Intrapreneurship and Productivity of Companies

Ekeh, Ojotu Loveday¹ and Armstrong Emmanuel Ogidi²

¹Department of Business Administration/ Management, Benue State Polytechnic, P.M.B. 01, Ugbokolo, Benue State, Nigeria
²Department of Agribusiness, College of Management Sciences, University of Agriculture, Makurdi, Nigeria

This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unsupported License http://creativecommons.org/licenses/by-nc/3.0/, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

Submit your articles to arcjournals@africaresearchcorps.com

Intrapreneurship and Productivity of Companies

Ekeh, Ojotu Loveday¹ and Armstrong Emmanuel Ogidi²
¹Department of Business Administration/Management, Benue State Polytechnic, P.M.B. 01, Ugbokolo, Benue State, Nigeria
²Department of Agribusiness, College of Management Sciences, University of Agriculture, Makurdi, Nigeria

Abstract: The aim of this research work is to examine the effect of intrapreneurship on organizational productivity of companies. To this end the following objectives among others were set to examine the effect of intrapreneurship on product service, analyze the effect of intrapreneurship on increased product volume. The methodology adopted for this study was secondary sources of information from sources such as journal articles, books, online source etc. The study found that intrapreneurship and product/customer service orientation are not directly linked to each other and that their variables operate in different dimension and also results of the study provided an overall view of various service sector organizations’ intrapreneurial ability, outlook and explored the effect of intrapreneurship on organizations’ overall product volume performance. It was recommended among others that in order for corporate organizations to increase their growth and profit, they should allow employees to contribute relevant ideas, introduce changes and bring in innovative strategies.

Keywords: Companies, intrapreneurship, productivity

1. Introduction

The current economic environment is getting progressively more competitive, demanding and challenging for most organizations. Organizations are currently witnessing a significant rise in globalization trends and revolutionary changes in technology (Mokaya, 2012). Baruah and Ward (2014) posit that the revolutionary changes in technology give rise to several organizational complexity and in order to survive, and be successful, organizations need to tackle them by constantly working on their products, services and business model to maintain a competitive advantage.

Ayudurai and Sohail (2005) contend that if intrapreneurship can be used as a competitive tool, then its development and significance must be explored and highlighted. The increasing demand for faster product development, more features in smaller products, higher and uniform quality, stability and lower prices, demands for an entrepreneurial and flexible company with the right environment and systems that stimulate entrepreneurship in its employees (Christensen, 2004).

Intrapreneurship involves looking for creative answers to problems the organizations are facing, like designing new products, development of new approaches and policies, designing and redesigning organizational structures and systems to enhance organization productivity (Sathe, 2003). In modern business setup, corporate managers are unanimous in their desire to make their
employees and organizations more entrepreneurial (Marcus, Tesolowski, and Isbell, 2000), as high intrapreneurial intensity results in better performance (growth and profitability). Results include new products and services, improvement of old ones; new and improved processes and systems which improve efficiencies (Pierce, Kovosta, and Dirks, 2001; Ogidi, 2014).

In June 7, 2012, Singapore, Olam International Limited, a leading global, integrated supply chain manager and processor of agricultural products and food ingredients, announced that it had acquired 100% equity interest in Kayass Enterprises (Olam, 2012; Ogidi, 2014). Dutch multinational Heineken acquired a 54.2% stake in Nigerian Breweries in 2000; raising Nigeria Breweries installed capacity to about 10 million hectoliters, which accounts for over half of Heineken’s beer production capacity for the Middle East and Africa region (Corporate Nigeria, 2011; Ogidi, 2014). Due to competition in the fast growing soft drinks market, producers substantially increased their spending on advertising and promotional activities to attract consumers; there is also a growing trend among producers to use Tetra Paks (Euromonitor International, 2012; Ogidi, 2014). Sabeanat Nigeria Limited introduced its Moore Margarine into the market at various levels such as trade fairs and research marketing, the company was bold to say that “our product is right for the market and we shall devote our energies to gain proper consumers insight and then evolve strategies that will meet every aspect of the consumer needs” (The Guardian, 2011; Ogidi, 2014). The success of La Casera, in the use of PET bottle format in Nigeria, is driving the trend among other producers, with Lucozade Boost in sports and energy drinks also offering this format, having previously been dominated by can and Tetra Pak packaging (Euromonitor International, 2012; Ogidi, 2014). Olam Nigeria Ltd’s vertical coordination strategy with USAID and African Enterprise Challenge Fund (AECF) has ensured integrated rice farming and rice processing projects in Kwara State, Nigeria (Devex, 2012; Ogidi, 2014). Therefore identifying and fostering intrapreneurship within a firm is justified precisely because the Intrapreneur will develop new products and ideas, which will ultimately improve the firm’s performance.

