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INTRAPRENEURSHIP AND ORGANIZATIONAL KNOWLEDGE IN THE CORPORATE ENVIRONMENT: A THEORETICAL FRAMEWORK

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ABSTRACT

Intrapreneurship is closely related to corporate entrepreneurship which is the creation of new products and ideas within the existing organization using the employees. It is often associated with larger companies that have taken notice of the rise in entrepreneurial activity in recent years; these firms endeavor to create an environment wherein creative employees can pursue new ways of doing things and new product ideas within the context of the corporation. When group knowledge from several subunits or groups is combined and used to create new knowledge, the resulting tacit and explicit knowledge can be called organizational knowledge. Since organizational learning is seen as encoding inferences from history into routines that guide behavior, (Schulz 2001) it could be said that organizational knowledge is the product of those routines. In fact, small businesses, which originate as entrepreneurial ventures, are often ideally suited to foster an intrapreneurial environment, since their owners have first-hand knowledge of the opportunities and perils that accompany new business initiatives. However, the challenges today are quite different from previously. The emergence of knowledge-based organizations and increased importance of knowledge as the key to competitive advantage poses new and interesting challenges for managers and researchers alike. This paper attempts to enlighten the understanding of intrapreneurship based on the organizational knowledge as a resource towards organization.

KEYWORDS

Entrepreneurship, Intrapreneurship, Knowledge Based Organizations, Organizational Knowledge.

INTRODUCTION

Intrapreneurs are passionate employees. In fact, intrapreneurs need to find new challenges from time to time, and sometimes these challenges take them to new organizations that can better benefit from their particular skill set. They work to render a change in the environment and conditions in which they work. Successful intrapreneurs must have the respect and credibility of their peers and their leaders; and in order to gain this credibility, they must have conformed to the organizational culture to some degree. Yet intrapreneurs, by their very nature, are nonconformists, because the most exciting opportunities have not yet been introduced, understood, or embraced by the organization. It is that they act on what they believe to be in the best interest of the company. Their motivation for change is rooted in the survival of the organization, or the maximization of opportunity for the organization. At the organizational level, new knowledge is often generated by combining explicit knowledge with explicit knowledge. "Organizations continuously create new knowledge by reconstructing existing perspectives, frameworks, or premises on a day-to-day basis," (Nonaka,1995) Organizational knowledge becomes particularly powerful and measurable when combined knowledge is used to create standard routines, a common culture and language, and encourages and enables cross-functional group interactions within an organization.

OPERATIONAL DEFINITIONS

INTRAPRENEURSHIP: is defined as the concept of using entrepreneurial skills within an established firm by encouraging innovation by employees.

INTRAPRENEURS: are employees who work within a business in an entrepreneurial capacity, creating innovative new products and processes for the organization.

ORGANIZATIONAL KNOWLEDGE: The capability, which members of an organization developed, to draw distinctions in the process of carrying out their work, in particular concrete contexts, by enacting sets of generalizations whose application depends on historically evolved collective understanding.

OBJECTIVES OF THE STUDY

1. To study the potential elements and outcomes of intrapreneurship.
2. To explain the concept and model of intrapreneurship in the organization context.

PURPOSE OF THE STUDY

The purpose of this paper is to explore the concept of intrapreneurship, and organizational knowledge. To analyze intrapreneurship as an approach that can contribute to organizational development in a research environment.

HISTORY OF INTRAPRENEURSHIP

Intrapreneurship, which is also known as Corporate Entrepreneurship, has been used around the world by major public companies and private companies for several decades. Intrapreneurship has been used successfully in the United States, Europe, Asia and Africa. Intrapreneurship is based on the concept of using entrepreneurial skills within an established firm by encouraging innovation by employees. These employees can use start-up business techniques within a firm (large, medium, or small) to create new products or services from existing products or services, or create new synergistic products or services for the company. This is accomplished by allowing and fostering nontraditional thinking and by encouraging and supporting the use of "out of the box thinking" within the firm. By the 1990's corporations and organizations began formally encouraging "intrapreneurship" – some firms created specific intrapreneurship programs with time allocations for employees to work on innovative intrapreneurial ideas, products, or services. Recent examples of the successful use of Intrapreneurship techniques can be found in major corporations including, but not limited to: 3M, Anaconda-Ericsson, Apple Computer, Autodesk, Corona Data Systems, Caribou Coffee, Gateway, GE, Genetech, Google, IBM, INTEL, iRobot, Kodak, Lockheed-Martin, PR1ME Computer, Sony, Sun Microsystems, Telecommunications, Texas Instruments, Toyota, W. L. Gore, and Yahoo.

