

## **16. Exploring Corporate Entrepreneurship and Intrapreneurship: Understanding Innovation Behaviour Among Employees**

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### **Abstract:**

*Corporate entrepreneurship is acknowledged as a strategic approach that organizations employ to foster innovation and facilitate growth, while intrapreneurship serves as a mechanism for employees to realize their entrepreneurial aspirations. This paper examines the conceptual nuances between these two concepts and their correlation with employee innovation behaviour. The terminology pertaining to organizational change in relation to employee innovation behaviour is inconsistently applied and often used interchangeably. Broad definitions of theoretical constructs tend to lack internal consistency, posing challenges for researchers in their utilization. Thus, it is imperative to delineate and compare these terms with their counterparts. Through three concise case studies, this theoretical exposition illustrates the implications of defining corporate entrepreneurship, intrapreneurship, and employee innovation behaviour. The paper contends that theoretical frameworks employed in studies of innovation behaviour shape both the findings and the potential explanations.*

### **Keywords:**

*corporate entrepreneurship; top-down approach; strategies; intrapreneurship; bottom-up approach; traits; innovation behaviour; perceptions.*

### **16.1 Introduction:**

Employee innovation behaviour represents an untapped reservoir of advantageous organizational change and competitiveness (Monsen, 2005). It encompasses various actions such as establishing new spin-off organizations, identifying and exploiting new market opportunities, improving existing products, devising cost-reducing routines, and refining job processes, all of which contribute to organizational enhancement. Despite gaining some research traction recently (e.g., Drejer et al., 2004; Janssen and van Yperen, 2004), the significance of employee contributions to organizational innovation remains underappreciated and underexplored. This oversight deprives businesses of fully harnessing the potential benefits of employee innovation behaviour. Numerous terms attempt to elucidate the process of organizational renewal through employee-driven innovation initiatives. Concepts such as corporate venturing, corporate entrepreneurship, business renewal, strategic renewal, business development, entrepreneurial organizations,

championing, taking charge, extra-role behaviour, citizenship behaviour, employee innovation behaviour, and management of innovations all touch upon different facets of employee innovation behaviour (Organ, 1988; Block and MacMillan, 1993; Shane, 1995; Greene et al., 1999; Morrison and Phelps, 1999; Sharma and Chrisman, 1999; Volberda et al., 2001; Åmo and Kolvereid, 2005). Among these, corporate entrepreneurship and intrapreneurship are the most extensively researched and debated terms.

Despite its increasing prevalence, the term corporate entrepreneurship remains inadequately defined (Stopford and Baden-Fuller, 1994). Corporate entrepreneurship and intrapreneurship are sometimes used interchangeably (see, for instance, Liu and Dubinsky, 2000; Christensen, 2005; Fitzsimmons et al., 2005). While related, these terms offer slightly different perspectives on organizational renewal through employee innovation initiatives (Mintzberg, 1994; Greene et al., 1999; Heinonen and Toivonen, 2007). Despite growing interest in employee innovation behaviour as corporate entrepreneurship and intrapreneurship, a consensus on their precise meanings remains elusive (Drejer et al., 2004). Guth and Ginsberg (1990, p.6) go so far as to state: "despite the growing interest in corporate entrepreneurship, there appears to be nothing near a consensus about what it is."

Broadly defined terms often lack internal consistency, posing challenges for researchers seeking to build upon previous work. Hence, it is imperative to narrow and specify the terms used and contrast them with related concepts, including those used interchangeably. The level of precision required in term specification depends on the research scope and objectives. Theoretical models and terms should align reasonably with the studied situation, necessitating distinctions between commonly used terms when examining employees involved in organizational change. This theoretical article examines the fundamental assumptions underlying the concepts of corporate entrepreneurship, intrapreneurship, and employee innovation behaviour. A deeper comprehension of these assumptions facilitates a more profound understanding of the mechanisms driving innovation and organizational survival (Heinonen and Toivonen, 2008).

### **16.1.1 Theoretical Insights:**

Change constitutes a crucial domain within organizational theory, as it serves as a prerequisite for achieving sustained competitiveness and growth (Wilson, 1992). According to Wilson (1992), the central theme of modern management theory revolves around comprehending, instigating, and adapting to change. Organizational change endeavours to respond to or anticipate alterations in the environment that may negatively impact an organization's profitability and survival. In addition to corporate entrepreneurship being acknowledged as a strategic approach for organizations to enact change through innovation (Kuratko, 2007a), intrapreneurship is also recognized as a tool for employees seeking to realize their entrepreneurial aspirations (Pinchot, 1985). The traditional leader-centric approach to organizational development has waned, with a concurrent rise in employee empowerment and teamwork, expanding the leadership role to lower-level employees (Heinonen and Toivonen, 2007). This evolution underscores the necessity of amalgamating these two perspectives. This article scrutinizes the definitional discrepancies between these two viewpoints and correlates them with innovation behaviour among employees to enhance understanding of such change processes.