1.1. Statements of Problem
Marcus, Tesolowski, and Isbell (2000) found out that in a large organization, problems often occur that demand creativity and innovation, particularly in activities not directly related to the organization’s main mission. The problem of competition has always plagued businesses. Losing the brightest people to entrepreneurship is escalating due to the rise in terms of status, publicity, and economic development and the rise of venture capital in financing new projects. The modern corporation is forced into seeking avenues for developing in-house entrepreneuring.

There is an increasing interest in doing one’s own talents and doing it one’s own terms. Individuals who believe strongly in their own talents frequently desire to create something of their own. They want responsibility and have a strong need for individual expression and more freedom in their present organizational structure. When this freedom is not forthcoming, frustration can cause that individual to become less productive or even leave the organization to attain self-actualization elsewhere. This new search for meaning, and the impatience involved, has recently caused more discontent in structured organizations than ever before. When meaning is not provided within the organization, individuals often search for an institution that will provide it. Intrapreneurship is one method of stimulating, and then capitalizing on, individuals in an organization who think that something can be done differently and better (Robb, 2005).
The obstacles to corporate entrepreneuring usually reflect the ineffectiveness of traditional management techniques as applied to new-venture development. Some of these problems according to (Sathe 2003 are stated thus: i) Companies do not tie their visions to the realities of the market place, ii) companies fail to keep the total organization flat and project teams small, iii) on-innovative managers do not encourage several projects to proceed in parallel development, iv) failure of learning and investigation of ideas to cut across traditional functional lines in the organization and v) failure of an enterprise to use groups that function outside traditional lines of authority.

1.2. Objectives of the Study
The main objective of this study is to examine the effect of intrapreneurship on organizational productivity of companies. Specifically, the study’s objectives are to:

a) examine the effect of intrapreneurship on product service;

b) analyze the effect of intrapreneurship on increased product volume; and

c) assess the effect of intrapreneurship on reduced costs of operations

d) analyze the effect of organizational culture on intrapreneurship

2. Methodology of the Study
The methodology adopted for this study was secondary sources of information from sources such as Journal articles, books, lecture notes and online sources. However, conceptual, theoretical and empirical frameworks will be identified to achieve the objective of this study.

3. Review of Related Literature

3.1. Conceptual Framework
3.1.1. Concept of Intrapreneurship
Zahra, (1993) defines Intrapreneur as "a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation. The term intrapreneurship is derivative of a amalgamation of "intra" and "entrepreneurship – describing the practice of entrepreneurship within organizations. Today, this term has become a synonym for organizations that foster innovative culture to avail opportunities, implement actions and produce new innovative products and services.

This term is attributed to Pinchot (1985: 64) who used it in his book, “Intrapreneuring: Why You Don't Have to Leave the Corporation to Become an Entrepreneur.” He gave the term intrapreneur regular meanings; a person who concentrates on creativity, originality and innovation and who transforms a vision or an idea into a gainful undertaking, by operating within the organizational environs (Ottih, 2014). In practice, the term intrapreneur means an individual who has entrepreneurial skills and uses them within an organization innovatively (Pinchot 1985). Authors, like Kuratko and Hodgetts (1990), has given more elaborated descriptions of this term. They view intrapreneurship as “a way of exciting innovation within the company using the creative talent of the workforce by providing them needed wherewithal and freedom to act within the organization” (Antoncic and Hisrich, 2004: 63).