LITERATURE REVIEW

INTRAPRENEURSHIP

Intrapreneurship is increasingly becoming a term used in the business world to describe organizations that are willing to pursue opportunities, initiate actions, and emphasize new, innovative products or services. In 1985 Pinchot coined the term 'intrapreneurship', short for intra-corporate entrepreneurship, which describes the practice of entrepreneurship within organizations. The various definitions of intrapreneurship appearing in the literature are remarkably similar. Jennings and Young (1990) define corporate entrepreneurship as the process of developing new products and/or markets. Hornsby, Montagno and Kuratko (1990) describe intrapreneurship as a means to increase corporate success through the creation of new corporate ventures. Hornsby, Naffziger, Kuratko and Montagno (1993) refer to the development of new business endeavors within the corporate framework. The intrapreneurial perspective is similar to the entrepreneurial in terms of its focus on innovation. McGrath, Venkataraman, MacMillan and Bouldin (1992) describe corporate entrepreneurship as a means for

firms to change their pool of competencies to increase long term economic viability. All of the definitions of intrapreneurship have been highly consistent (Cornwall & Hartman, 1988). Zahra (1986) examined the antecedents of corporate entrepreneurship and found that most people see it as being innovative activities within a firm. Kanter and Richardson (1991) identified four approaches to the process of corporate entrepreneurship that include pure venture capital, the new venture development incubator, apparatus for the maintenance of controlled conditions in which eggs can be hatched artificially. The study of corporate entrepreneurship as internally sourced innovations became popular among strategic management researchers throughout the 1980s and early 1990s (Kanter, Ingols, Morgan & Seggerman, 1987; Wood, 1988; Morris, Davis & Ewing; 1988; Sathe, 1988; Jennings & Lumpkin, 1989; Morris & Trotter, 1990; Fulop, 1991; Carlisle & Gravelle, 1992; Hornsby et. al 1993). Morris, Davis and Allen (1994), Ginsberg and Hay (1994) and Bryon (1994) studies also supported the same idea.

Bower (1970) was among the very first scholars to draw attention to the importance of middle managers as agents of change in contemporary organizations. Several authors (Drucker, 1985; Kanter, 1988) have discussed different aspects of middle managers' contributions to intrapreneurship. Other researchers (e.g. Schuler, 1986; Woolridge and Floyd, 1990 and Floyd and Woolridge 1992 and 1994) also examined the contributions of middle managers to a company's strategy, a variable that is intimately connected to intrapreneurship (Guth and Ginsberg, 1990; Ireland et al., 2001; Zahra, 1991; Zahra and Covin, 1995).

