

# Entrepreneurship versus Intrapreneurship<sup>1</sup>

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## *Abstract*

*This paper provides a review of theoretical studies on the concepts of entrepreneurship and intrapreneurship, pinpointing the similarities and differences between them. Entrepreneurship continues to thrive in almost all corners of the world. Entrepreneurs are reshaping the business environment, creating a world in which their companies play an important role in the vitality of the global economy. But there is not always necessary to establish a company in order to implement new ideas. A great potential lies in applying business principles within existing organizations.*

**Keywords:** *entrepreneurship, intrapreneurship, human capital, business, leadership*

**JEL classification:** L26

## **Introduction**

Why are entrepreneurs and intrapreneurs suddenly more important today than before? An explanation to this question would be that the world is changing nowadays more rapidly under the influence of new technologies. The increasing competition hinders our work. It does not suffice anymore to stand before our competitors simply driven by our will of competing; we have to bring something new to the market. Entrepreneurs and intrapreneurs play a decisive role as they help the company (newly established or existing) to engage in new business and enter new markets.

The concept of entrepreneurship is seen 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 (Churchill, 1992).

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Intrapreneurship represent the initiation and implementation of innovative systems and practices within an organization, by some of its staff under the supervision of a manager who takes the role of an intrapreneur, in order to improve the economical performance of the organization, by using a part of its resources, namely those that previously have not been used in an appropriate manner. Intrapreneurship improves the economical and financial performance of the company, by applying a more efficient use of the resources and by using a suitable motivational system for its employees (Istocescu, 2003).

### **Similarities and differences between entrepreneurship and intrapreneurship**

Unlike the entrepreneur, the intrapreneur acts within an existing organization. The intrapreneur is the revolutionary inside the organization, who fights for change and renewal from within the system. This may give rise to conflicts within the organization, so respect is the necessary key in order to channel these conflicts and transform them into positive aspects for the organization. Even though 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 intapreneurship and expected their employees to get involved and assume their risk. But finally, when motivated employees get involves and have 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.

Those who wish to implement innovative ideas should first consider what the best option for them is: as an intrapreneur, as part of an existing organization, or an entrepreneur in a newly established company.

In order to give an answer to this question an analysis of the advantages and disadvantages of both concepts is required. The table below helps someone decide what type of business best suits him after confronting him with the advantages and disadvantages that await him.

**Table 1: Entrepreneurship and intrapreneurship: advantages and disadvantages**

<b>ENTREPRENEURSHIP</b>	
<b>Advantages</b>	<b>Disadvantages</b>
<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>
<b>INTRAPRENEURSHIP</b>	
<b>Advantages</b>	<b>Disadvantages</b>
<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>

After seeing the pros and the cons of each concept we think that it is useful to see also the similarities and differences between these two concepts. Morris & Kuratko (2002) are of the opinion that the literature is sometimes confusing in underlining what exactly makes an entrepreneur different from an intrapreneur and what they have in common. This is why they point out a serious a similarities and differences:

**Table 2: Entrepreneurship and intrapreneurship: similarities and differences**

Similarities	Differences
<ul style="list-style-type: none"> <li>• Both involve opportunity recognition and definition.</li> <li>• Both require a unique business concept that takes the form of a product, process, or service.</li> <li>• Both are driven by an individual champion who works with a team to bring the concept to fruition.</li> <li>• Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.</li> <li>• Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time.</li> <li>• Both entail a window of opportunity within which the concept can be successfully capitalized upon.</li> <li>• Both are predicated on value creation and accountability to a customer.</li> <li>• Both entail risk and require risk management strategies.</li> <li>• Both require the entrepreneur to develop creative strategies for leveraging resources.</li> <li>• Both involve significant ambiguity.</li> <li>• Both require harvesting strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• In start-up entrepreneurship, the entrepreneur takes the risk in intrapreneurship and the company takes the risk other than career-related risk.</li> <li>• In start-up the individual entrepreneur owns the concept and business in intrapreneurship; the company typically owns the concept and intellectual rights with the individual entrepreneur having little or no equity in the venture at all.</li> <li>• In a start-up potential rewards for the individual entrepreneur are theoretically unlimited where in intrapreneurship an organizational structure is in place to limit rewards/compensation to the entrepreneur/employee.</li> <li>• In a start-up venture, one strategic gaffe could mean instant failure; in intrapreneurship the organization has more flexibility for management errors.</li> <li>• In a start-up the entrepreneur is subject or more susceptible to outside influences; in intrapreneurship the organization is more insulated from outside forces or influence.</li> </ul>

Source: Morris&Kuratko, 2000

Other famous authors have also pinpointed some differences between entrepreneurship and intrapreneurship. Even though intrapreneurship is rooted in entrepreneurship (Amo & Kolvereid, 2005; Antoncic, 2001; Davis, 1999; Honig, 2001), there are several differences between these two concepts. In this context Antoncic & Hisrich (2003) note that while intrapreneurs make risky decisions by using the resources of the company, the entrepreneurs make risky decisions using their own resources (Antoncic & Hisrich, 2003). Intrapreneurship takes place among employees from within an organization while entrepreneurship tends to mainly be externally focused (Antoncic & Hisrich, 2003; Davis, 1999). Entrepreneurs prefer to develop tacit knowledge, in new organizations, instead of using procedures and mechanisms from other companies. On the other hand intrapreneurs work in organizations that have their own policies, procedures and bureaucracy (Antoncic & Hisrich, 2003; Davis, 1999).

Although there are several differences between entrepreneurship and intrapreneurship, they also have some connections because intrapreneurship is consistently positioned as entrepreneurship within organizations (Antoncic, 2001; Davis, 1999).

### **Conclusions**

In this paper we have reviewed the literature, which explores both entrepreneurship and intrapreneurship and the relations between them. An important outcome of the review is the identification of the similarities and differences between entrepreneurship and intrapreneurship and also the advantages and disadvantages of both concepts.

Nowadays, when we are facing economically difficult times, entrepreneurship and intrapreneurship are an excellent tool for breaking out of the trend trough innovation, by bringing something new on the market. Both entrepreneurship and intrapreneurship are instruments of innovation that help in creating new competencies and accessing new markets.

Finally, without developing the insight towards these various aspects, no change of the company can be realized, and changing, so adapting means in fact, the survival of that company. The value created yesterday, can mean nothing today, therefore only a sustainable company, who recognizes the difference between an entrepreneur and intrapreneur, can turn ideas and creativity into successful new values for tomorrow.

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