

## IDENTIFYING THE INTENSITY OF INTRAPRENEURSHIP WITHIN THE COMPANIES OF THE NORTHWEST REGION OF ROMANIA

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### ABSTRACT

*The 21st century is a turbulent and paradoxically century that puts much emphasis on competitiveness, encouraging companies to come up with new and innovative ideas. A way of stimulating innovation within companies, essential for the survival of any company is by recognizing entrepreneurial activities within existing companies (intrapreneurship). The purpose of our study is to emphasize the importance of intrapreneurship for the survival of a company, given the current economical situation. According to Morris (2001), there is empirical evidence showing the impact of intrapreneurship on the performance of the company but there are not many studies that analyze the actual existence of intrapreneurship within the company. In this respect we conducted our study on the companies within the northwest region of Romania and tried to diagnose the intensity of intrapreneurship within the Romanian organizational environment.*

**KEYWORDS:** *entrepreneurship, innovation, intrapreneurship*

**JEL CLASSIFICATION:** *D22, L21, L26*

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### 1. INTRODUCTION

The global economy creates without any doubt profound and significant changes for companies worldwide. The market is changing increasingly rapidly, technologies evolve and the only thing that seems to be truer now than ever is change. According to Peter Drucker, change is the only constant thing in the business world. To be able to cope with competition and to remain on the market, companies must comply with these changes, which tend to become part of their daily lives.

Companies in the 21st century are facing two immeasurable challenges. On the one hand, they need to be constantly innovative and ready for change, and on the other hand, they are expected to create a lasting identity, designed to draw attention in a world saturated by communication.

To stay competitive, companies need to bring something new to the market. The only way to achieve this is through continuous differentiation and innovation, whether it refers to the creation of new products and services, or it relates to the reorganization of processes or business models. This is actually the reason we have started our research, because intrapreneurship is a means through which companies can meet these challenges of continuous innovation.

The entrepreneurial spirit continues to thrive in almost all corners of the world. The entrepreneurs are the ones remodeling the business environment, creating a world in which their companies play an important role in the vitality of the global economy. But it is not always necessary to establish a firm in order to implement a new and innovative idea. Great potential lies in the application of the entrepreneurial principles within existing companies, which is called intrapreneurship, representing also our paper's area of interest.

Being motivated by the role and importance of intrapreneurship for companies we tried to investigate what exactly intrapreneurship implies, which are its peculiarities and characteristics. But

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before doing so we find it necessary to briefly review the entrepreneurship process as it is described in the literature.

## **2. CONCEPTUAL FRAMEWORK**

### **2.1. Entrepreneurship**

Even though the term entrepreneurship has been in use for more than 200 years, many authors that have tried to define it have conflicting views on the meaning of this term.

The concept of entrepreneurship has been used since the beginning of the 17th century in the French military history (fr. *Entreprendre*). Basically the term was used to describe a person who takes risks and it referred to a man in charge of organizing and conducting exploratory and military expeditions (Hisrich, 1990). Perhaps, this is the reason why, the term was originally translated into English as „Adventurer” or „Merchant Adventurer”.

Richard Cantillon was the first to put the concept of entrepreneurship in an economic context, in the year 1734. He called „entrepreneurs” those people who had the market opportunities to buy cheap and sell expensive, due to the mismatch between supply and demand on the market (Cantillon, 1931).

Later on, the term was used to describe people oriented towards risk, that were able to stimulate the economic process through new and better methods. Jean Baptiste Say (1776-1832) defined the entrepreneur, as person who coordinates the use of different inputs, a person who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield (Say, 1803).

Joseph Schumpeter describes the entrepreneur as someone who put knowledge into practice, which means that he does not literally have to invent something new. In Schumpeter’s view, the entrepreneur is driven by the desire to give life to his imagination. He is responsible for creating new things or creating already existing things in a different manner (Schumpeter, 1939).

Say-Schumpeter’s approach can be seen as a starting point for the contemporary definition of the concept of entrepreneurship.

In this regard, Peter Drucker has extended the definition of entrepreneurship focusing on the perception of existing opportunities. He defines an entrepreneur as a person who does not have to create something new but must perceive the existing knowledge as opportunities and turn them into reality by creating an organization. This perception based on opportunities underlies many contemporary definitions of the concept of entrepreneurship.

In doing this short inside into the literature of entrepreneurship we did nothing else than shape our way towards intrapreneurship, that is actually an entrepreneurship that takes place inside an already existing organisation.