### **16.1.2 The Corporate Entrepreneurship Perspective:**

Various definitions of corporate entrepreneurship exist, often overlapping or competing with each other. Kanter (1984) defines corporate entrepreneurship as the stimulation of individuals within companies to exhibit more innovation, enterprise, and initiative, thereby contributing to the company's success. It involves the transformation of organizations through strategic renewal (Dess et al., 1999) and is viewed as a strategy for developing and implementing new ideas (Hornsby et al., 2002). Zahra (1991) describes corporate entrepreneurship as the process of creating new businesses within established firms to enhance organizational profitability and competitive position.

A common thread among most definitions of corporate entrepreneurship is its portrayal as a strategy that management employs to encourage innovative initiatives from employees, with management being responsible for the process (Morris et al., 2008).

Central to the field of corporate entrepreneurship is the notion that organizational change is manageable and under the control of management, which determines which innovations to implement. This perspective presupposes that managers largely dictate the success or failure of change initiatives and assumes the uncritical compliance of non-managerial staff with management's directives (Wilson, 1992).

Organizations often operationalize their strategies through mission statements, which guide employees towards fulfilling organizational goals (Wilson, 1992). Management articulates a vision of the desired organizational culture, expecting individuals to adhere to it, thereby facilitating desired change. Corporate entrepreneurship operates on the premise of rational individuals within a closed, rational organizational system (Wilson, 1992).

Initiated from the top, corporate entrepreneurship involves management naming and defining initiatives, assigning responsibilities and resources to new groups tasked with implementing desired innovations (Block and MacMillan, 1993). The primary driver of corporate entrepreneurship is management, which fosters innovation within the organization. Success is measured by employees providing innovative ideas for evaluation by management. New business ideas are delegated to individuals or groups with the requisite skills and characteristics for success, typically chosen at senior management level.

Corporate entrepreneurship studies often aim to prescribe strategies for organizations based on their organizational and environmental characteristics, with the goal of achieving sustained or improved competitive advantages (Kuratko, 2007b).

This is realized through introducing new products to existing markets, entering new markets with existing products, introducing new products to new markets, or implementing new cost-reducing routines, all aimed at maintaining or increasing profits. Such investigations typically focus on the business as the unit of analysis, with the chief executive and top team representing the organization.

This perspective tends to study innovation behaviour at the organizational level, overlooking the perspective of individuals responsible for driving innovation.

### **16.1.3 The Intrapreneurship Perspective:**

Intrapreneurship, another frequently used term for innovation behaviour among employees, involves the implementation of innovations within organizations, initiated and desired by employees in a bottom-up manner (Block and MacMillan, 1993). Management may not initially support such initiatives (Carrier, 1996). Kuratko et al. (1990) define intrapreneurship as the autonomous strategic behaviour of employees to exploit business opportunities. Most definitions of intrapreneurship emphasize innovation initiatives originating from within the employee themselves, with little consideration for the organization's strategy's influence on these initiatives.

At the core of the intrapreneurship field lies the independent employee, acting autonomously irrespective of corporate strategy (Pinchot, 1985). Intrapreneurship does not necessarily align with organizational strategy (Campbell, 2000), as employees pursue self-interest, seeking to solve technical puzzles, pursue ideas, or gain recognition or rewards (Pinchot and Pellman, 1999). Intrapreneurship has been criticized for potentially leading employees astray (Kuratko, 2007b).

Studies on intrapreneurship often view change as a multi-level, cross-organizational process unfolding iteratively and messily over time. They perceive change as a political process rather than an analytical-rational one, set within turbulent and dynamic environments where long-range planning is impractical (Burnes, 2000). Managers are tasked with creating organizational structures and climates conducive to experimentation, learning, and risk-taking, while employees are expected to identify and implement needed changes (Burnes, 2000).

Intrapreneurs appoint themselves to their roles and seek corporate approval afterward (Pinchot and Pellman, 1999), gathering resources wherever possible. Sponsors of intrapreneurial teams allocate resources based on the team's enthusiasm and the sponsor's confidence (Pinchot and Pellman, 1999). The intrapreneurial team operates based on a shared vision, with team members selected for their complementary knowledge and commitment to the vision.