ORGANIZATIONAL KNOWLEDGE

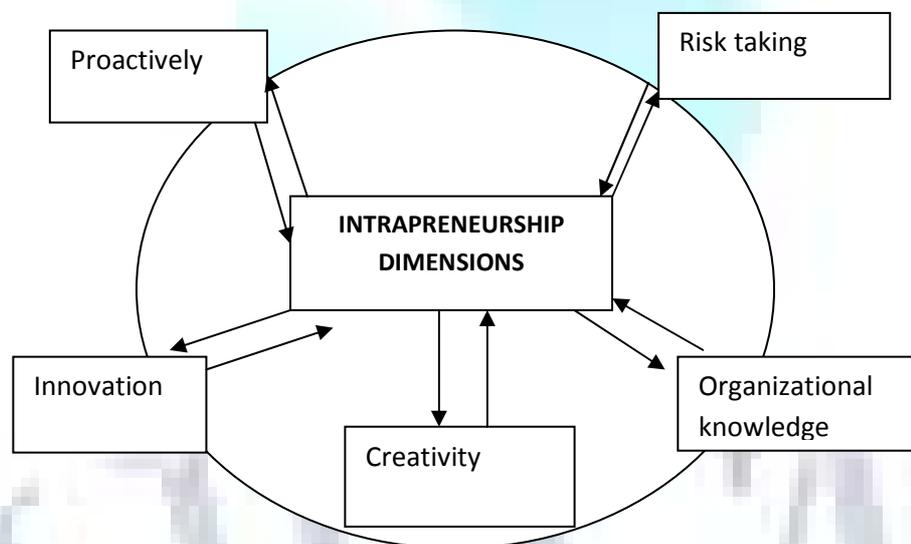
Organizational knowledge has also looked into the literature from two distinct perspectives. The first perspective proposes that organizations have different types of knowledge and that identifying and examining these types will lead to more effective means for generating, sharing, and managing knowledge in organizations (Nelson and Winter, 1982; Leonard-Barton, 1992; Hedlund, 1994; Nonaka and Takeuchi, 1995; Teece, et al. 1997). This perspective focuses on routines, strategies, and techniques, through which different types of knowledge are created, codified, converted, transferred, and exchanged. On the other hand, the second perspective on organizational knowledge argues knowledge to be dispersed, and inherently indeterminate (Tsoukas, 1996) and this perspective on organizational knowledge is supported by Davenport and Prusak (1998) and Cook and Brown (1999).

Today's organizations not only have to plan and execute tasks in an efficient and rational way, but also have to face the challenge of constant learning and, perhaps even more importantly, of learning to learn (Morgan, 1997). In this regard, this metaphor provides a powerful way of thinking about the implications of new information technology and how it can be used to support the development of learning organizations.

During the 1980s, a number of the benchmarking studies of corporate excellence suggested that the best-run companies tended to be more entrepreneurial than their competitors in the same or other industries. Kuratko, Montagno and Hornsby (1990) developed an intrapreneurial assessment instrument to determine the effectiveness of a corporate entrepreneurial environment. In this study, they looked at how best to evaluate an environment that is conducive to corporate entrepreneurship, or intrapreneurship. According to Kuratko, Montagno and Hornsby (1990), this type of rationalizing is difficult because corporate entrepreneurial activity is behaviorally complex and very dynamic. However, they concluded that there are three key factors that affect the development of corporate entrepreneurial activity, namely: management support, organizational structure, and resource availability. The authors also stated that this type of research could be important for corporations that desire to implement an intrapreneurship programmed within their corporate structure, so that they can evaluate their assets and shortcomings in being able to foster entrepreneurial activity.

The intrapreneurship literature highlights the importance of organizational factors for the pursuit of intrapreneurship (Slevin – Covin 1989, Zahra 1991, Antoncic – Hisrich 2001, Heinonen 1999, Heinonen – Vento-Vierikko 2002). By management activities we refer to the role of management as a facilitator and promoter of intrapreneurship (see the charismatic role of management by Thompson 1999). Management activities also affect the organizational culture: at what extent the basic assumptions of intrapreneurship (e.g. risk taking, innovation and creativity, learning, change) can be found within the organization

