MANAGING INTRAPRENEURSHIP IN THE RECESSION

UNDERSTANDING HOW ORGANISATIONAL CONDITIONS AFFECT INTRAPRENEURIAL EFFORTS

MASTER’S THESIS IN MSSOC IN ORGANISATIONAL INNOVATION & ENTREPRENEURSHIP
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Author: Julie Hovald Nørgaard
Supervisor: Daniel Hjorth, Department of Management, Politics & Philosophy
STU’s: 181.396
EXECUTIVE SUMMARY

Globalisation forces companies to compete in a faster and more innovative manner. On top of this, the present recession increases the uncertainty of what the future will bring and how to create competitive advantages. Mature and large companies often find it difficult to act entrepreneurial, but in order to innovate faster, it is claimed that companies should encourage their employees to be entrepreneurial and innovative in order to survive the financial crisis.

Intrapreneurship is focusing on the individual and autonomous initiative from employees, and it is driven by the individual employees’ risk willingness to take calculated risks to earn a profit on their innovative initiatives. This thesis has established a theoretical framework from the entrepreneurship, intrapreneurship and innovation fields, in order to answer the research question: How are the organisational conditions for intrapreneurship influencing, good or bad, the building of an intrapreneurial company in today’s recession? The purpose of this thesis is to understand how it would be to work with intrapreneurship in the recession and the results may be of use to companies that are about to commence on intrapreneurial activities or to those that are encountering difficulties. It is investigated through an interpretation of academic and practical surveys that discuss innovation and intrapreneurship in the years after the financial crisis was a reality. A variety of different conditions are considered important theoretically, and by an inductive research method, the themes of: top-management support, strategic orientation and risk-taking, were identified empirically as important organisational conditions for intrapreneurship.

It was found that top-management need to encourage intrapreneurial activities through failure acceptance. However, the majority of companies do not support innovation, are low on failure acceptance and do not reward entrepreneurial behaviour. Moreover, the recession has created more uncertainty in the return on investment of innovative initiatives, and less than half of the respondents are engaged in radical innovations. Having a strategic priority of innovation results in greater return on investment of innovative activities and the majority has innovation as an integrated element in their corporate strategy. However, the innovative skills of both managers and employees are problematic, and thus training and feedback becomes important management tasks. Those companies with an entrepreneurial orientation are more inclined to create radical innovation in a proactive and risk-taking manner. It is concluded that the distinction between a traditional management approach and an entrepreneurial management approach is rooted in how they approach risk-taking and failure acceptance. In the light of the recession, these themes should be central parts of a further research of intrapreneurship.
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INTRODUCTION
INTRODUCTION

PROBLEM BACKGROUND

In a globalised world as ours, the key to growth and prosperity lies in the ability of companies and people to create and be innovative. But how can companies pursue innovative opportunities when responding to the economic downturn? It seems as if companies are split in two ways of responding to the present situation: One is to minimize risk-taking and investments in radical innovation projects and save cash for surviving these tough times. Another is to view the downturn as an opportunity for pursuing new markets and changing the strategic focus towards long-term investments in innovation. Globalisation is resulting in new market creations for Danish companies, however the case is often that too few of the Danish companies have actually realised and benefited from the great potential that exits in some of the most promising and innovative ideas originating from the employees (Eriksen, Hildebrandt & Jensen, 2008). In the meantime this has changed a little and in 2010, more large Danish companies realised that intrapreneurship can lead to more innovation. Danish companies tend to primarily search for new ideas among their employees and in 2/3 of the companies it is only 30% of the innovative development projects that are built on ideas from external knowledge resources (The Confederation of Danish Industry, 2010).

Intrapreneurship as a concept has been around for a long time, but today it has become even more important due to globalisation. This means that companies not only face competition from their home country but also from abroad. This then means companies must be more innovative and this is where intrapreneurship becomes key. According to Eriksen, Hildebrandt & Jensen (2008) leaders must work consciously with innovation and business development through intrapreneurship in order to create new business areas and hence survive the strong competition. Moreover, it is concluded that intrapreneurship is key to organisational success in fast changing industries (Eesley & Longenecker, 2006). However according to the Global Entrepreneurship Monitor (2006) ‘Danes fear failure. Society doesn’t encourage entrepreneurs, who fail. We should use failure as a learning tool and encourage people to be brave’ (Bager & Hancock, 2003, cited in, Global Entrepreneurship Monitor report, 2006). From more dated literature, Quinn’s (1985) field research from the 1981-1983 recession, revealed that many companies cut back instead of ‘tapping the innovations their own people had to solve problems’ (Quinn, 1985:80). Their misfortune was due to them defining the recession as cost cutting rather than opportunity seeking. I hope that ‘people will realise that they cannot cut their way out of the crisis and then they will see the need for more innovation and employees who are inspired to create. Innovate or die.’ (Hamel, 2009). But how can this be done?
In recent years, much attention and concern has been given to the entrepreneurial firms and start-ups that are major contributors to economic development and employment creation. Entrepreneurship and innovation were in focus and attention was directed towards the start-ups that needed better conditions and support in their efforts to grow and become sustainable businesses. However, it has been argued that the best entrepreneurs are those working in an established company, the intrapreneurs. They have more know-how in business and managerial experiences and most importantly they are determined and do not care about the Danish ‘Jantelov’ (Eriksen, Hildebrandt & Jensen, 2008). Companies who have ambitions to grow and compete globally are challenged in keeping the entrepreneurial mindset when they grow into larger and more bureaucratic structures where emergent creativity and innovation might be suffocated (Engleman & Van de Ven, 2004). These institutional structures do not welcome unconventional approaches, which is the inherent challenge of being a large innovative business. This way of interpreting or even judging innovative ideas, by standards inherent to the conventional and bureaucratic culture is considered problematic to organisational entrepreneurship.

PROBLEMATISATION

The general impression is that large organisations are often hindered in intrapreneurial activities due to their size and need for control. I believe that the recession will stir up things and force companies to take a different course of action. This would create an opening for reviving the intrapreneurial efforts. However, at the same time, I also assume that the recession is to blame for companies decreasing their innovative and entrepreneurial activities. Within organisational entrepreneurship, encompassing both terms of intrapreneurship and corporate entrepreneurship, there are organisational conditions that influence, good or bad, the efforts of creating an intrapreneurial company. When management in organisations commit and develop an organisational culture that ‘encourage creativity, innovation, empowerment, action, and accountability for better performance’ (Eesley & Longenecker, 2006:19) it can result in increased intrapreneurship.

By delimiting the focus to the organisational conditions for entrepreneurship, this thesis is positioned within the perspective of organisational entrepreneurship emphasising the ‘process of exploring and exploiting opportunities demonstrated by the entrepreneurial organisation’ (Lassen et al. 2006:361) instead of the second phase of creating new ventures. However, I understand entrepreneurship in all its forms as related to innovation (Schumpeter, 1912, in Brouwer, 2002) and this means that it is inevitably related to innovation management.
**Problem statement**

The previous have made me more curious and led me to the following research question:

How are the organisational conditions for intrapreneurship influencing, good or bad, the building of an intrapreneurial company in today's recession?

In answering the research question, the focus in this thesis is based on the understanding that organisational creativity needs to be on a **strategic level** in order for intrapreneurship to be successful. I am also under the general impression that the financial crisis has had an important impact on companies' ability and **motivation** for intrapreneurship, but also on their approach to **risk-taking** when the external environment has become increasingly more unstable and risky. The companies' ability to be intrapreneurial depends on **support and encouragement from top-management** and here failure acceptance plays an important role. Based on this I take on the thesis from an organisational perspective within the field of abovementioned organisational conditions for intrapreneurship.