The primary driver of innovation through intrapreneurship is the employee who independently seeks innovation on behalf of the organization, despite encountered difficulties. The intrapreneurship perspective focuses on the employee's traits or characteristics to explain intrapreneurial behaviour. Intrapreneurs are viewed as internal change agents who initiate action rather than merely reacting, characterized by restlessness, activity, and persistence (Wilson, 1992).

Research on intrapreneurship often seeks to identify individuals most likely to engage proactively in innovation processes. Intrapreneurship encompasses behaviours such as altering routines and production methods (Pinchot and Pellman, 1999), and can focus on operational efficiency (Cunningham and Lischeron, 1991).

However, intrapreneurial initiatives not aligned with the organization's strategy and goals may lead to dysfunctional outcomes (Campbell, 2000).

The intrapreneurship perspective lacks a clear link between the organization's overall well-being and intrapreneurial initiatives. It does not elucidate how individual initiatives combine toward the common organizational goal of survival. Without considering the impact of organizational strategy on intrapreneurial behaviour, this perspective cannot investigate how different environments may trigger intrapreneurial actions.

#### **16.1.4 A Combined Perspective: Employee Innovation Behaviour**

The preceding discussion delineates corporate entrepreneurship's focus on strategy impact, contrasting with intrapreneurship's emphasis on employee traits and characteristics in explaining employee innovation behaviour.

However, integrating these approaches toward understanding employee innovation behaviour has represented a gap in our knowledge about innovation and sustained entrepreneurship. Recently, this gap was addressed through a theoretical perspective that merges the top-down approach of corporate entrepreneurship with the bottom-up approach of intrapreneurship, termed 'employee innovation behaviour' (Åmo and Kolvereid, 2005). Employee innovation behaviour encompasses an employee's actions toward developing new products, exploring new markets, or enhancing business routines within their employing organization.

The impetus for employee innovation behaviour may stem from market demands, technical challenges, or even management requests for corporate entrepreneurship, or it may arise as a completely autonomous intrapreneurial initiative. Furthermore, this behaviour may be appreciated or overlooked by top management and may occur with or without management's knowledge. Employee innovation behaviour is not contingent on the source of the initiative. This concept is valuable as it can be challenging to discern whether employee innovation behaviour is a response to a corporate entrepreneurship strategy or driven by the employee's own initiative.

Research on employee innovation behaviour aims to elucidate the perceived rational actions of individuals, as individuals act based on their perception of the situation rather than an objective truth. According to the hermeneutical research tradition, individuals' perceptions of the situation underlie their actions (Andersen, 1994). Similarly, in the realm of employee innovation behaviour, individuals are expected to make rational choices in a political environment, although they are not causally compelled to do so (Harré and Gillett, 1994).

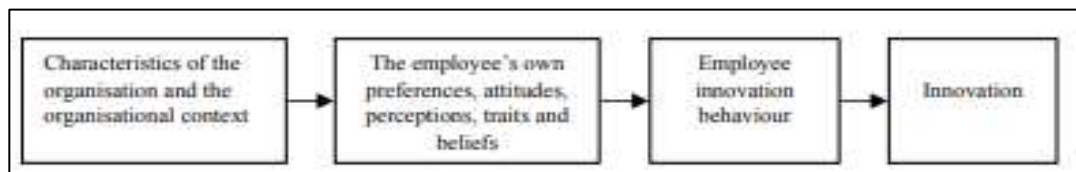
Corporate entrepreneurship, intrapreneurship, and employee innovation behaviour share the underlying assumption that employees derive intrinsic value from mastering challenges. In the research tradition of employee innovation behaviour, actors are presumed to be somewhat rational, responding to motivational factors.

Employee innovation behaviour does not imply that employees act independently of corporate strategy, nor does it suggest that management fully controls employees' innovative behaviour. Management facilitates employee innovation behaviour by expressing a desire for specific organizational contributions and acting accordingly. Employees decide whether providing innovative behaviour aligns with their situation.

From the intrapreneurship perspective, intrapreneurial employees are proactive actors driven to pursue their innovative ideas within the organization's boundaries. Corporate entrepreneurship strategies assume that mission statements unleash employees' innovative ideas, expecting employees to relinquish control to management. However, in the employee innovation behaviour perspective, employees may provide innovative ideas aligned with the organization's strategy, driven by a desire to participate in their realization.

The output of employee innovation behaviour varies, ranging from incremental changes to transformative impacts on the organization. Results may include spin-off organizations, new products, new markets, implemented cost-reducing routines, or even failure. Despite potential challenges, the intention of employee innovation behaviour is to benefit both the organization and the employee. Employees may seek both extrinsic and intrinsic rewards, such as recognition, monetary compensation, or skill development opportunities.