The concept has its roots the beliefs that successful incorporation of swift and efficient
innovation is the principal basis of durable competitive advantage in the contemporary times, leaving the organizations with no option but to innovate well or cease to exist. Birger (2003) agrees with the observation and suggests that introduction of the concept of intrapreneurship will allow the managers to foresee the new developments likely be effecting their organizations, and thus, incorporate these developments into their strategic plans for maintaining the competitive advantage.

Robb (2005) expresses similar beliefs saying that the successful organization of tomorrow must cultivate culture of innovation or become ready for extinction. He further says that only those organizations will be successful which maintain their flexibility, persistently enhance quality of their product, and beat their competitors with a relentless course of pioneering products and services. Research in the field of intrapreneurship, however, has been somewhat limited especially in the production sector of Nigeria where only few studies have been conducted to analyze the adaptability and the potential success of organizations that claim to encourage intrapreneurship.

The literature mentions a range of measures for individuals’ creativity in organizations. Examples include a three-items measure by Birger (2008), a nine-item measure by Vesper (1984) and a 13-item measure by Zhou and George (2001). Their items predominantly relate to divergent behaviours such idea generation and the exploration of sources of opportunity. The notion of intrapreneurship is clearly derived from the concept of independent entrepreneurship. A definition of intrepreneurship by Brazeal, (1993) is: Increased consensus has been attained on the concept of entrepreneurship as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regard to either resources (human and capital) or the location of the entrepreneur – in a new or existing company (Brazeal, 1993). Distinguishing non-entrepreneurship behavior to entrepreneurial behavior it can be seen as the management of existing activities. Entrepreneurial behavior on the other hand drives a process of emergence, of organization formation and innovation.

The broadest definition of the concept intrapreneurship is entrepreneurship within an existing organization. Intrapreneurship research has evolved into three focal areas: the individual intrapreneur and its characteristics, the formation of new business ventures within a corporation, and the entrepreneurial organization with characteristics of such organizations (Antoncic and Zorn, 2004). Different names and nuances for the concept have been introduced and are still used. The mostly-used ones are corporate entrepreneurship (Vesper, 1984) and intrapreneurship (Pinchot, 1985). Intrapreneurship can be seen as the abstract process of entrepreneurship and entrepreneurial behavioral intentions within companies of all sizes and at different levels within organizations (individual, team, and organization), while corporate entrepreneurship is more likely to reflect the entrepreneurship at a corporate level at a relatively large enterprise (Antoncic and Hisrich, 2001).

According to Antoncic and Zorn (2004) a proposed definition should be activity-based, activity-oriented concept that operates at the organizational boundary and stretches current organizational products and services, technologies, norms, orientations, structures, or operations into new directions. Each organization has a certain level of intrapreneurship in a continuum, ranging from the theoretical extreme cases of non-intrapreneurial to completely intrapreneurial organizations (Antoncic and Hisrich, 2001). This indicates that the level of intrapreneurship should be measurable.
The concept of intrapreneurship is spanned by a set of dimensions that are not redundant and that as set show both a convergent and discriminant validity. Since the start in research on intrapreneurship, modeling of the concept intrapreneurship has been done with different (sets of) dimensions as a base. Dimensions of sets that have been used before can be listed as follows (Antoncic and Zorn, 2004); New ventures (including autonomy), new businesses, product/service innovativeness, process innovativeness, self-renewal, proactiveness, and competitive aggressiveness.