### **2.2. Intrapreneurship**

The intrapreneurial concept was defined by Gifford Pinchot and Elizabeth S. Pinchot in 1978, when they were studying at the “School of Entrepreneurs” in New York (“I will call this class of entrepreneurs, intra-corporate entrepreneurs” Elizabeth S. Pinchot).

After Pinchot there were a couple of other authors who have expressed their opinion about this concept, however, despite the increased interest in the concept of intrapreneurship, scientists have not reached a consensus upon this concept. Researchers use terms such as intrapreneurship (Kuratko, 1990), internal corporate entrepreneurship (Schollhammer, 1982), corporate ventures (Ellis & Taylor, 1987), and new ventures (Roberts, 1980) to refer to different aspects of corporate entrepreneurship.

A closer insight into the literature reveals that different authors use different terms to describe entrepreneurial activities within an existing organization. In some cases, the same term is used by different authors to describe different things.

Some researchers believe that intrapreneurship is a concept that should be limited to creating new businesses within existing organization (Burgelman, 1984). But others support the idea that intrapreneurship should include the struggle for renewal, which bears large companies, new ways of combining the resources they hold (Baumol, 1986). We share the same opinion with Baumol, as we think that companies need to know how to make use of their resources and always bring something new to the market in order to cope with the competition that gets tougher day by day.

While dealing with the study of the concept of intrapreneurship we were continuously asking ourselves: Why is intrapreneurship suddenly more important today than before? In trying to give an answer to this question, we found out that the factors underlying the growing interest to intrapreneurship seem to revolve around two main poles, namely:

- New needs of employees, as intrapreneurship underlines the desire of being entrepreneurial and the entrepreneurial potential of a person;
- New needs of organizations situated in an extremely competitive environment, ensuring better exploitation of available resources in different fields.

Even though, as mentioned above, intrapreneurs benefit from using the resources of the organization for the implementation of the emerging opportunities, there are several motives why innovation is more difficult to implement in an existing organization, such as (Malek & Ilbach, 2004):

- *The size*: the bigger the organization the more difficult it is to have an overview of the actions of every employee
- *Lack of communication*: Specialization and separation, help in concentrating on the areas of interest, but hinder communication.
- *Internal competition*: Internal competition amplifies the problem because instead of sharing the knowledge with others it borders the knowledge sharing. Everyone wants to keep the information for themselves.
- *Feedback received in case of success/mistake*: Costs in case of failure are too great and the reward for a successful outcome too small. Intrapreneurs must be allowed to commit mistakes, because such mistakes are an inevitable part in the entrepreneurial process. The recognition of success is also very rare. No company provides payment in advance for what an entrepreneur might accomplish, but a lot of them like to talk about the concept of intrapreneurship and expected their employees to get involved and assume their risk. But finally, when motivated employees get involved and has success their only reward is a small bonus.
- *Dullness*: Many companies are slow and reluctant to change. Intrapreneurs bump many times into the well known sentence "We always did it this way", which leaves little or no space to creativity. The willingness to try new things appears only when the company's shortcomings become apparent, but even so they don't give room to an innovative leadership.
- *Hierarchies*: Organizational hierarchies compel employees to ask permission for actions that fall outside their daily duties. The more complex the hierarchy the more difficult it is to impose change. Hierarchies have also tended to create a short-term thinking. Employees on lower hierarchical levels have a "Victim-Mentality" due to a reduced area of action and reduced responsibilities.

Whenever we find innovation inside companies, we find behind them intrapreneurs that enable the emergence of these innovations. According to Pinchot and Pellman (1999:2), "any innovation, large or small, requires certain courage, vision and the desire to maintain control and to get things moving". Continues persistence and practical imagination of the intrapreneurs are essential for the success of any new ideas. Therefore, the key to intrapreneurship is hiring and keeping in the company the right people and also developing a performance-based reward system that encourages and supports individual initiative, generating and developing new ideas. Companies need intrapreneurs and an intrapreneurial culture if they want to grow and prosper. Companies do not

have these qualities automatically, but they requires people who are willing to be exposed to situations with uncertain results, which enjoy new, exciting although risky activities, people, who possess the ability to persuade others to contribute to their purpose (Van Aardt, Van Aardt, and Bezuidenhout, 2000).

Therefore, in an intrapreneurial organization, people should be seen as examples, and their efforts should be rewarded accordingly, so that the need to be innovative and explore new approaches in the future should become part of the organizational culture.

### 3. OBJECTIVES AND METHODOLOGY

The objective of this paper is to identify whether 1) intrapreneurship is influenced by the size of the organization and if 2) the companies in the northwest region of Romania have a culture that can support and promote intrapreneurship.