Employee innovation behaviour, corporate entrepreneurship, and intrapreneurship are all incremental processes of organizational renewal through employee-driven innovation initiatives. The intrapreneurship perspective underscores employee-driven innovation rooted in individual characteristics, while the corporate entrepreneurship perspective emphasizes management's role in inviting and determining the future of innovation initiatives. The employee innovation behaviour perspective encompasses both employee-initiated and manager-initiated innovation initiatives, influenced by employees' perceptions of organizational strategy. This complex interplay of factors influencing innovation creation in organizations is depicted in Figure 1.



**Figure 16.1: The Core of Studies in Employee Innovation Behaviour**

## **16.2 Method:**

The primary objective of the current research project is to delve deeply into the definitions of terms used to depict innovation by employees. This is accomplished through a theoretical discourse concerning the premises and assumptions of the employed terms. Subsequently, interview data and secondary data gathered in connection with a regional development program named VeRDI, initiated by the Norwegian Ministry of Trade and Energy, are integrated. The case data were collected by conducting interviews with participants and their supervisors in one of the VeRDI initiatives. The innovation behaviour of four employees representing three organizations was scrutinized.

### **A. Participating Employees:**

Mr. Tyre, the sales director of a tire wholesaler, and Mr. Concrete, the financial director of a concrete producer, voluntarily enrolled in the VeRDI program.

Mr. Tyre sought permission from his superior, Mr. Tyre Boss, who granted it. Similarly, after attending several program meetings, Mr. Concrete informed his boss, Mr. Concrete Boss, about his participation, which was met with approval. Mr. Brewery Boss, the director of strategy at a brewery, invited his subordinates, Mr. Brewery ICT, an ICT professional, and Mr. Brewery Controller, the brewery's controller, to join the program, both of whom agreed positively.

### **16.3 Findings:**

The employees interviewed in this study had varying introductions to the VeRDI program. The narrative begins with Mr. Tyre, followed by Mr. Concrete, and concludes with the two brewery employees.

As a sales manager, Mr. Tyre had frequently encountered customers seeking to place orders via the web. Motivated to enhance customer service and streamline processes, he opted to join the program. He asserts that his boss, Mr. Tyre Boss, permits his involvement as long as it doesn't impede his other duties. According to Mr. Tyre Boss, discussions about implementing a web solution had been ongoing within the board and with Mr. Tyre for some time. Mr. Tyre Boss expects his employees to seek ways to enhance their work within their job responsibilities.

Mr. Concrete, representing the concrete producer, views participation in VeRDI as part of his job description: "It is among my responsibilities to pursue such affairs." Apart from his role as financial director, he oversees the firm's ICT system. His objective in joining VeRDI was to explore a more integrated accounting system. Despite minimal guidance from his boss, Mr. Concrete feels compelled to introduce such initiatives to the workplace. Both Mr. Concrete and Mr. Concrete Boss acknowledge the absence of a shared vision or strategy within the organization, with operations continuing as they have for the past two decades.

Mr. Brewery Boss, responsible for the brewery's e-strategy, holds "total responsibility to develop and implement e-commerce systems." After discussions with the CEO and the board, they concluded that VeRDI aligns with the brewery's needs. Mr. Brewery Boss sought to involve staff who could contribute to e-commerce development. He invited Mr. BreweryICT, a computer engineer accustomed to digitizing manual processes, to participate, framing it as an opportunity to shape the organization's next-gen IT. Mr. Brewery ICT enthusiastically accepted, stating, "One does not turn down such an offer!" Similarly, Mr. Brewery Boss invited Mr. Brewery Controller, the brewery's controller, emphasizing the importance of making the new e-commerce application profitable for the organization.

### **16.4 Analysis:**

The cases illustrate variations in how employees representing organizations were engaged in the VeRDI program. In the brewery case, management initiated the process, aligning it with the ICT strategy outlined by the board and CEO before recruiting personnel. Conversely, in the concrete case, the employee made all decisions regarding participation independently.

The process in the tyre wholesaler case was more consensus-oriented between the employee and management. Additionally, differences emerged regarding process ownership and evaluation of VeRDI's formal outcomes. While employees made decisions about program administration in the concrete and tyre wholesaler cases, Mr. Brewery Boss spearheaded innovation processes at the brewery.