Further integration of dimensions into a spanning set for intrapreneurship gives the four dimensions that describe the concept intrapreneurship and that can be used in an intrapreneurship-measurement model (Antoncic and Zorn, 2004):

i. **New business venturing**: the creation of new businesses that are related to existing products or markets regardless of the level of autonomy of the new business. This can mean the redefinition of the company’s products or services and/or development of new markets (Zahra, 1991).

ii. **Innovativeness**: this refers to product and service innovation with emphasis on development in technology. It can be seen as the frequency and extensiveness in new product or service development, product or service improvement, new production methods and procedures, use of new technologies (Covin and Slevin, 1991).

iii. **Self-renewal**: the transformation of an organization through renewal of the key ideas on which it is built. It has strategic and organizational change connotations and includes the redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation (Zahra, 1993).

iv. **Proactiveness**: this dimension is taking initiatives and to lead instead of to follow others in key areas like introduction of new products or services, operating technologies, and administrative techniques. The dimension includes sub-dimensions initiative- and risk-taking, competitiveness aggressiveness, and boldness. A proactive strategy can mean to aim for a bold, directive, opportunity-seeking style with aspects of risk-taking and experimentation. (Covin and Slevin, 1991; , Lumpkin and Dess 1991).

The concept intrapreneurship has been placed in a framework model with antecedents and consequences (Antoncic and Hisrich, 2000; 2001). The two main sets of antecedents are the environment and organizational characteristics in which the company operates. These two antecedents tend to be related (Antoncic and Hisrich, 2001). As a system the three concepts interact and work together and cause a level of intrapreneurship. In turn the level of intrapreneurship has a proven consequence in firm performance (growth and profitability).

3.2. Theoretical Framework
3.2.1. Theory of Psychological Ownership in Organizations
There is a large literature on psychological ownership in organizations (Pierce et al. 2001). Pierce et al. (2001) defines psychological ownership as the state of mind in which individuals feel as though the target of ownership (material or immaterial in nature) or a piece of it is "theirs" (i.e. "It is MINE!"). Psychological ownership is distinct from legal ownership in the sense that...
legal ownership is objectively acknowledged and protected by the law, while psychological ownership is a subjective feeling. Legal and psychological ownership may evidently go hand in hand, but this is not necessarily the case. Pierce et al. (2001) see three main 'routes' to psychological ownership in organizations. The first is having control of one's job, project or other organizational factor. Control provides feelings of efficacy and effectiveness. The other routes are through investing one's time, ideas and energy in the specific organizational factor and through acquiring intimate knowledge of it. These latter routes contribute to enhancement of self-identity and to feelings of 'having a place'. Psychological Ownership (PO) also has behavioural effects. First, PO creates a perception of 'rights to information'. This may result in active information seeking behaviour. It also creates a sense of responsibility which have been shown to promote behaviours like stewardship and organizational citizenship behaviour (also see below).

Second, PO moderates the reactions to change. According to Pierce et al. (2001), psychological ownership promotes self-initiated, evolutionary and additive change, but it produces resistance to imposed, revolutionary and subtractive change. Although we have found no cross-references between the literatures of intrapreneurship and psychological ownership, these two phenomena seem related. In particular, intrapreneurial activities, through control and autonomy, self-investment, and the acquisition of intimate knowledge, will often create feelings of psychological ownership of one's project. These feelings may in turn be conducive to further changes following from these activities, thus creating a virtuous circle strengthening an intrapreneurial initiative. In that sense, the intrapreneurial process may certainly harbor elements of psychological ownership.

3.2.2. Theory of organizational citizenship behaviour
Organizational citizenship behaviour is a special type of work behaviour defined as individual behaviours that are beneficial to the organization and are discretionary, not directly or explicitly recognized by the formal reward system. These behaviours are rather a matter of personal choice, such that their omission is not generally understood as punishable (Organ, 1988). OCB is composed mainly of two factors: compliance and altruism (Sathe, 2003). Like proactive and innovative behaviour, OCB goes beyond direct role requirements, and can be seen to contribute indirectly to organizational effectiveness. OCB yet has some distinguishing features which actually exclude it as an element of intrapreneurship. As mentioned, two forms of OCB are compliance and altruism.