**H1:** In the current economical context intrapreneurship is not dependent of the size of the company.

**H2:** The companies in Romania have an organizational culture that is supportive of intrapreneurship, leading to a better innovation of the firm.

Concerning the methodology, we have decided on a quantitative analysis to gather as much information on the degree of development of intrapreneurship in Romania mainly in the northwest region of Romania. In order to do this, we have decided to do an analysis based on a survey, as the survey was able to allow us to gather a high number of information from a wide geographical area.

We have designed our survey based on three internationally applied and validated surveys, namely Corporate Entrepreneurship Assessment Instrument (CEAI), Intrapreneurial Intensity Index (III) and Innovation Climate Questionnaire. The survey is structured in two parts, of which the first part includes questions regarding the identification of intrapreneurship within companies and the second part is intended for information regarding the respondents.

As scaling technique for the survey we used a Likert scale, which is a scale with semantic support and in order to establish our sample size we used Taro Yamane's formula. We questioned a number of 184 managers of large companies as well as small and medium-sized companies.

To statistically process the raw data of our research we used the SPSS 17.0 application and MS Excel 2007.

The respondents for the survey were selected from large companies as well as small and medium-sized ones, from both production and service sector. The structure of our sample is presented briefly, as follows: Out of 184 investigated managers, 49% of all interviewed managers are from small and medium-sized companies and 51% from large companies. Regarding the production and service sector we can say that 57.6 % of interviewees are from the production sector and 42.4% from the service sector. All questioned managers are from all the six counties from the northwest region of Romania.

### 4. FINDINGS AND COMMENTS

Taking into consideration Malek & Ilbach (2004) opinion regarding the size of the organization, that can represent a drawback for intrapreneurship, we found in the literature different opinions regarding this aspect. Researchers such as Schollhammer, Burgelman, Pinchot, Kuratko, consider intrapreneurship as a phenomenon that exists only in large companies (Antonicic and Hisrich, 2001). Zahra and Pearce (1994) argue, however, that intrapreneurship is essential for small companies. Barringer and Bluedorn (1999) however think that intrapreneurship is vital to all companies regardless of their size, because through intrapreneurship companies manage to thrive in a competitive environment. We thus notice that the opinions related to the influence of the size of the company on intrapreneurship are different; therefore we tried to give an answer to this dilemma. In order to do so we used Pearson's correlation coefficient and obtained the following results, as shown in table 1.

**Table 1. Influence of the size of the company on intrapreneurship**

<b>Items</b>	<b>Size of the company</b>	
<b>Innovation within the company</b>	R value	.012
	Significance level (p)	.869
<b>Rewarding system</b>	R value	-.027
	Significance level (p)	.714
<b>Management support</b>	R value	.160*
	Significance level (p)	.030
<b>Organizational culture</b>	R value	.035
	Significance level (p)	.635
<b>Employees</b>	R value	.094
	Significance level (p)	.204
<b>Client satisfaction</b>	R value	.000
	Significance level (p)	.996

\*. Correlation is significant at the level 0.05 (2-tailed).

Based on table 1 we can see that the firm size is positively correlated only with the management support, where the R value of 0.160 and the significance level (p) of 0.30, are indicating a positive, though weak correlation between those two. This existing correlation between size and management support can be explained by the fact that big companies must continually come up with something new and innovative to be able to compete and stay competitive on the market. For this reason the management of the company supports employees in their intrapreneurial activity, trying to develop their entrepreneurial spirit and continually appreciating all their initiatives. Another interesting fact to observe is the R value of 0.000 between the variables size and client satisfaction, which is indicating that the two variables are not linearly correlated. In case of the other variables, like: innovation within the company, rewarding system, organizational culture and employees we can see that these are not influenced by the size of the company.

Even though there was a small correlation between the size of the company and the management support we cannot say that intrapreneurship is influenced by the size of the company as this was the only existing correlation. We can thus conclude that, companies irrespective of their size can be intrapreneurial.

As the culture is a determining factor and the first step in promoting entrepreneurship within an organization (Cornwall and Perlman, 1990) we tried to see 1) if the companies in the northwest region of Romania have such a culture that is able to support and sustain intrapreneurship and 2) if such an intrapreneurial culture, if existent, can increase the innovation within the company.

To test this we firstly analyzed the responses given by managers to the item organizational culture by using frequencies. The questions regarding the organizational culture were formulated taking into account the intrapreneurial culture in order to see if the companies in the northwest region of Romania nurture intrapreneurship.