**Purpose statement**

Given this problem statement I will now explain why I want to address this problem and what I promise this thesis will do.

The purpose of this thesis is to create a practical understanding of what companies may encounter as barriers or drivers of intrapreneurship in the years of an economic downturn. Being focused on the innovative in the first phase of organisational entrepreneurship, the object of attention is on the relationships between the empirical themes and the successful creation of an intrapreneurial company. This thesis will give suggestions for issues that are especially interesting in today's recession.

The result of the analysis and discussion may be useful to all businesses, no matter size or industry, in their work with intrapreneurship. It may be inspiring for those businesses already in the process of having an intrapreneurial organisation but are facing problems, or it may be helpful to those companies that are just about to commence on intrapreneurship. Hopefully this thesis can be viewed as an inspirational guide applicable to all companies with ambitions to grow and innovate in the recession.
THESIS DELIMITATIONS

To delimit the scope of this thesis, I will briefly point to areas that will not be considered in this thesis. I understand entrepreneurship, in all its forms, as related to innovation via Schumpeter’s definitions, which means that in this thesis intrapreneurship will inevitably be related to innovation management. Even though there are many both external and internal factors that influence the level and success of intrapreneurship, this thesis will only focus on the more internal themes that the company itself can influence.

The phases of intrapreneurship

The intrapreneurial process outcome is often a new business. The last step of what to do with the results of intrapreneurship (i.e. a venture being established outside the company) will not be dealt with in this thesis, as the focus will be on the initial phase of ideation as opposed to the second phase of implementation. The first phases such as focusing on the antecedents for creating an intrapreneurial company will be more central in this thesis.

The strategic orientation

The actual process of making an organisational entrepreneurial strategy is beyond the scope of this thesis. The overall choice of business strategy is beyond the scope of this thesis, as the empirical material is not investigating which strategies the respondents adopt. Strategy is given attention in this thesis for the reason that the strategic choices that are made by the top management will be affecting the intrapreneurial activities in a company. I will use strategic orientation in the sense of putting the organizational conditions for entrepreneurship in context- the organizational strategy is the context.

The private-public company distinction

There will be made no distinction between the private and public companies, even though I am aware of this might influence the creation of intrapreneurship. The private and the public sector share more or less the same view on the importance of innovation, however the public sector do not have as strong an innovation culture as the private (Innovation Inside, 2010). The majority of the companies that are part of the empirical material are private companies that differ in size and line of business, but there are also a few public companies present. It has not been relevant for this thesis purpose to investigate the detailed backgrounds of the respondents’ companies. Therefore, details about ownership, shareholders or if the companies are listed on the stock exchange, are not included in this thesis.
The industry's influence on intrapreneurial companies
I have not differentiated between the industries of companies participating in the chosen surveys, however I am aware of the focus and role of innovation varies from e.g. an IT or high-technology business compared to other industries where lead time might be longer (pharmaceutical business). I have reflected upon the fact that certain industries may be more at ease with employee innovation and intrapreneurial activities than others. I have then chosen this not to have any significant role in this thesis.

The organisational stage of maturity
This thesis chooses to have the vision of a privately owned company that is at a mature level, when analysing and discussing. Innovation happens at different life stages (Greiner, 1972, cited in, Mazzarol, Reboud & Soutar, 2009) and the managerial challenges vary from life stage to life stage. In this thesis the stage is considered to be the matured stage. This is where the companies have grown large and often bureaucratic and they begin to call for the entrepreneurs in order not to end up stagnating. However, this is the hardest part of organisational growth, to move from the ‘leadership’ focus and back to the ‘entrepreneurial’ focus that once started the business. The natural development for companies is to move from entrepreneur to leadership, and when it comes to renewal and growth, it is much harder to move the other way. It is in this phase of moving in-between leadership and entrepreneurship that intrapreneurship is considered relevant.

Distinction between incremental and radical innovation
An elaboration of incremental and radical innovation is beyond the research question and purpose of this thesis, however the distinction is important in relation to the degree of knowledge one has when making decisions in an unknown future. The distinction between the two is to be seen as a context for top-management’s perspective to risk-taking.

Organisational conditions
Knowing that the chosen themes in this thesis will not be able to describe the comprehensive range of conditions for organisational entrepreneurship, the following themes are beyond the scope: autonomy, structure for intrapreneurial activities, creativity, trust, power relations, individualism, resistance to intrapreneurship.
METHOD
METHOD

In this section, the aim is to explain the methodological approach, which I have chosen as appropriate in answering the research question. Firstly, I will explain the overall sociological domain in which this thesis is placed. I will account for my research philosophy, such as the ontological and epistemological positions. Then I will explain how these positions affect my research method, such as the qualitative and inductive approach. Following the research method, I will address the issues of validity and reliability in relation to doing qualitative research. Lastly, I will describe the overall structure of this thesis and briefly explain the content of each section. This should provide the reader with a sense of direction and structural understanding, which illuminates the natural flow and red line throughout the thesis.

RESEARCH PHILOSOPHY

Burrell & Morgan (1979) have composed a useful overview of the different methods of social science research in combination with the general philosophies of science. I believe this matrix helps the reader understand my position in a larger context because being positioned in a specific paradigm is to view the world in a particular way. Thus the way my research method is designed is a result of which paradigm I am positioned in and how I view the world.

The matrix consists of four central sociological paradigms in social sciences: the radical humanism, the radical structuralism, the interpretive and the functionalist paradigms. They are structured in a matrix by two reciprocal dimensions: the ‘radical change’ sociology and the ‘regulation’ sociology. Radical change is about contradiction and structural conflicts and it focuses on the potentiality (what could be) of things as opposed to the regulation dimension. This dimension focuses on the actuality (what is) and is concerned with maintaining the status quo, building consensus and having a social integration and cohesion. The matrix is built on two axes: the subjective and the objective. The subjectivist focus on how individuals create and interpret the world, and in this perspective nature is relative. The objectivist sociology concurs to universal laws in the search for truth.
The functionalist paradigm is objective and consensus building. It assumes that human action is rational and it asserts one can understand organizational behaviour through hypothesis testing. The radical humanist paradigm is subjective and focuses on setting free social constraints that limit human potential. It sees the current dominant ideologies as separating people from their ‘true selves’ and thus its goal is to build a need for radical change. (It is largely anti-organization in scope). The radical structuralism paradigm is objective and aims at the potentiality of individuals. It believes that radical change is built into the nature of societal structures\(^1\). The interpretive paradigm is subjective in explaining the stability of behaviour from the individual’s perspective. It is consensus building like the functionalist but here we try to understand through observing the individual behaviour through on-going processes. I place this thesis in the interpretive social paradigm, being within the social-constructivism paradigm.

**Ontology**

There needs to be a logic and reasonable connection between how I understand the reality and how it is investigated, i.e. the ontology (the study of how people are being) and the epistemology (the study of knowledge). Having positioned this thesis and my worldview in the subjectivist and social-constructivist paradigm I agree that ontology precedes epistemology by the fact that ‘we are before we know we are’ (Anton, 2009) and I concur with

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\(^1\) Contemporary society is characterized by fundamental conflicts, which generate radical change through political and economic crises (Burrell & Morgan, 1979).
the relativist ontological position. More specifically, I agree with the subjectivists in the ontological debate, that it is individuals that create, modify and interpret the world. The ontology of constructivism is relativistic and 'realities are apprehendable in the form of multiple, intangible mental constructions, socially and experientially based, local and specific in nature (although elements are often shared among many individuals and even across cultures), and dependent for their form and content on the individual persons or groups holding the constructions. Constructions are not more or less ‘true’, in any absolute sense, but simply more or less informed and/or sophisticated’ (Guba & Lincoln, 1994: 110-111, cited in, Denzin & Lincoln, 2005). This means that one’s view of reality may change as one’s intellect becomes more informed and thus sophisticated. This constructivist viewpoint argues that there is not one single truth but it depends on the individual’s point of view, which is in turn influenced by the social interactions that he or she engages in via language that is social.