FIGURE 1: INTRAPRENEURSHIP DIMENSIONS

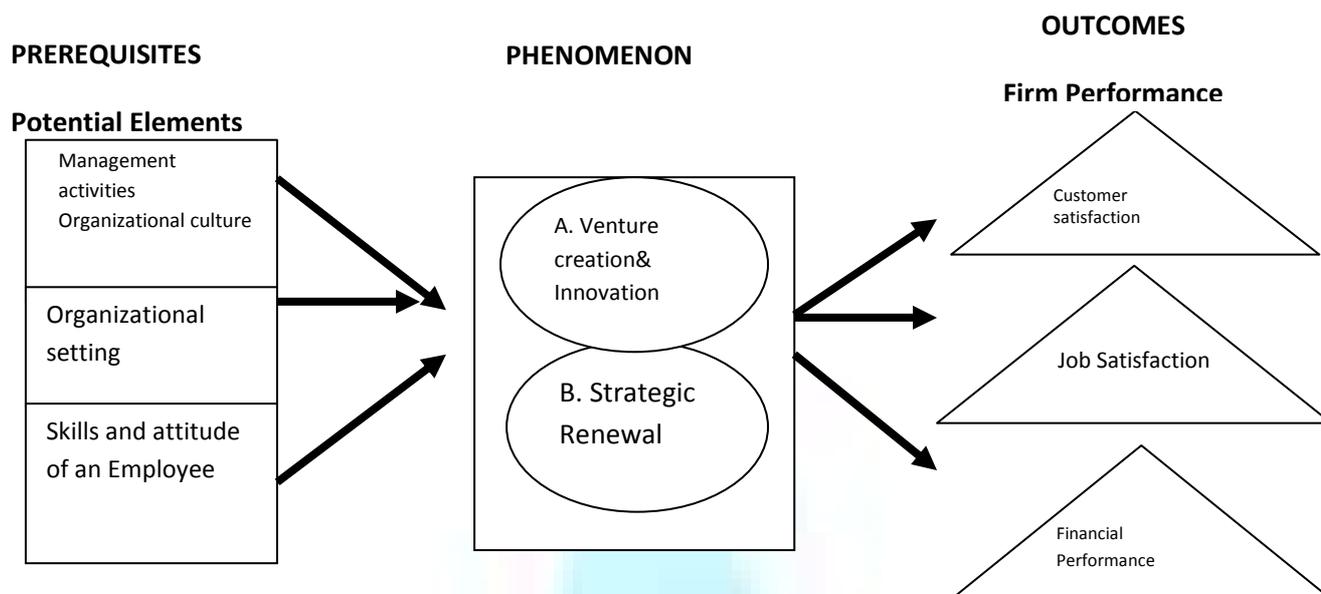


This study takes Miller's (1983) contribution as a starting-point for understanding the phenomenon of intrapreneurship. Miller stresses the company's commitment to innovation, i.e. five related components: creativity, product innovation, proactiveness, risk taking, and organizational knowledge. Product innovation refers to the ability of a company to create new products or to modify existing ones to meet the demands of current or future markets. The innovation comes from creativity of the intrapreneur within the organization. Creativity directly relates to the new ideas of the employees. Proactiveness refers to a company's capacity to compete in the markets by introducing new products, services, or technologies. Finally, risk taking refers to company's willingness to engage in business ventures or strategies in which the outcome may be highly uncertain. (Zahra – Covin 1995) Together these components form – intrapreneurship, emphasizing the creation of innovations and ventures as well as conducting R&D –activities aiming to improve organization's competitive position and performance. The results of the study indicated that lessons learned from experience (Organizational knowledge) often result in learning traps when the environment changes. Conceptualizing organizations as characterized by different entrepreneurial strategies and different levels of entrepreneurship therefore offers a theoretically useful description of differential outcomes with respect to performance, growth and the probability of failure.

INTRAPRENEURSHIP MODEL

Intrapreneurship is a concept closely related to entrepreneurship emphasizing the entrepreneurial process (entrepreneurs carry out new combinations) and innovativeness (Guth – Ginsberg 1990).

FIGURE 2: INTRAPRENEURSHIP MODEL



Source: Miller's theory and research instruments (1983)

Intrapreneurship, however, takes place within the organization, in terms of companies may small or large. The intrapreneur acts like an entrepreneur in that he/she realizes his/her own ideas without being the owner of the enterprise (Cunningham – Lischeron 1991). Intrapreneurship is here defined to mean an entrepreneurial way of action in an existing organization – more specifically, call it as – an A-type manifestation of intrapreneurship. The basis of intrapreneurship is recognizing an opportunity, exploiting it and trusting that exploiting an opportunity in a new way that deviates from previous practice will succeed and support the realization of the organization's aims. (Heinonen 1999). Miller's study in 1983 was a key turning point in the research on firm-level entrepreneurship. After that researchers have used Miller's theory and research instruments to examine the linkages between environmental, strategic, and organizational variables, and a company's entrepreneurial activities. (Zahra – Jennings et al. 1999).

