

## Entrepreneurship and Intrapreneurship : How Supporting Corporate Performance

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### ABSTRACT

Along with the development of the concept of entrepreneurship, the use of the concept of corporate entrepreneurship is still not a horrendous trend for companies in Indonesia. Using the concept of corporate entrepreneurship, or even for companies that have started to develop using intrapreneurship programs, they begin to allocate time for employees to work by allocating their time to be able to create innovative ideas, products and services. The important elements in corporate entrepreneurship are new business venturing , innovativeness, self-renewal, proactiveness. Based on corporate entrepreneurship the company can find out how its role in the corporate performance, which can be described from the level of corporate profitabilities and the growth rate of the company. This research is conceptually to see the difference between entrepreneurship and corporate entrepreneurship or called intrapreneurship, and its role in supporting corporate performance. It is expected that the application of the concept of corporate entrepreneurship can survive and can even improve corporate performance in various conditions.

Keywords: Entrepreneurship, corporate entrepreneurship, corporate performance

### 1. INTRODUCTION

The industrial world is now an era of competition characterized by intense competition among old players and then the emergence of new competitors who also have the same target segment. So that changes in the company environment will require companies to be entrepreneurial to take advantage of business opportunities and to be able to develop them. If the company tends to be less developed or does not periodically develop it, does not use technology and does not adapt to existing technology, there is a possibility that the company will be increasingly unable to compete and will be eliminated from the industrial competition market.

Many companies have succeeded in trying to develop entrepreneurship into their company and become a "modern" company that has made a successful new approach to innovation, creating new businesses and achieving profitable growth. So that change, innovation and entrepreneurship are behind the success of the company to be able to survive and become a winner in industrial competition (Dhewanto, 2013). The main problem is not whether the company creates an entrepreneurial climate within the company, but rather refers to what the company can do to foster an entrepreneurial climate (Schuler, 1986).

Drucker (1985) revealed that the essence of entrepreneurship is innovation, so it is natural for companies to carry out their activities leading to a process of creation or

innovation. Development conditions in the era of globalization can force companies to get out of their comfort zones and compete on the brink of bankruptcy. It is undeniable that this business or entrepreneurship can be a solution to the problem above. Through entrepreneurship consistently new and fresh ideas emerge, which make the business more dynamic, help economic growth and create jobs. For countries that are in dire need of economic improvement, especially in the real economy, they must be able to create and increase the number of entrepreneurs significantly. The company must be able to survive and face obstacles, especially with the emergence of foreign competition, technological change, accompanied by a decrease in the number of workers and the quality of labor and other problems as a threat.

Intrapreneurship is a term introduced by Burgelman (1983) and made prominent by Gifford Pinchot (1985), where Pinchot put forward the terms "intra" and "preneurship" (taken from the word entrepreneur). Since then the word intrapreneurship has become another form of the word corporate entrepreneurship. Pinchot suggests and provides guidance for individuals to be able to give birth and develop ideas to be transformed into business ventures. Intrapreneurs as "people who focus on innovation and creativity and who turn dreams or ideas into profitable businesses, operating in an organizational environment (Pinchot, 1985).

Many people see that "intrapreneurship" is an interesting concept, but it is full of danger. The need for innovation in organizations is a topic that is much debated at the moment because entrepreneurship has finally caught the world's attention. If entrepreneurial companies change the business paradigm and make us see products and services in different ways, then why organizations that do not have extraordinary wealth and extraordinary resources can drive innovation more easily. All of that can certainly be done by changing the way of thinking from the traditional to the creative thinking that leads to the innovation process. They combine entrepreneurial concepts with corporations so that they become the company's strategy. The concept of corporate entrepreneurship or intrapreneurship in a company can increase company income and be able to make the company survive in difficult economic conditions (Kanter, 1989).

Intrapreneurship, or commonly known as corporate entrepreneurship, is well known and applied both by public companies and private companies around the world, growing from the United States, Europe, Africa to Asia. Examples of companies that have begun to use the concept of corporate entrepreneurship since the 1990s, such as 3M, Apple, GE, Ibm, Intel and Toyota. Or Transcorp, Indofood and Telkom companies, they have successfully implemented the intrapreneurship concept, by allocating their employees' time to work creating innovative ideas, products and services. In accordance with the basic concept of intrapreneurship itself is to create an entrepreneurial climate within the company by encouraging the innovation process to employees. Employees are conditioned to improve conventional ways of thinking by motivating them to be able to create new ideas for companies by utilizing company resources or creating truly new products. In accordance with Drucker's statement (1985) that the essence of entrepreneurship is innovation.