**Epistemology**

The epistemology of the interpretive and constructivism paradigm is subjective and it assumes that we cannot know everything or even be sure that what we know is true because everyone’s mind and experiences are different (Guba & Lincoln, 2004, cited in, Denzin & Lincoln, 2005). Because of the subjective nature of knowledge creation, the researcher interacts with the research object, which means that ‘the findings are literally created as the investigation proceeds’ (Guba & Lincoln, 2004:110, cited in, Denzin & Lincoln, 2005). This also means that I need to be aware of my role as a researcher in this thesis process as I cannot be truly objective or separated from what I investigate. Dreyfus (1972) explains that human beings are not at all like computers. We do not apply abstract, context-free rules to compute how to act when we engage in skilled behaviour. Instead, Dreyfus (1972) argued, the fundamental thing about humans is that we are embodied beings living in a shared world of social practices and equipment. In the end, it is our skilful mastery and our shared practices that not only distinguish us from machines but also allows us to assume meaningful identities.

These social practices construct our reality and they should be interpreted by using ‘conventional hermeneutical techniques, and are compared and contrasted through a dialectic interchange. The final aim is to distil a consensus construction that is more informed and sophisticated than any of the predecessor constructions’ (Guba & Lincoln, 2004: 110, cited in, Denzin & Lincoln, 2005).
Methodology

Working from a social constructivist perspective the methodology in this thesis is qualitative methods where the scientific goal is to understand and interpret instead of explaining’ (Guba & Lincoln, 2004:113, cited in Denzin & Lincoln, 2005) argue that ‘users of this paradigm (ed. Constructivism) are oriented to the production of reconstructed understandings of the social world’. Having the perspective of social constructivism means that actors construct the social world, and as I am an actor, it means that my subjectivity interpret the reality and thereby influence how I understand the world. Moreover, the social constructivism can be described as operational as it is positioned between the radical social constructivism and positivism. It opposes the view that knowledge about reality is based exclusively on common sense (Sørensen, et al., 2007). When posing the research question ‘How are the organisational conditions for intrapreneurship influencing, good or bad, the building of an intrapreneurial company in today’s recession’ I am truly focused on understanding and interpreting from a social constructivist’ perspective. Moreover, I am socially constructed when I build my interpretation on other people’s social constructions through my interpretation of second-hand surveys. Through this I see social phenomena such as the organisational conditions being cultural dependent and influenced by their own social context.

Some of the essential features of the hermeneutic interpretation are ‘on the one hand, the dialectics between interpretation as part and whole, and, on the other hand, the particular outlook of the interpreter (neither dominance nor prostration) as well as the special character of the matter interpreted’ (Alvesson & Sköldberg, 2005:60). The method of interpretation is a qualitative philosophy and a hermeneutic and embraces the subjectivist relationship to data. This concurs well with the relativistic ontology of constructivism and thus the methodology in this thesis will be hermeneutically. According to Stanford Encyclopaedia of Philosophy, hermeneutic is the ‘theory of understanding and interpretation of linguistic and non-linguistic expressions’ (Ramberg & Gjesdal, 2005). My research method is focusing on interpretation because the empirical material I am reading is existing studies that is available to me in textual forms.

When I employ a hermeneutic interpretation method for analysing ‘the meaning of a part can only be understood if it is related to the whole’ (Alvesson & Sköldberg, 2005:53). This also means that the whole can only be understood in the basis of the parts. Hermeneutics emphasises the importance of the context, which can be revealed with a qualitative research approach. In this thesis, the themes that emerge, from the empirical material, can then only be fully interpreted by understanding them as part of a greater whole. My methodology will affect the structure of my analysis in the sense that I base it on the empirical themes. These themes can only be interpreted when they are seen related to each other or part of the
whole. In this thesis, the whole/ the context is the organisational conditions for intrapreneurship.

**RESEARCH METHOD**

Having positioned this thesis in the constructivism and subjective paradigm, I have chosen the qualitative method for answering my research question and fulfilling the purpose statement.

From the perspective of organisational entrepreneurship, I initially reviewed the field of intrapreneurship, entrepreneurship, innovation management and organisational strategy, to get an understanding of what was considered important in each of these fields. It quickly became clear to me that the fields were too many interesting thoughts on how to deal with challenges in intrapreneurship and how to create opportunities. I then moved into the empirical data collection and started to find academic surveys as well as more practical surveys from private and public companies. This provided a deeper and more practical understanding of how companies, today and a few years back, work with innovation and intrapreneurship. Having a large theoretical framework and going back and forth between the empirical data collection, I will, based on what I find in the surveys, go back to the theories to redefine and delimit areas not found in the empirical data. The selection of theoretical framework and empirical material is made on the basis of my research question and purpose statement. This will define the scope of the paper and it is necessary in order to stay within the given boundaries of the thesis.

**Qualitative approach**

Because I am subjectively exploring and interpreting in order to understand the empirical material, I choose to employ qualitative research method, rather than quantitative methods. Due to the nature of my research question that wants to understand and interpret, and the practically oriented purpose statement, this research method is the most appropriate.

As previously mentioned, my purpose is to understand how companies can work with challenges and opportunities in intrapreneurship, and this concurs with the qualitative research purpose of understanding ‘how’. In order for me to understand how, I will need to act as an interpreter that explores the subjects’ perspectives in the surveys as well as the context in which they are revealed. According to Williams (1998) the ‘interpretivist research is primarily exploratory and descriptive in purpose designed to discover what can be learned about the area of interest. The interpretivist researcher views the world as a socio-psychological construct where there are multiple realities forming an interconnected whole
that can only be understood as these multiple realities’. Regarding my empirical material, my thesis operates with aggregates, which means that I can have a more qualitative basis for selecting the number of surveys and which ones that are interesting and contextually relevant for my research question and purpose statement. I have used second-hand data in the form of surveys made by companies and academics. I have used primary data in the form of one semi-structured interview. I could have interviewed people in the field but I have designed this thesis to study secondary data to get a broader basis to develop an understanding rather than an explanation of the challenges and opportunities of intrapreneurship. The aim in qualitative research is usually to gain an authentic understanding of people’s experiences and it is believed that open-ended questions are the most effective route towards this end (Alvesson & Sköldberg, 2005). I have therefore used semi-structured interview style and let the interviewee talk and elaborate on any open-ended questions.

Inductive reasoning approach
One of the distinctive traits of qualitative method is that the researcher takes point of departure in the perspectives and actions by the subject that is studied. In order to create a practical oriented thesis and to answer my research question, I find it appropriate to have an inductive reasoning by taking point of departure in the surveys to establish a set of themes of organisational conditions. The nature of inductive reasoning is more open-ended and exploratory beginning with specific observations in order to start detecting patterns to be explored and described. I have in this thesis observed what the empirical surveys reveal about the themes that appear when dealing with innovation and intrapreneurship, followed by the suggestions that theory makes about the same themes. It has been an iterative process between these two ‘voices’. I am inductive by structuring my analysis according to the themes that come up in the chosen empirical secondary data. Instead of the more theoretical approach of structuring the analysis by themes established from theory. The figure below describes the process, showing how I have reviewed the empirical material in order to learn and develop a more sophisticated knowledge about the research topic.
Unlike the quantitative research method, the qualitative research method is exploratory and not conclusive. This is a strength but also a weakness of inductive reasoning. Inductive reasoning does not ensure the conclusion but only supports it (Guba & Lincoln, 2004), meaning that it challenges this thesis’ conclusion on what the challenges and opportunities of intrapreneurship in the recession will be.