Compliance has a more passive connotation, for example, conscientiousness in attendance (‘does not take extra breaks’), adherence to rules, and so forth. In contrast, the concepts of proactivity and innovativeness imply ignoring or even being somewhat rebellious toward existing rules and regulations. OCB takes the framework of the supervisor as the starting point: How helpful is the worker from the supervisor’s perspective? However, supervisors who are good at OCB may at the same time fail to support intrapreneurship and even punish active approaches. As for altruism, although conceptually related this is not necessarily self-started behaviour. For example, if a worker asks another for help and the second person complies, this is an act of altruism, but not proactive (Sathe, 2003). The theory of psychological ownership in organization by Pierce et al (2001) is very relevant to this study and is here by adopted for this research.
3.3. Empirical Review of Related Works
A number of empirical studies have been conducted in the areas of intrapreneurship and organizational performance in production and service sector. Among these studies is the work done by Peter, Simon and Wim (2013) who conducted a study on internal factors that stimulate intrapreneurship in large corporations. This paper reports a study on intrapreneurship in organizations of different sizes. Two indicators for intrapreneurship were developed. A first indicator to measure the perception of the organizational conditions, and the second indicator for intraprenerial behaviour. A questionnaire was set out among 711 companies of different sizes of which 156 valid responses were received (response rate 22%). The results of this study shows that in organizations with an interest of management for intrapreneurship there are higher levels of intrapreneurship perceived as well as that the organizational conditions are more favourable. Higher budgets for Research and Development do have an effect on the organizational conditions but not on intrapreneurial behaviour; in other words, perceived better conditions does not lead to higher levels or more intrapreneurship. This study is relevant to the present study because, it seek to find out how employees’ behaviour affects organizational productivity. Views and the opinions of previous studies have not address the effects of intrapreneurship on organizational productivities of companies in north central Nigeria. Thus, this has created a gap in knowledge which this study intends to fill.

3.3.1. Effect of Intrapreneurship on Product Service
A study by Arthur and Van der Meer (2011) emphasized that the question whether perceived level of product service of a production company (Suriname) can be influenced by improving level of corporate entrepreneurship (intrapreneurship) in that company. An entrepreneurship-driven adhocracy culture should be the best cultural option to support customer service. Both customer orientation and intrapreneurship have been proven to increase economics productivity. Improvement of productivity in production industry could support Suriname in becoming more competitive internationally. This leads to the hypothesis that intrapreneurship and its main variables pro-activeness, self renewal, innovativeness, new business ventures will be positively correlated to customer service orientation perception. Companies with a relatively high level of intrapreneurship consequently have a relatively high level of perceived customer product service orientation. Within 7 Surinamese production companies, 50 filled intrapreneurship questionnaires and 355 filled customer orientation questionnaires were gathered. Quantitative analysis was done by means of structural equation modeling calculation on a construct of external environment, internal organization, intrapreneurship, and perceived customer product service orientation. It appears that factors intrapreneurship and customer service orientation are not directly linked to each other and that their variables operate in different dimensions. Both dependent factors have a link with independent factor internal organization. Within factor internal organization variable environmental scanning has a positive impact on intrapreneurship and variables formal controls and competition-related values have a negative impact on factor perceived customer orientation. There is an indication that there might be a weak and maybe complex relationship between intrapreneurship and customer product service orientation with impacts within multiple dimensions of variables. Based on present results the hypothesis is rejected with careful recommendations for further research and further testing with more data and in another context.

Effective stimulation of intrapreneurship can be done by giving a special focus to
improvement of environmental scanning. For stimulation of customer orientation, organizational formal controls and organizational internal competition should be handled with care since these can have a negative impact on customer product service orientation. Formal controls should be focused on results and team work rather than on processes and individuals.