Along with the development of the concept of entrepreneurship, the use of the concept of corporate entrepreneurship is still not a horrendous trend for middle Indonesian companies. Although many large Indonesian companies have adapted the concept of entrepreneurship but the concept of corporate entrepreneurship is not too popular, with a variety of reasons behind it. Because of the success of the company there needs to be a complementary collaboration between lines of companies so that the company is able to master dynamic changes.

## 2. REASEARCH PURPOSE

This study aims to know conceptually the difference between entrepreneurship and corporate entrepreneurship and its role in corporate performance.

## 3. ENTREPRENEURSHIP AND INTRAPRENEURSHIP

The discussion of corporate entrepreneurship is certainly very closely related to the term entrepreneurship. There are several views on the notion of entrepreneurship. Schumpeter (1949) in the writings of Luchsinger & Bagby (1987) explains that an entrepreneur is someone who dares to take risks, take initiative, and not depend on others. Vesper (1980) states that the type of entrepreneur is self employed individuals, team builders, independent innovators, pattern multipliers, scale exploiters economy, acquirers, conglomerators, and speculators (Luchsinger & Bagby, 1987). Entrepreneurs are seen as people who are flexible, creative, autonomous, problem solver, need achievement, imaginative, believe in control of one's destiny, leadership, working hard, initiative, persuasion, moderate risk taker, Erkkila (1990). This shows that entrepreneurship will never be separated from individual traits. And of course these traits are influenced by the social system, experience, education, and potential that they have.

A person who organizes, manages, and assumes the risk of a business or enterprise is an entrepreneur (Steinhoff, Dun; Burgess, John F, 1993: 35), it means entrepreneur is an individual who risks financial, material and human resources, a new the way to create new concepts or opportunities within an exiting firm. Entrepreneur is to have the same meaning as "small business owner manager" or "small business operator". So when described in general the meaning of an entrepreneur can be defined as someone who organizes, organizes and estimates the risks of a business or business.

Like entrepreneurship, Intrapreneurship is also a formal or informal activity that aims to create new business in the company through product and process innovation, as well as market development (Zahra (1991). Intrapreneurship is described as an innovation instrument that helps create new competencies and access new markets (Maier , Veronica., Zenovia, Cristiana Pop., 2011). To find out what is meant by corporate entrepreneurship or intrapreneurship, Morris and Kuratko (2002) define intrapreneurship as a term used for medium and large companies that have entrepreneurial nature. Intrapreneurship can also be interpreted as a process where an individual or group creates a new business within a company, revitalizes and updates a company, or creates an innovation (Dess, Lumpkin & McGee, 1999; Sharma & Chrisman, 1999). It can also be said as a process to renew the company, Sathe (1989). Or as a corporate strategy update (Guth and Ginsberg, 1990). This can be done by acquisition, making major changes in the operational system, both marketing and distribution, and product development.

Innovation is needed in creating intrapreneurship, as well as flexibility. In companies that have too strict bureaucracy, making companies less flexible and ultimately unable to create intrapreneurship in the company (Luchsinger & Bagby, 1987). Therefore, for companies intending to create the soul of intrapreneurship they should have characteristics: Practicing the principle of entrepreneurial management which fosters a climate of innovation, not too strict and vertical bureaucracy, and encourages intrapreneurship and innovation activities among employees (Scott, Rosa

and Klandt, 1998). Intrapreneurship provides an opportunity for employees to innovate and be creative in showing their own condition and self-achievement. This shows the existence of several important things in intrapreneurship: namely an intrapreneur will have a strong vision and commitment so that he can work seriously to advance his company, an intrapreneur will tend to talk with actions and results so that the workplace will be like his own organization, and therefore an intrapreneurs can be a conversation partner and discussion for the owner of the company.

Intrapreneurship can be concerned from two aspects: 1. Intrapreneurship is a set of good business practices that give full credit to people with entrepreneurial personality to innovate quickly in large organizations, not only for the benefit of the latter, but also that of the consumers/clients. 2. Intrapreneurship encompasses individual actions or/and team actions that behave in an entrepreneurial manner, in order to serve the interest of very large companies and supply chains, with or without official help (Pinchot, 2010).

Nielsen et al. (1985) states that, although Pinchot is the one who invented the notion of intrapreneurship, economists like Chandler, Williamson and Baumol changed the classical and neoclassical principles of the market economy. They also believe that intrapreneurship is more apt for large corporations and it is best applied to dynamic environments (Hathway, 2009).

Companies must be able to treat their employees well, by providing rewards as appropriate as an entrepreneur, to appreciate their commitment to the company. (Dees & Lumpkin, 2005) That they only hope to get fair compensation for the values / results they have provided for corporate stakeholders.