**RELIABILITY & VALIDITY**

Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions (Silverman, 2006). There are two ways of making my qualitative research more reliable: 1) Make the research process transparent through describing my research strategy and data analysis methods in a sufficiently detailed manner in the research report. 2). By paying attention to ‘theoretical transparency’ through making explicit the theoretical stance from which my interpretation takes place and showing how this produces particular interpretations and excludes others (Silverman, 2006). I will pursue the latter by describing the theoretical framework on which I base my analysis, and show transparency by writing a detailed method section.

In terms of the qualitative research method, the question of when validity might be a problem becomes relevant. According to Chase, Mandle & Whittemore (2001) one can employ primary validity criteria such as **credibility, authenticity, criticality and integrity** and secondary validity criteria such as, explicitness, vividness, creativity, thoroughness, congruence and sensitivity, to develop validity in qualitative research. However, because ‘**qualitative research**
is often defined by uncertainty, fluidity, and emergent ideas, so too must be the validity criteria that give credence to these efforts’ (Chase, Mandle & Whittemore, 2001:528). Based on my purpose statement and research question, I have made a conscious effort in creating credibility and authenticity by informing the reader with a brief background of the participating surveys, and in order for me to compensate for the risk of cognitive bias in the surveys, I have, in the very beginning of the thesis process, made a personal semi-structured interview with an expert in the field, to get a deeper understanding of some of the topics before delimitating the final theoretical framework and empirical material.

Efforts are made to show integrity when I reflect upon my analysis in the discussion and conclusion. ‘Integrity and criticality are represented through recursive and repetitive checks of interpretations’ (Chase, Mandle & Whittemore, 2001:531) and I have critically discussed my own interpretations in the discussion before answering the research question. The vividness of qualitative research is developed by detailed descriptions of the data and themes to show the reader the essence without being too excessive (Chase, Mandle & Whittemore (2001). I have done this by introducing the theories and key authors in the ‘theoretical framework’ as to then elaborate more detailed on these when they are being used in the ‘analysis’. Validating by sensitivity means that I as a researcher must show concern and respect of those participating in my empirical material, and that they should also benefit from my thesis in some way (Chase, Mandle & Whittemore (2001). I hope this will happen as my purpose with this thesis is among others, to serve those companies who are about to engage in intrapreneurship or have already initiated intrapreneurial activities.

Validity of empirical data collection
Based on my purpose statement and carefully selected empirical material, this thesis should appeal to businesses as well as other researchers. The empirical material is balancing both the academic and the practitioner’s perspective and this is done with surveys on intrapreneurship based on academic articles and innovation surveys based on a more practical perspective. I have carefully selected a broad scope of well renowned national as well as international empirical surveys covering ‘Corporate Entrepreneurship’, ‘Intrapreneurship’ and ‘Innovation & Management’ mainly from the period after 2008 when the financial crisis became a reality. I have moreover employed academic case studies (e.g. Christensen, 2005) and one semi-structured interview for more in-depth knowledge about the intrapreneurial example of Danfoss. The secondary data is the foundation of my analysis and by studying other studies it gives me a thorough basis for interpreting others’ interpretations. This makes it possible to reach a broader audience but also use it for validating the relevance of the chosen themes, as they resonate in more than one survey. As mentioned by
Chase, Mandle & Whittemore (2001) qualitative research method can be validated by the criteria of thoroughness that is defined by completeness, consistency and exploring the full scope of the phenomenon. This is done by initially having 18 empirical surveys to explore how the challenges and opportunities of intrapreneurship were played out in reality. Delimitation was then made until the essence of ‘entrepreneurial activities in large businesses’ was demonstrated in the final 10 surveys listed. However, the listed empirical surveys will be backed up by the remaining surveys to create more consistency in the themes.

The criteria for using the final surveys as empirical material are as following:
- The surveys are of a considerable size, depth and quality.
- The surveys represent a balance of international and Danish surveys.
- The surveys represent both academic and practical sources.
- The surveys represent mainly managers and executives and respondents with personnel responsibility, however it has also been important to get insights from employees.

Being aware that there is a chance of too much subjectivity and bias when surveys especially come from privately owned companies, I believe this will exist to some extent no matter the source of secondary information. Regarding expert knowledge in the field of intrapreneurship, I regard those business leaders and employees who have participated in surveys, as the true ‘experts’. This is not to exclude the scientific studies from the role as experts, but in this case, I believe that the most interesting discussions will emerge from the combination of ‘real life’ examples and the academic theories. This is also important in terms of creating a more practical oriented thesis written to all those who engage or are about to embark on intrapreneurial activities. Often there is a risk that participants in surveys overemphasize a certain tendency or willingness to adopt a position and lifestyle according to the researched topic. For example if people are participating in an innovation survey at their workplace, they often have a tendency to exaggerate how well they innovate (Gronemann, 2012). This means there will always be a gap between a survey and the reality. The questions might be poorly constructed and limits the respondents’ understanding and thus in giving their correct answer. In order to minimize this tendency, I have made efforts to include both academic and practical based surveys for analysing intrapreneurship.

The validity of a survey will also be affected by our built-in biases, cognitive biases, which influences the way we think and act. Therefore, when the surveys get a ‘no’ or ‘yes’ from respondents, we do not get to know the respondents’ motivations and prioritization behind that reply. According to social scientists, a general rule about the cognitive biases is that we as human beings do not always think rationally and we are being influenced by the context in
which the survey exists which is called ‘framing’ (Gronemann, 2012). This concurs well with the constructivism paradigm and the subjective epistemology.

**Critical aspect of empirical material**

After having selected the empirical material, it appeared that there was a remarkably clear distinction between the academic focus and the focus of the practical oriented surveys. The academic surveys have ‘intrapreneurship’ in their title, whereas all the practical surveys from the consultancy agencies have ‘innovation’ in their title. It was not intended that these two were separated by their titles, but only the combination of both sources were important for this thesis. In reflecting on what this means for the result of my thesis, I would argue that there may have been too much focus on the innovative instead of the entrepreneurial when discussing intrapreneurship, however this is because I am inductively guided by what the empirical material ‘talks’ about. Moreover, as the purpose of this thesis is to create a practical understanding that can be useful to companies engaging in intrapreneurship, it can be criticized that the majority of the practical oriented surveys focus on innovation. It is a matter of what we learn from the consultancy agencies as opposed to those surveys from academic sources. Obviously, the consultancy agencies are serving their customers and one must consider the reality that someone is paying them for their surveys. In regards to the validity of the consultancy surveys, it can be argued they have an agenda for why they have published their surveys. I have carefully delimited the practical surveys to those from well-renowned companies who generally are known for doing good research. Moreover, being aware of the fact that the surveys have been produced for different reasons, I will have this in mind when interpreting the results of their surveys in my analysis.