Another dimension of intrapreneurship is strategic renewal of the existing business – B-type manifestation of intrapreneurship. This strategic renewal of an existing organization entails areas such as mission reformation, reorganization as well as system-wide changes within the organization. (Zahra 1991, 1993, 1996). The renewal activities relate to the concept of a firm's business and its competitive approach in the markets. Renewal is achieved through the redefinition of a firm's mission through the creative redeployment of resources (Guth – Ginsberg 1990). Renewal requires developing or adopting new organizational structures that promote innovation and venturing. Renewal also covers system-wide changes, which enhance creative organizational learning and problem solving. These changes usually refocus company's basic values. (Zahra 1993). Intrapreneurship is a process, which occurs in interaction with the environment (van de Ven 1993). It appears that the environment plays a profound role in influencing intrapreneurship: the more dynamic, hostile and heterogeneous the environment, more emphasis the company puts on intrapreneurial activities (Zahra 1991, 1993).

Management activities ensure that the organization has a clear and understood vision and direction. The organizational setting also includes the way work is being organized in the company: power and responsibility, division of work, rules etc. Altogether these organizational factors both direct the employees in their intrapreneurial efforts, as well as ensure that employees are empowered and committed. (Thompson 1999) Previous studies indicate that managerial support, organizational structure as well as reward and resource availability affect intrapreneurial activities within the organization (e.g. Hornsby et al. 1993, Antoncic – Hisrich 2001).

All the potential elements of intrapreneurship mentioned earlier are factors assumed to affect intrapreneurship on organizational level. Within intrapreneurship, as within entrepreneurship, the individual is the key actor, making it understandable why the intrapreneur her/himself (either her/his personal attributes or her/his roles and functions) is also a focal area of intrapreneurship research (see Carrier 1996). The individual skills and attitudes describe the capabilities and willingness of any potential intrapreneur to act intrapreneurially.

The Outcomes of Intrapreneurship is evident from the above chart that intrapreneurship can give grounds for competitive advantage of an existing organization. The manifestations of such competitive advantage may be e.g. differentiation or cost leadership in the markets, quick response to any changes, new strategic direction or new ways of working or learning within the organization. (Covin – Miles 1999). Prior research proposes that intrapreneurial processes are associated with an organization's performance (Zahra 1991, Zahra 1995, Zahra – Nielsen et al.). And organizational learning and knowledge creation as outcomes of intrapreneurial activities, and, thus, as grounds for competitive advantage and a basis of superior performance of the organization. In the model organizational performance does not include only financial performance, but also non-financial manifestations, such as customer satisfaction as well as job satisfaction of the employees.

CONCLUSION

Intrapreneurship is the process of profitably creating innovation within an organizational setting. Most companies are realizing the need for corporate entrepreneurship. This need has arisen as a response to (1) the rapidly growing number of new, sophisticated competitors, (2) a sense of distrust in the traditional methods of corporate management, and (3) an exodus of some of the best and brightest people from corporations to become small-business entrepreneurs. The intrapreneur is someone who can develop an exciting concept into a profit-driven enterprise by using the organizational knowledge promptly. Besides providing definition and concept of organizational knowledge the linkage the study helps to know how companies identify this knowledge as resource and contribute towards company's efforts into profits. Successful intrapreneurs are also unwavering in achieving their goals. Identifying and examining organizational knowledge will lead to more effective means for generating, sharing, and managing intrapreneurship in organizations. Therefore, it is suggested that the processes of intrapreneurial movements within organizations should be followed up and analyzed more in detail and on a longitudinal basis. At its very core, intrapreneurship is the innovation that corporations need to keep them competitive—particularly in today's aggressive and rapidly changing business environment of globalization, emerging markets, and technology innovations.

SCOPE FOR FURTHER RESEARCH

The research and development activities within business organization present with good possibilities for both measuring intrapreneurship at different stages of the different kinds of organizations, and then also following up and assessing the processes before, during and after training and development. A study on the triangulation between these sources of information is likely to deepen the understanding of the phenomenon of intrapreneurship.

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