Corporate entrepreneurship has four types (Thornberry, 2001), namely: First, Corporate Venturing, namely the process of starting a new business that is related to the company's core business. Second, Organizational Transformation, namely the focus is on the entrepreneurial nature of making savings and increasing operational efficiency. Third, Intrapreneuring, which is intrapreneuring, is identifying employees in companies that have entrepreneurial talent. Fourth, Industry Rule Bending, an effort made by the company to change the paradigm in the industry (Dees & Lumpkin, 2005).

There are several similarities and differences in implementing entrepreneurship and intrapreneurship. As quoted from Sasu 2003 (in Badulescu, 2013) below.

Table 1: Similarities and differences between entrepreneurship and intrapreneurship.

Similarities	Differences
<ul style="list-style-type: none"> <li>• Innovation: - both the entrepreneur and the intrapreneur are innovative persons; - innovation can represent a new product or service, a new technological process or an improved management method;</li> </ul>	<ul style="list-style-type: none"> <li>• Type of activity: - the intrapreneur's activity has a restoring character; - the entrepreneur's activity has a creative character;</li> </ul>
<ul style="list-style-type: none"> <li>• Creation of value: - adding further value to the products and services is the goal of the two; - alteration must be truly new and must come up with a different proposal;</li> </ul>	<ul style="list-style-type: none"> <li>• Encountered obstacles: - for the intrapreneur, the company's culture can be the main obstacle; - the entrepreneur has only one obstacle, a very powerful one: the market;</li> </ul>

<ul style="list-style-type: none"> <li>• Undertaking risk: - the intrapreneurial and entrepreneurial activities have a higher degree of risk as compared to the usual ones; - the intrapreneur risks the company's money, focusing on new products; - the entrepreneur risks own money and time;</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of funding: - the intrapreneur uses the company's resources, that can be very large; - the entrepreneur must look for personal funding sources, at the risk of losing his own assets/fortune;</li> </ul>
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Source: Sasu 2003 (in Badulescu, 2013)

There are also some advantages and disadvantages of entrepreneurship and intrapreneurship (Maier, V .; Zenovia, C.P., 2011)

Table 2. Entrepreneurship and intrapreneurship: advantages and disadvantages

Entrepreneurship	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• You are your own boss - independency</li> <li>• The income increases</li> <li>• You have the chance to be original</li> <li>• You have part of excitement and adventure</li> <li>• There are a lot of possibilities</li> <li>• Salary potential – you decide upon your own salary</li> </ul>	<ul style="list-style-type: none"> <li>• Money pressure – giving up on the security of a regular paycheck</li> <li>• Less benefits as the business is new</li> <li>• Long working hours</li> <li>• Mistakes are magnified</li> <li>• All decisions must be made alone</li> </ul>
Intrapreneurship	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Ability to stay in a friendly, well known environment</li> <li>• Practicing your skills within an organization – lower risk</li> <li>• Using companies resources, good name, knowledge</li> <li>• Access to customers, infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Reward may not be up to expectation</li> <li>• Innovation may not be appreciated accordingly</li> <li>• You can be innovative but to a certain limit – you are not your own boss</li> </ul>

Source : Maier, V.; Zenovia, C.P., 2011

#### 4. INTRAPRENEURSHIP AND CORPORATE PERFORMANCE

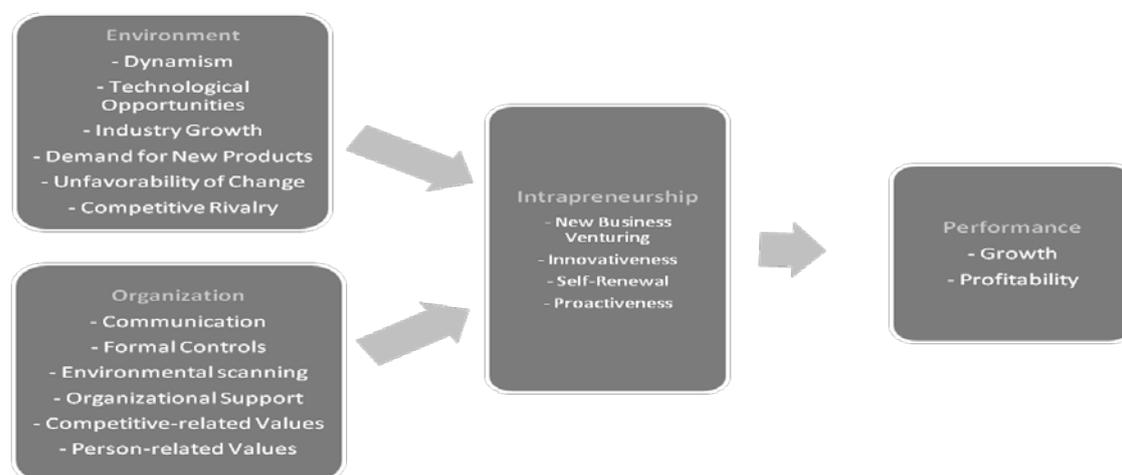
There are many studies that examine the benefits of applying entrepreneurship in companies. Corporate entrepreneurship can increase company profits and company performance (Kanter, 1989), corporate entrepreneurship influences company performance by increasing proactive levels and the willingness of companies to take