As opposed to the academic surveys, the practical surveys are in the second line of surveys meaning that they look to the latest academic research papers as inspiration for their own surveys. This also means that there is a natural time gap between the academic and practical surveys, which is good because the consultancy agencies then help to convey and translate the academic results to the companies. The distinction, between academic and practical surveys, forms a good and interesting combination of qualitative research done by academia, and quantitative surveys by the consultancy agencies. The final issue to be made is that when respondents reply on question about how much time they spend on innovative activities, it is important to critically propose that it can be difficult to conclude exactly how much time is spent on innovation, because if it is integrated in the daily operations, it is thus difficult to separate and calculate.
Regarding the interview with former Danfoss Ventures CEO, Dennis Westergaard, it can also be argued that there is bias since he is part of the result of companies ‘cutting back’ on intrapreneurship and going back to the ‘core and clean’ corporate strategy. It would have been fulfilling to learn the other side of the story, but it has not been possible to get an interview with the present Danfoss management. A detailed summary of the interview has been made from listening to the recorded version and it has been pointed out when which topics and questions are discussed. Many of the interview questions (See appendix 3) have been posed as close-ended questions but have turned into more open-ended answers and thus there is no direct connection between each the specific question being posed and the answer from the interviewee. (See appendix 4).

**STRUCTURE OF THIS THESIS**

To give the reader an overview of the thesis and coherence between the sections, I will describe the structure visually inspired by the Toulmin² Model of Argument.

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2 http://en.wikipedia.org/wiki/Stephen_Toulmin
THEORETICAL FRAMEWORK
THEORETICAL FRAMEWORK

In this section I will provide the theoretical concepts that will be activated in my analysis. The purpose is to briefly introduce the main contributors and provide a general understanding of the founding theories. An elaboration of the theories will be presented when needed in the analysis section. Firstly, I will describe key elements and perspectives of entrepreneurship in order to explain how I understand and use the concept of intrapreneurship. Lastly, this section will introduce aspects of innovation and management.

ENTREPRENEURSHIP

Entrepreneurship from the management perspective

The entrepreneurship research and literature is young compared to management and organisation theory already in place in the 1930-40s. When exploring the roots of entrepreneurship and how it is defined, there are a variety of different schools that have their own definition of the concept. Peter Drucker, an influential author in the field of management (1985, cited in, Harryson, 2008) claims that the actual term entrepreneurship was introduced in 1803 by the French economist Jean Baptiste Say, who defined the entrepreneur ‘as someone who upsets and disorganises the old to transfer economic resources of an area of lower and into an area of higher productivity and greater yield’ (Drucker, 1985, cited in Harryson, 2008:13). Jean- Baptiste Say’s elaborated his definition of the entrepreneur with the fact that ‘the main task of the entrepreneur was the coordination of the other factors of the production’ (Say, 1830, quoted in Ripsas, 1997, in Harryson, 2008:13). This task of coordinating may be interpreted as networking skills that are useful in today’s businesses and especially when dealing with intrapreneurship. Drucker3 focuses on relationships among human beings and proposes suggestions for how organisations can bring out the best in people, and how workers organise themselves.

The perspective of entrepreneurship today is ‘a story written by managerialism’ (Hjorth, 2003:179), which reduces forms of social creativity to a managerial tool that can be employed when the organisation needs to be re-focused and Hjorth (2003) proposes a different perspective of entrepreneurship by reflecting linguistically on the word ‘entrepreneur’. To Hjorth (2003), entrepreneurship is about innovative thinking and creation and exploitation of spaces that do not yet exist. This view is built on a linguistic analysis of the French words ‘entre’ meaning in between and ‘prendre’ meaning to hold or to grab. When

3 http://www.druckerinstitute.com
put together Hjorth (2003) asserts that entrepreneurship is about holding on to what is in between, to create and grab new spaces in society, which is argued as the creation of ‘heterotopias’. This term is derived from Michel Foucault and Hjorth (2003) employs this term to describe temporary spaces that are between the existing (Hjorth, 2003). Heterotopias are ‘in between spaces where the possibility of not being overthrown by habits and dominant modes (strategies in de Certeau’s sense) are kept alive. One can still move’ (Hjorth & Steyaert, 2003:294, cited in, Hjorth, 2003).

‘Creativity disturbs the reigning order and, instead, also demands a new organisation’ suggests Hjorth (2003:5). He argues that creativity can be described as an eternal movement describing entrepreneurship in the context of formal organisation. In line with this, Aulet et al. (2010:1) explains that ‘entrepreneurship is a creative problem-solving skill’. On the other hand, management’s primary goal is to maintain control. Control in Latin (contra+ rotulus) means ‘against what is rolling’ and it prefer order instead of multiplicity and heterogeneity (Hjorth, 2003). It can be argued that these two perspectives are paradoxical related and may become challenging in organisations that need order but at the same time they need to ‘roll’ as well. So, the entrepreneur is the one who creates these new spaces with room to move in and a ‘creative destruction’ can exist.

The entrepreneur
The entrepreneur, to Schumpeter (1912, cited in, Brouwer, 2002), is one who is ‘actively steering the economy away from old paths and opening up possibilities hitherto unknown’ (Brouwer, 2002:89). This means that the entrepreneur needs to be in opposition to familiar paths and the stationary economy. He introduces new innovations to disrupt the flow and eventually these innovations then turn into new stationary economies (Brouwer, 2002). ‘Entrepreneurs found new firms to introduce innovations, because established firms are reluctant to change their routines. Moreover, established businesses will postpone innovation until their old assets have become obsolete’ (Brouwer, 2002:90). Entrepreneurs who foster innovation are seen as a key element involved in creating new products and services while at the same time destroying old products and services (Schumpeter, 1912, cited in, Brouwer, 2002). Innovation ‘is full of surprises. It often disrupts well-laid plans, accepted power patterns and entrenched organisational behaviour at high costs too many’ (Quinn, 1985:77). This is similar to the way the entrepreneur destruct the order and equilibrium and pursues economic profit before he then is caught up by others in society and then the show starts all over again.
Schumpeter (1912, cited in, Brouwer, 2002) insists on the entrepreneur’s innovative style as central to the process of ‘creative destruction’. He uses the term ‘creative destruction’ to describe the process of radical innovation. His point is that the economic life exists in a constant disequilibrium where new ideas continually challenge existing routines and traditions (Schumpeter, 1943, cited in, Brouwer, 2002). According to Schumpeter (1912, cited in, Brouwer, 2002) it is indicated by that innovation can become a challenge to established companies since the new firms will compete on introducing new innovation before the established firms. This will inflict losses to the established firms and is labelled as the creative destruction (Brouwer, 2002). However, he also claims that ‘losses would only occur at the old firms, which were unable to adapt to new economic conditions in time’ (Schumpeter, 1912, cited in, Brouwer, 2002:91), suggesting a need for organisational entrepreneurship, intrapreneurship.

According to Harryson (2008:15) ‘the entrepreneur does not have to be the inventor, or creator, of the original technology or the concept. The inventor only becomes an entrepreneur if (s) he turns the invention into an innovation by taking it to market’. However, Harryson (2008:33) proposes that even though the entrepreneur often is the driver of creativity and invention at the early stages, he or she may be a barrier for moving from concept creation to business implementation due to the lack of leadership capabilities that are needed in the more rigid production procedures. What is important in this thesis is not that much who the entrepreneur is, but more what they do and what may challenge their activities, especially when being put in a large organisational context.

ORGANISATIONAL ENTREPRENEURSHIP

I will in this chapter come closer to how I understand entrepreneurial activities in large organisations, namely the concepts of intrapreneurship and corporate entrepreneurship.

