic management: insights from a process study', *Management Science*, Vol. 29, No. 12.

- 6 Haskins, G. and Williams, R. (1987) *Intrapreneurship in Action. Successful European Company Practices*, The Economist Publications, London.
- 7 Jansen, P.G.W. and Wees, L.L.G.M. (1994) 'Conditions for internal entrepreneurship', *Journal of Management Development*, Vol. 13, No. 9, pp.34-51.
- 8 Lessem, R. (1986) *Intrapreneurship: How to be an Enterprising Individual in a Successful Business*, Wildwood House Limited, Gower House, Aldershot, Hampshire.
- 9 Macrae, N. (1976) 'The coming entrepreneurial revolution', *The Economist*, Christmas.
- 10 Pinchot III G. (1985) *Intrapreneuring: Why You Don't Have To Leave The Corporation To Become An Entrepreneur* Harper Row, New York.
- 11 Pinchot III, G. (1994) *The Intelligence Organization*, Berret Koehler.
- 12 Sinetar, M. (1985) 'Entrepreneurs, chaos and creativity - can creative people really survive large company structure?', *Sloan Management Review*, Winter, pp.57-62.
- 13 Stephenson, K. (1995) 'The formation and incorporation of virtual entrepreneurial groups', *Entrepreneurship Theory and Practice*, Vol. 19, No. 3, pp.35-52.
- 14 Ginsberg, A. and Hay, M. (1995) 'Confronting the challenges of corporate entrepreneurship: guidelines for venture managers', *European Management Journal*, Vol. 12, No. 4, pp.382-389.
- 15 At Giant Kodak, 'Intrapreneurs' Lose Foothold, *The Wall Street Journal*, August 17, 1990, B1.
- 16 Strategic Management Journal (1990) *Corporate Entrepreneurship*, Special Issue, Summer.
- 17 Sæetre, A.S. (2001) *Intrapreneurship. An Exploratory Study of Select Norwegian Industries*, found at www.grei.ntnu/suplmt/pdfdocs/Intreprenurship.pdf, at 2002.02.27.
- 18 Kuratko, D.F. (1996) 'Entrepreneurship', in M. Warner (Ed.) (1996) *International Encyclopaedia of Business and Management*, pp. 1223-1230. London: Routledge.
- 19 Senge, P.M. (1990) *The Fifth Discipline: the Art and Practice of Learning Organization*, Doubleday, New York.
- 20 Nonaka, I. (1991) 'The knowledge-creating company', *Harvard Business Review*, November-December, pp.96-104.
- 21 Morcillo, P. (1997) *La Dirección Estratégica de la Tecnología y la Innovación*, Editorial Civitas, Madrid.
- 22 Moulder, E. and Cubeiro, J.C. (1997) 'Emprendedores e intraemprendedores', *Iniciativa Emprendedora*, November-December, No. 7, pp.69-73.
- 23 Pinchot, E. and Pinchot III, G. (1996) 'Five drivers of innovation', *Executive Excellence*, January, pp.9-10.