### 3.3.2. Effect of Intrapreneurship on Increased Product Volume

The purpose of the study by Khan, Budhwani and Shaikh (2011) was to identify the level of existence of intrapreneurship among the production sector organizations in Pakistan. The study entailed evaluation of awareness among the organizations' members regarding the concept of intrapreneurship, the determinants of intrapreneurship in these organizations and role of intrapreneurship in determining the increased product volume profitability of those organizations. Existence and prospects of intrapreneurship among the Pakistani organizations were sought in the backdrop of increasing dynamism in business world that makes for them mandatory to become adaptive to new ideas, approaches and attitudes. Hence fast and cost effective innovation has become imperative for organizations that want to maintain their competitive advantage and leadership in the industry. The study sample comprised of 15 large organizations selected randomly from productions sector. 100 questionnaires were distributed among 6-8 employees from the selected organizations. Return on the questionnaires was 66%. Results of the study provided an overall view of various service sector organizations' intrapreneurial ability and outlook and explored the impact of intrapreneurship on organizations' overall product volume performance. The practical implication of the study is believed to be useful in ascertaining adaptability of firms to foster and implement innovativeness in response to their changing external and internal environment and its impact on increased product volume performance.

### 3.3.3. Effect of Intrapreneurship on Reduced Costs of Operation

A study conducted by Mokaya (2012) emphasized that corporate entrepreneurship has been of interest to scholars and practitioners due to its beneficial effect on firm performance and reduced costs of operations. It is a concept that is fast gaining importance and is the panacea of the future for corporate organizations operating in a dynamic and competitive environment. The quest for competitive advantage and improved performance can be found in lower costs, higher quality, and better services. It also lies in adaptability, flexibility, speed, aggressiveness and innovativeness, all aspects of intrapreneurship. The increasing demand for faster product development, more features in smaller products, higher and uniform quality, stability and lower prices, demands for an intrapreneurial and flexible company with the right environment and systems that stimulate intrapreneurship in its employees. The concept of intrapreneurship is characterized by new business venturing, innovativeness, self-renewal and pro-activeness. In a supportive environment, employees have the opportunity to work independently, are given tremendous latitude and are expected to generate and implement new ideas to enhance firm performance. Firm performance as a result of corporate entrepreneurship results from development of new products and services, improvement of old ones; new and improved processes and systems which improve efficiencies. Therefore, firms with high corporate entrepreneurial intensity experience better performance in form of reduced costs of operation.

The study by Khan, Budhwani and Shahikh (2011) and that of Mokaya (2012) are very
relevant to organizational productivity and intrapreneurship development. On this account they are adopted for this study.

4. Conclusion and Recommendations

4.1. Conclusion
Failure of corporate organizations to be innovative in the art and science of encouraging their employees to experiment could lead to two things; it is possible that the individual worker entrepreneur fails in his experiments and increase costs or there could be a breakthrough that could springboard the organization to higher heights. Inadequate attention to workers’ needs and aspirations to explore has installed mistrust in the hearts of the staff over the years. This has increased the rate of turnover in many multinationals as workers tend to resign and go it alone after making it big in such organizations. They feel the need to do something special and want to feed that yearning desire to do more or what they think is new and profitable. In the confines of their former organizations this could be impossible as guidelines and corporate policy do not give them such privilege. Studies show that intrapreneurship has a positive impact on corporate growth and corporate profitability, which will enhance the spirit of entrepreneurship within organizations and improve the image and reputation of corporate organizations. Thus the organization is seen to be unique and distinct from others in the same industry, because of its ability to think outside the box. This also proves that intrapreneurship ensures long-term and mutually beneficial arrangement between corporations and their staff. The effect of new business venturing, proactiveness, organizational innovativeness, self-renewal and proactiveness is significant in improving corporate growth and profitability on the long run.

4.2. Recommendations
From our conclusion, the study came to the following recommendations for stakeholders:

i) Corporate organizations should allow their highly competent staff who have entrepreneurial abilities to explore new business ventures that could impact on corporate growth;

ii) Organizational innovativeness should be one of the indices that corporate organizations should look out for in hiring workers, the ability of these competent staff to think outside the box could one day serve a very useful purpose in solving a problem;

iii) In order for corporate organizations to increase their growth and increase their profits, they should allow workers to contribute relevant ideas, introduce relevant changes and bring in innovative strategies;

iv) Corporate organizations should allow proactiveness among staff, because some workers are good in preventing mistakes and damages from happening before they are corrected – this would save costs while the organizations continue to pursue her objectives.

References
Intrapreneurship and Productivity of Companies