It seems as if the focus on entrepreneurship and organisational entrepreneurship has increased in effect of the financial crisis and there is pressure on businesses to produce innovative products and services from their internal intellectual capital. As Singer, Alpeza and Peterka (2009) describe in their paper, intrapreneurship may be the best method of dealing with the challenges in a market affected by the financial crisis. According to Caslione & Kotter (2009) the worst mistakes a leader can make in a turbulent crisis time, is to give up innovation as its core strategy, reduce risks and stop product development. Eriksen, Hildebrandt & Jensen (2008) argue that most Danish businesses are still solidly based in the industrial age’s organisational structures with power struggles between business units who fight about resources.
There are various definitions of both intrapreneurship, corporate entrepreneurship and many other variations of how to work with entrepreneurship in established businesses (Vesper, 1984). Intrapreneurship and corporate entrepreneurship may often be regarded as synonymous (McFadzean, O’Loughlin & Shaw, 2005), however there are differences in how the terms may be focusing. It is noteworthy that throughout the literature, it is not always clear whether the authors are working on a problem that is about intrapreneurship or corporate entrepreneurship (Chrisman & Sharma, 1999). However, the primary interest of this thesis is on how organisational entrepreneurship is influenced by organisational conditions, and therefore, whether or not this activity is labelled corporate entrepreneurship or intrapreneurship is not playing such an important role as the fact that it is entrepreneurship in the context of large businesses.

There are two traditions within the field of organisational entrepreneurship: Those that only focus on new venture processes and creating new business units within existing companies (Kanter & Richardson, 1991, cited in, Bager, Ottósson & Schøtt, 2010), and those that have a broader perspective covering various types of innovation and organisational renewal activities (Vesper, 1990, cited in, Bager, Ottósson & Schøtt, 2010). The various types of organisational entrepreneurship can also be integrated by means of three dimensions, which differentiate between innovation and venturing (the two traditions mentioned above); formal and informal (focus on the difference between grassroots processes with no formal control as opposed to formal management decision-making activities) and internal and external (distinction between internal processes and mergers, acquisitions and spin-offs processes) (Zahra, Jennings & Kuratko, 1999, cited in Bager, Ottósson & Schøtt, 2010:341).

Intrapreneurship
Gifford and Elisabeth Pinchot coined the term ‘intrapreneurs’ in 1985 and in their definition this refers to what they call free market entrepreneurship within the corporate organisation (Pinchot & Pinchot, 1978). Pinchot’s perspective is primarily one of individuals. Intrapreneurship is usually referred to as an individualistic perspective where it is the individual employees who are in focus as opposed to the organisation or top-level decision makers (de Jong, Parker, Wennekers & Wu, 2011). It is regarded a bottom-up process in which it is the individual workers who initiate and implement activities to explore and exploit business opportunities (Chrisman & Sharma, 1999). It is the employees who develop new businesses, launch new products or product-market combinations for their employer (Bosma, Stam & Wennekers, 2010). As mentioned earlier, this thesis will focus on the first phase of the innovative process intrapreneurship is, which Pinchot & Pinchot (1978) describes in their
distinction of ‘dreaming’ and ‘doing’ when the intrapreneurs as ‘dreamers that do’. The first ‘dreaming’ phase can be argued to be one of ‘vision and imagination’ and the second more active phase could be described as ‘preparation and emerging exploitation’ (Bosma, Stam & Wennekers, 2010:8).

A comprehensive overview of different distinctions of organisational entrepreneurship is described in Vesper’s (1984) typology of ‘corporate innovation’ based on a comprehensive study (see appendix 2). Half of the respondents (47%) saw intrapreneurship as ‘individuals or groups working as specialists on new product developments’. Intrapreneurship was also understood as a more autonomous initiative from employees that created innovations from their own ideas (26%). At the same time, intrapreneurship is also defined as ‘management-backed entrepreneurial activity inside existing firms’ (Bager, Ottosson & Schøtt, 2010:340), meaning that they need to be allowed to pursue the high-risk projects with management support reassuring them that they will not loose their jobs if the project fails.

Eesley & Longenecker (2006) and Kuratko & Hodgetts (2004) emphasise the individual element by arguing that intrapreneurship is driven by the individual employees’ or team’s risk willingness to take calculated risks to earn a profit. Eesley and Longenecker (2006:19) describe intrapreneurship as ‘the practice of creating new business products and opportunities within an organisation through proactive empowerment and risk taking’. Lassen, Gertsen & Riis (2006) focus on innovation as the common denominator among all firms that could be described as entrepreneurial, and this entrepreneurial orientation is illustrated through innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness. Moreover, they found that openness towards change and flexibility in all facets of the organisation (resource allocation and administrative systems), were found to facilitate the proactive behaviour and risk-taking (Lassen, Gertsen & Riis, 2006).

The intrapreneur

‘An Intrapreneur is a corporate employee who introduces and manages an innovative project within the corporate environment, as if he or she were an independent entrepreneur’ (Knight, 1987:285). This definition does not differ hierarchically but defines the intrapreneurs as individuals at any level within the firm that manage an innovative project. Implicit in this definition is the fact that the intrapreneur has some level of power and management responsibilities in the organisation. This definition covers all individuals who have a stake and responsibility for the intraprenerial activities and it makes it possible to discuss the entrepreneurial characteristics of the managers and of the individual employee who becomes an intrapreneur when he or she introduces an innovative project or plan. The individual
characteristics of risk-taking propensity, desire for autonomy, need for achievement, goal orientation and internal locus of control, play an influential role in relation to corporate entrepreneurship (Christensen, 2005:307).

What is important when defining the intrapreneurs, is to clarify whether we are talking about the cooperative type of intrapreneur working internally for his or her employer, the supported spin-off intrapreneur or the more rebellious type of intrapreneur who spins out from the existing company without the manager’s consent (Bager, Ottósson & Schøtt, 2010). In this thesis the key issue is not so much who the intrapreneur is, but more what they do and how their entrepreneurial behaviour is affected by the organisational conditions. As mentioned earlier, the focus in this thesis lies in the first phase of the intrapreneurial activities and not on the actual venture and activities outside the mother organisation. Therefore, the focus of this thesis is on the activities of those intrapreneurs who play an entrepreneurial role in the established organisation (Bager, Ottósson & Schøtt, 2010).

Corporate entrepreneurship
As mentioned earlier the literature mainly differs between defining organisational entrepreneurship as intrapreneurship or as corporate entrepreneurship. Corporate entrepreneurship is viewed as the overall concept of all entrepreneurial activities in established companies (Sharma & Chrisman, 1999, cited in, de Jong, Parker, Wennekers & Wu, 2011) whereas intrapreneurship is more individualistic in ‘the entrepreneurial spirit to create new businesses within existing organisations’ (Aulet et al., 2010). Corporate entrepreneurship is the activating of ‘innovative potential of employees at all levels, in the organisational context’ (Alpeza, Singer & Peterka, 2009:203), suggesting that corporate entrepreneurship is a top-down process that managers and business owners perform in the pursuit of creating new businesses, innovations and strategic renewal (Chrisman & Sharma, 1999, cited in, de Jong, Parker, Wennekers & Wu, 2011).