**Table 2. Manager's opinions on organizational culture**

STATEMENTS	Strongly disagree	Disagree	Indecisive	Agree	Strongly agree
<i>Innovation is necessary for the future.</i>	-	-	8.2%	32.7%	59.2%
<i>Employees are the key of success of the company.</i>	-	-	4.1%	44.9%	51%
<i>Existence of communication between manager and employees is normal.</i>	-	2%	16.3%	55.1%	26.5%
<i>Teamwork is encouraged.</i>	-	10%	28.6%	38.8%	22.4%
<i>Freedom of employees to use their own judgment.</i>	4.1%	16.3%	42.9%	24.5%	12.2%
<i>Freedom of employees to use their skills.</i>	-	6.1%	28.6%	42.9%	22.4%
<i>The rare use of employees of the same methods in doing their job.</i>	8.2%	20.4%	38.8%	22,4%	10.2%

According to table 2 we can see that the companies in the northwest region of Romania have an intrapreneurial culture, where innovation is being considered as very important for the future of the company and employees are seen as the key factors of success. More than 80% of the investigated companies say that the communication between managers and employees is existent within the Romanian companies, and over 60% of them are focused on teamwork. Although about 65% of the investigated companies offer employees the freedom to use their skills, only 34% of them offer them the freedom to use their own judgment, which to some extent limits the freedom of employees to come up with new and innovative ideas at their workplace. We can say, however, based on the results that the companies from the northwest region of Romania have an organizational culture that is able to support and sustain intrapreneurship. All the investigated companies have an intrapreneurial culture that is able to develop vision, goals, action plans; that gives the employees the freedom to try something new, to experiment, to create and develop ideas regardless of their position inside the company and to reward them accordingly.

Furtheron we want to see if this intrapreneurial culture can increase the innovation within the companies, the more so as we have seen that innovation plays a very important role within the companies. In order to see if this is the truth we used Pearson's correlation coefficient that gave us following results, as shown in table 3.

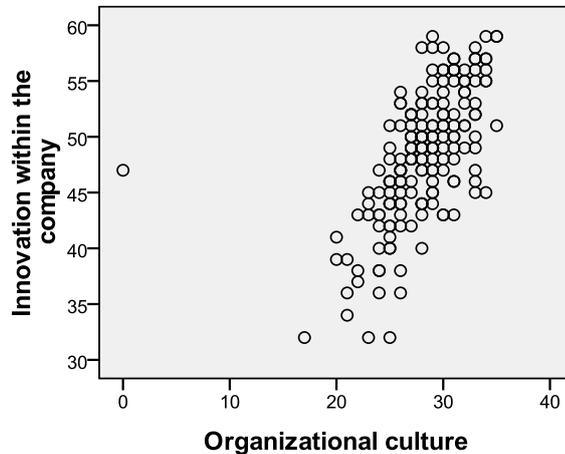
**Table 3.**

		Organizational culture
<b>Innovation within the company</b>	R value	.574**
	Significance level (p)	.000

\*. Correlation is significant at the level 0.01 (2-tailed).

**Correlation between innovation and organizational culture**

According to table 3 we notice that the significance level ( $p$ ) is 0.000, which allows us to state with a probability of 99% that the organizational culture influences the innovation of the firm. Pearson's correlation coefficient is 0.574, which shows a mild and positive correlation between the two variables.



**Graph 1. Scatter plot of correlation between innovation and organizational culture**

In conclusion we can confirm that the companies from the northwest region have an intrapreneurial culture that supports and increases the innovation within companies. In this context, it is worth mentioning that those companies who offer their employees the freedom to use their skills are more likely to success as they see the importance and potential of their employees. The employees are actually the company's drivers towards success, as they are the ones who bring innovative ideas to the company.

## 5. CONCLUSIONS

The paper attempts to emphasize the importance of intrapreneurship for any company and to analyze the existence of intrapreneurship within the companies of the northwest region of Romania. Unlike small and medium-sized companies, large companies put more emphasis on developing innovative products and services, offering rewards to employees for their ideas, but they do not offer employees the freedom to be spontaneous as small and medium-sized companies do. Despite these small differences we can state that the size of the company does not influence in any way intrapreneurship.

All companies from the northwest region, regardless of their size or their domain of activity, have an intrapreneurial culture that puts great respect on employees, because these are the ones that through their innovative ideas manage to increase the company's competitiveness.

Intrapreneurship plays an important role in a modern and dynamic economy. The failure of an intrapreneur strongly affects society, if we consider the lost opportunities and the resources consumed. It is therefore necessary to better understand the importance of intrapreneurship not only for the companies but for the global economy, because intrapreneurship is a key element to the future and ongoing sustainability of companies.

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