risks in developing new products, new services and new strategies. Innovative activities will improve company performance, so that an innovation can be used as a competitive advantage strategy in a company (Parboteeah, 2000). Intrapreneurship improves the economical and financial performance of the company, by applying a more efficient use of resources and using suitable motivational systems for its employees (Istocescu, 2003).

Goosen et al. (2003) stated that there was a relationship between the company's financial performance and intrapreneurship level. The discussion about intrapreneurship with corporate performance is also supported by Antoncic and Scarlat (2005) who explain the influence of corporate entrepreneurship and corporate performance, where corporate performance is determined based on company growth and company profits. There are 4 sub-dimensions of corporate entrepreneurship, namely innovativeness, risk taking, proactiveness and competitive aggressiveness which have a positive relationship and have a significant effect on the company's financial performance.

Intrapreneurship improves the economic and financial performance of the company, by implementing more efficient use of resources and by using a motivational system that is suitable for its employees (Istocescu, 2003). The dimensions contained in the company's performance are related to corporate entrepreneurship, including growth and corporate profits. Researchers in this field have used various measures of corporate financial performance. These steps can be broadly classified into the following categories:

- 1) Profitability - including Return on Equity and Return on Sales
- 2) Growth - includes % changes in assets, % changes in sales, % changes in employees-year to year, average 3 or 5 years.



Picture 1. Corporate Entrepreneurship Model on Corporate Performance

Source : Antoncic and Hisrich (2001)

Antoncic and Hisrich (2001) argue that there are four important elements in corporate entrepreneurship including:

**New Business Venturing:** The new business here is categorized as a business that is formed in a structured organization and creates products / services that are different from the products / services produced by the organization or parent company. The establishment of this new business is often intended to support the existence of products / services from the parent company.

**Innovativeness:** The underlying reason that corporate entrepreneurship must be innovative is because companies can almost always be sure to be more advanced in need of innovation. If there is no innovation, the company will die. The higher the level of innovation (radical) the more likely the company can be superior to other companies in both the same industry and different industries. Product development, improving product production processes, and updating technology use are also included in this innovation.

**Self-Renewal:** What is meant by self-renewal here is transformational behavior in an organization characterized by innovation and change to create flexibility in responding to the challenges of market needs. This dimension is very necessary to improve company performance. As mentioned by some previous researchers cited by Adenfelt and Lagerstrom (2006), entrepreneurship is organizational behavior that is synonymous with renewal or innovation both within and outside the organization.

**Proactiveness:** This corporate entrepreneurial attitude refers to the organization's desire to be the leader in its industry and not just be a follower of its competitors. Antoncic and Hisrich (2001) further add that those included in the proactive category are initiative, risk taking, aggressiveness in achieving competitive advantages, and a firm attitude indicated by the orientation and activities of top management within the organization (Dhewanto, 2013) .

In this model also explained the intrapreneurship determinants are the external and internal environment / organization. And that the element of the external environment that determines the creation of corporate entrepreneurship is dynamism, technological opportunities, industry growth, demand for new products, unfavorability of change, competitive rivalry. While other determinants in terms of organization or internal company are communication, formal controls, environmental scanning, organizational support, competitive-related values, person-related values.

Based on the opinions mentioned above, it is expected that with the existence of corporate entrepreneurship within an organization, the growth and profitability of the company will increase which ultimately makes the overall performance of the company increase. This means that to see whether a company has been running well in achieving its objectives can be assessed from the company's performance.

## 5. SUMMARY

Based on the description of the paper, we have reviewed the literature, which the relationship between entrepreneurship and corporate entrepreneurship or intrapreneurship, can also be seen the similarities and differences between the two concepts. It is expected that companies that apply the concept can survive in various business obstacles such as the emergence of foreign competition, technological change, accompanied by a decrease in the number of workers and the quality of labor and other problems. Entrepreneurship and intrapreneurship have advantages and disadvantages, which if well developed in developing their insights can create major changes in the company's system, can run innovation instruments that help create new competencies, can access new markets and other new corporate values in the future. And by observing the external and internal environment of the company, corporate entrepreneurship or intrapreneurship in an organization that has been running well is expected to influence the performance of the company, which in this case is measured using company growth and profits.

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