Saly (2001:11, cited in, Harryson, 2008:13) ‘defines corporate entrepreneurship as the process in established firms of identifying and exploiting opportunities by creatively organising new combinations of resources’. Corporate entrepreneurship is ‘a major organisational innovation which contributes to building capacity of large business systems for taking advantages of fast changes instead of being victims of them’ (Alpeza, Singer & Peterka, 2009:202). These two definitions align the term ‘corporate entrepreneurship’ to strategic management as it is about exploiting opportunities and thus corporate entrepreneurship may be seen as a strategic approach to innovation. Some of the internal drivers of corporate entrepreneurship have been established, which are
rewards/reinforcement, management support, resources (including time), organisational structure, risk-taking, autonomy/work discretion and organisational boundaries (Hornsby, Naffziger, Kuratko & Montagno, 1993; Hornsby, Kuratko & Zahra, 2002 & Kuratko, Montagno & Hornsby, 1990, cited in, Christensen, 2005).

Quinn (1985) claims that large companies stay innovative by behaving like small entrepreneurial businesses and the effective innovation management style is much the same regardless of the size of the company or nationality. Based on a 2,5 year research project with small ventures and large companies from U.S.A, Europe and Japan it was concluded that large innovative companies accept the ‘essential chaos of development. They pay close attention to their users’ needs and desires; avoid detailed early technical or marketing plans, and allow entrepreneurial teams to pursue competing alternatives within a clearly conceived framework of goals and limits’ (Quinn, 1985:73). In contrast, life cycle theories assert that large companies have difficulties in supporting innovative projects because there is too much distance between an established corporate culture and innovative initiatives (e.g. Greiner, 1972, cited in, Mazzarol, Reboud & Soutar, 2009). This implies that in mature companies the corporate culture is more rigid and the structure is more hierarchical- features that do not directly support creativity and unplanned innovation.

**Strategy and intrapreneurial behaviour**

I find it necessary to employ literature that provides us with a strategic focus on the efforts that are needed for innovative and entrepreneurial activities. ‘It is not sufficient to promote entrepreneurial behaviour within a large organisation. Entrepreneurial behaviour is not an end in itself, but must be directed and translated into desired business outcomes. Entrepreneurial behaviour is not associated with superior organisational performance, unless it is combined with an appropriate strategy in a heterogeneous or uncertain environment’ (Tidd & Bessant, 2009:454). According to Zahra (1996) the intensity of intrapreneurship is influenced by the corporate strategy.

Various definitions of the concept strategy exist today. A business strategy is defined as ‘the actions an organisation takes to pursue its business objectives. Strategy drives performance and an effective strategy results in a good performance’ (Wickham, 2006: 309). Strategy may also be described as ‘the phenomenon that when companies reflect on their market and the basis of their existence (including their internal resources); do so with an eye to the future; and come up with some ideas on how they should act to survive’ (Sundbo, 1998:23).

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4 Quinn analysed the managerial practices of successful large companies and outline some common patterns in their approach to technological innovation.
Strategy may grow out of the internal work of individuals— the ‘entrepreneurs’ (Mintzberg & Waters, 1982). ‘Strategy is then a deliberate declaration of intent to act from the companies (in reality meaning the companies’ management) with the aim of improving the particular company’s development potential’ (Sundbo, 1998:24).

Mintzberg (1994, cited in, Wickham, 2006) criticizes the traditional definition of a planned approach to strategic management by referring to the many businesses from empirical studies that do not carry out large strategic processes and they are as successful as those who invest significantly in it. Chia & Holt (2011) also suggest an approach to strategy by embracing the uncontrollable and un-intended to a greater extent than the prominent management schools. An appreciation of the unexpected is argued to have a positive impact on the strategy and therefore this view is considered in the case of managing intrapreneurship by integrating it in the organisational strategy. ‘Corporate entrepreneurship is about how to make employees cooperate in the creation of new resource combinations and also exploiting these new combinations successfully. Business leaders are supposed to make a deliberate and conscious articulation of direction for the organisation, and management should impose a strategy on the organisation in which the employees and middle managers are supposed to innovate for the good of the firm’ (Åmo, 2006).

Burgelman (1983) investigated the internal corporate venturing processes in a diversified major company. He looked at the key managerial activities that are needed for a successful internal corporate venturing process. The success depends on: the availability of autonomous entrepreneurial activity, the middle-managers’ capabilities and the top-management’s support for allowing viable entrepreneurial initiatives to change the corporate strategy (Burgelman, 1983). This point of view speaks in favour of having the intrapreneurial strategy as the overall strategy, or at least, a great influence on the overall corporate strategy. The significance of emergent strategies is seen in Burgelman and Sayles (1986) theory on how organisations transform and renew themselves.

Burgelman & Sayles (1986) has introduced a new perspective within the theory of organisational strategy, by observing a bottom-up approach that incorporates experimentation and selections among alternatives instead of a top-down process that has been planned. What they found from their analysis and observations was that the strategy was adjusted after the innovative activities instead of before, which is claimed to be the most realistic approach as opposed to the traditionally planned approach to strategy and innovation. There are two contradictory processes in the strategic decision-making process of an internal corporate venture process. The traditional top-driven strategic management approach is described as the ‘induced strategic behaviour loop’ (Burgelman & Sayles,
1986:171), which is initiated in the ‘concept of strategy’. The ‘concept of strategy’ is the communicated vision and mission of the business and it provides managers with a sense of direction when setting objectives and allocating resources. The strategy includes both economically rational basis and more value-oriented basis for building a strategic decision-making behaviour that focuses on the existing goals of the business and thus it focuses on new product development projects that build on the existing business. This behaviour of acting incrementally is argued to be the primary approach to strategic management in businesses compared to the opposite ‘autonomous strategic behaviour’. The autonomous strategic behaviour is initiated in the ‘reservoir of entrepreneurial potential at operational levels’ (Burgelman & Sayles, 1986:174) and this behaviour represents a new and opportunistic approach to strategy and new business activities.

On a more contemporary note, Burgelman (2009) discuss how to drive innovation for competitive advantages in a turbulent environment. Turbulent times create both challenges and opportunities for companies and it is becoming critical for corporate leaders to focus on long-term innovation but at the same time execute short-time actions that are needed to sustain the core business. The global financial crisis has affected businesses but has this made them reconsider their strategies? Burgelman (2009) argues that he think they will rethink their strategies, as he claims that strategy is to be seen a methodology- a way of seeing the world- and strategy is something you do all the time. To Burgelman (2009) strategy is ultimately about how to gain and maintain control over your destiny. Businesses must find the balance in their financial balance sheets and this time is also good for rethinking how the businesses can reduce costs and then use the reductions in costs to provide resources for increasing their innovations. The ultimate goal is to increase customer value like all businesses seek. Burgelman (2009) concludes that we cannot predict the future, but we can prepare ourselves and maybe take advantage of the things happening now.

**Paradox of intrapreneurship**

There is a strategic paradox in the sense that often the long-term strategic objectives needed to secure a stable growth based on a production that is efficient, stand in contrast to the structures and processes that are needed for innovative activities (Tidd & Bessant, 2009). Making the intrapreneurship strategy the overall business strategy, or having it as part of the overall strategy, is a choice for top-management to make and it will have an effect of the performance of the intrapreneurial activities. According to Sykes & Block (1989, cited in, Kuratko & Hodgetts, 2004:54) the traditional management practices focuses on planning for the long term, which has the adverse effect of non-viable objectives are being locked in and
this increases the chance for high failure costs. This would evidently also mean that novel objectives of value are being excluded. What is recommended by them instead, is that instead of planning for the long term, companies should make a vision with a set of milestones, from which they can reassess the status after reaching the milestones (Sykes & Block, 1989, cited in, Kuratko & Hodgetts, 2004).