Evaluation of organizational participation in development programs often assigns accountability for success or failure. In the concrete producer and tyre wholesaler cases, employees were seen as key contributors to program success. Mr. Concrete took charge of implementing the organization's e-commerce applications, while at the tyre wholesaler, the employee drove the specification of a web-order system. Conversely, blame for lack of implemented results fell on brewery management. Employees expressed frustration over the lack of a clearly communicated strategy within the organization. Limited influence on e-commerce strategy development hindered the brewery employees' ability to pursue innovation initiatives beyond their control, resulting in minor program outcomes. Management served as the final evaluator of outcomes at the brewery and tyre wholesaler, while in the concrete producer case, this responsibility rested with the employees themselves.

### **16.5 Conclusions:**

This article examines three organizations and four main respondents, along with three additional respondents, involved in the VeRDI program. The recruitment methods varied: one employee enrolled intrapreneurially, two were appointed by superiors in a corporate entrepreneurial manner, and one enrolment exhibited characteristics of employee innovation behaviour.

Distinguishing between intrapreneurship and corporate entrepreneurship, this study highlights differences in process ownership. Intrapreneurship often focuses on overcoming organizational resistance, while corporate entrepreneurship emphasizes persuading employees to bring ideas to management for approval.

Theoretical discussions and case studies demonstrate disparities in how innovation behaviour is described and practiced. Variances exist in initiative initiation, process ownership, outcome definition, evaluation, and perceived main contributors to the process.

The VeRDI program aimed to develop new products, markets, or cost-reducing routines for all organizations. Different units of analysis could offer insights into how and why these innovation processes occur. The brewery case suggests examining how top-level IT strategy translates into action at the operative level, while the concrete producer case suggests exploring the personal characteristics driving an employee's initiative. In the tyre wholesaler case, the interaction between management and employees significantly influences outcomes.

Literature and case descriptions also highlight differences in research themes and issues related to corporate entrepreneurship, intrapreneurship, and employee innovation behaviour.



The chosen lens influences findings: organizational characteristics influence innovation behaviour in a top-down manner, while individual characteristics influence behaviour in a bottom-up manner. The employee innovation behaviour perspective allows for investigations where both individual and organizational factors influence innovation behaviour. In summary, the study emphasizes the importance of understanding how different perspectives shape our understanding of innovation behaviour among employees, as depicted in Table 16.1.

**Table 16.1: Similarities and differences between corporate entrepreneurship, intrapreneurship and employee innovation behaviour**

<i>Term Aspects</i>	<i>Corporate entrepreneurship</i>	<i>Intrapreneurship</i>	<i>Employee innovation behaviour</i>
Process initiator	Management	Employee	Both
Process ownership	Management	Employee	Employee
Process evaluator	Management	Employee	Management
Who contributes	Management	Employee	Employee
Intended system output	New business unit or new market, product or cost reducing routines	New market, product or cost-reducing routines	New market, product or cost-reducing routines
Common unit of analysis	Organisation	Individual characteristics	Individual perceptions
Common research theme	How to persuade the employees to bring new business ideas up to the management level for approval/evaluation	How the intrapreneur overcomes resistance from his organisation in promoting his idea	Why the employee contributes with innovation to the employing organisation
Investigated	Organisational impediments and motivators	Personal traits	Organisational and personal impediments and motivators

### 16.5.1 Implications for Managers, Practitioners, and Policymakers:

Managers and practitioners should recognize that fostering innovation behaviour among employees involves a complex interplay of organizational and individual characteristics. Clear expression of organizational strategy is crucial for encouraging innovation behaviour, but it's important to understand that not all employees will respond in the same way. Policymakers involved in regional development programs should consider both organizational and individual factors when designing initiatives to promote innovation. Organizational factors like strategic awareness and empowerment distribution, as well as individual factors like proactiveness and preferences for incentives, should be taken into account.

### 16.5.2 Implications for Researchers:

Researchers should carefully consider the unit of analysis when studying innovation and change processes within organizations. The organization may be the appropriate unit for investigating organizational behaviour and the impact of strategic manifestations on employee innovation behaviour.

However, using the individual as the unit of analysis is suitable for understanding the reasons behind employees' participation in innovation behaviour and their responses to managerial challenges. Understanding the distinctions between intrapreneurship, corporate entrepreneurship, and employee innovation behaviour is essential for guiding research and drawing meaningful implications.

### **16.5.3 Future Research:**

Future research should explore additional facets of the innovation process and investigate moderators or mediators influencing innovation behaviour among employees. There is a need for a deeper understanding of how different forms of innovation behaviour are enabled and how entrepreneurial activities can be effectively organized within organizations. Further exploration of these topics will contribute to a better understanding of innovation behaviour and its impact on organizational competitiveness.

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