Mintzberg & Waters (1982) discuss strategy in the perspective of entrepreneurial companies. They specifically look at how the transformation from being a small entrepreneurial business to becoming a large corporation is affected by which mode the top leader of the company takes on- the entrepreneurial mode or the planning mode. The entrepreneurial mode is defined as ‘sprints and pauses’ to use their analogy, in which the entrepreneurial leader takes bold risky leaps into the future followed by pauses to catch up with the changes. However risky it seems, the ‘entrepreneur protects himself in his bold action, controls it, for successful entrepreneurship is not equivalent to foolhardiness’ (Mintzberg & Waters, 1982:495). This is only possible because of the pauses that the company takes after having pursued controlled boldness. These pauses ensure that the company remains viable and able to sustain the entrepreneurial success, as the sprinting ‘provides an inspirational period of change; pausing provides for the maintenance and stability required to renew energies so as to be able to accept once again the challenge of change’ (Mintzberg & Waters 1982:493).

In the entrepreneurial mode, the business leader react proactively to external changes, which assumes that organisational structures are flexible and able to adapt to the ‘sprints’ being made. However as the companies grow into large corporations, it is claimed that opposed to the entrepreneurial mode where structure follows strategy, ‘strategy, to some extent at least, had to follow structure, as well as environment’ (Mintzberg & Waters, 1982: 497).

The growth of a company increases the consequences of its strategic actions, and this necessitates a planning mode in which the ‘planning gives order to vision, and puts form on it for the sake of formalized structure and environmental expectation’ (Mintzberg & Waters, 1982: 498). The definition of the planning mode is described by the logic that ‘if planning simply means ‘future thinking’, as implied by some of its most ardent proponents, then all decision making is planning, because a decision is a commitment to action, that is, a commitment to do something in the future’ (Mintzberg & Waters, 1982: 497). The drawbacks of this planned approach is however that the visions are replaced with procedures that only change in degree and not in kind meaning less innovation and less excitement. Mintzberg & Waters (1982) suggest conclusively that the contrasting characteristics of entrepreneurship and planning can only exist in the same organisation by allowing and encouraging the two modes to exist.
Relating strategic orientation with innovation, incremental innovation can be defined as intentional and a 'result of conscious strategic deliberations' (Sundbo, 1998:180) and strategic management must create environments where technological innovations and entrepreneurship can happen and guide these activities based on strategy. The innovation activities can be approached from either rational or processual perspectives and the choice depends on its view of the strategy process (Sundbo, 1998). In reality the companies often implement another strategy that they intended (Mintzberg & Waters, 1982), because the implementation process in the company and the company’s encounter with the outside world change the direction.

INNOVATION & MANAGEMENT

I view innovation related to entrepreneurship and hence intrapreneurship. The following will elaborate on the areas I relate innovation to intrapreneurial behaviour in this thesis.

Motivating and encouraging innovative behaviour

Motivating the employees for entrepreneurial behaviour is a crucial challenge for the top-management, since uninspired employees are unlikely to develop new and radical innovative ideas (Amabile, 1998). Effective entrepreneurial behaviour can be encouraged by effective reward systems that must consider clear goals, feedback, individual influence and rewards based on results or team performance (Christensen, 2005:310). Sathe (2003, cited in, Christensen 2005) claims that people are motivated differently. Entrepreneurs may seek rewards such as the pride that comes from starting up your own company- intrapreneurs value other incentives that are not always clear. Morris & Kuratko (2002, cited in Christensen, 2005:310) claim that intrapreneurs are motivated by controllable rewards such as ‘regular pay, bonuses, promotions, share in the company, job security, public recognition and free time to work on pet projects, money for research and trips to conferences’.

The need for achievement is driving entrepreneurs (Hornsby, Naffziger, Kuratko & Montagno, 1993, cited in, Christensen, 2005). ‘Those with a high need for achievement are much more likely to engage in entrepreneurial activities than those with lower achievement thresholds’ and ‘entrepreneurs that operate within organisations tend to focus on the need for achievement, searching more for challenge and autonomy than financial gain’ (McFadzean, O’Loughlin & Shaw 2005:365). Kuratko & Hodgetts (2004) argues that rewards and reinforcement enhance the motivation of individuals to engage in innovative behaviour. ‘Organisations must be characterised by providing rewards contingent on performance,
providing challenges, increasing responsibilities and making the ideas of innovative people known to others in the organisational hierarchy’ (Kuratko & Hodgetts, 2004:65).

Amabile (1998) addresses forms of motivation in relation to what impact they have on creativity in an innovative workplace. There are two types of motivation, the extrinsic and the intrinsic motivations. People are extrinsically motivated by factors outside oneself- from the external sources such as when the manager promise monetary rewards for fulfilling a specific tasks. Moreover, this also means that threats of not fulfilling a specific task successfully will motivate extrinsically, and the person ‘will do her job to get something desirable or to avoid something painful’ (Amabile, 1998:3). Amabile & Khaire (2008) found that people who were motivated by extrinsic motivators such as salary, benefits and job security were also being productive. However, it was also found that employees who were intrinsically motivated by intellectual challenges were much more productive (Amabile & Khaire, 2008). The employees’ intrinsic motivation is the most important tool for enhancing the creativity within the company. People are intrinsically motivated when they are deeply passionate about a certain task or challenge and the motivation exist within the person rather than from external sources (Amabile, 1998). People who are intrinsically motivated do not necessarily expect rewards because the work in itself is a reward. Amabile (1998) describes the intrinsic motivation best by her ‘Intrinsic Motivation Principle of Creativity:’ ‘People will be most creative when they feel motivated primarily by the interest, satisfaction, and challenge of the work itself- and not by external pressures’ (Amabile, 1998:4).

The use of either extrinsic or intrinsic motivators may also be appropriate at various stages in the creative process (Amabile, 1998). Intrinsic motivation is argued to be crucial in the early phase because of its self-based drive for creative achievement. Smith, Kesting & Ulhøi (2008) concur to this and claim that ‘at the idea generation level the leaders must e.g. serve as advocate of new ideas, sheltering employees from negative attitudes of managers in the organisation and the leader should openly recognise and reward employees who generate new ideas (idea support) and later in the innovation process (towards the implementation stage) the leader must ensure that the employees have access to the resources needed (work support)’ (Smith, Kesting & Ulhøi, 2008:4).

As mentioned in the opening this thesis is focusing on the first phase of building intrapreneurship in terms of the facilitation of ‘dreaming’ (Pinchot & Pinchot, 1978) and idea generation (Amabile, 1998). In the later phases of ‘doing’ (Pinchot & Pinchot, 1978) extrinsic motivators can then play an influential role where the passionate idea generation is in the background (Amabile, 1998). Summing up, extrinsic motivators seem to be needed and important when motivating intrapreneurs, but it is also argued that the best solution is to get
the intrapreneurs intrinsically motivated in order for the company to develop radical and sustainable solutions. However, being intrinsically motivated does not exclude the importance of top-management’s behaviour since ‘employees doing creative work are more motivated by managerial behaviour, even seemingly little things like a sincere word of public recognition, than by monetary rewards’ (Amabile & Khaire, 2008:107).

Similarly, innovation is described as the ‘deviation from routine behaviour or organized abandonment’ (Drucker, 1992:340) and innovation in the context of art, Pablo Picasso asserts that ‘every act of creation is first of all an act of destruction’ (Harryson, 2008:138). The size, organizational structure and bureaucracy may overrule the disruptive entrepreneurial initiatives from individuals and thus stay in a state of equilibrium (Tidd & Bessant, 2009). However, most companies realize the need for change and innovation and hence the role of the intrapreneur is useful. ‘By its nature innovation is about the unknown, about possibilities and opportunities associated with doing something new and so the process involves dealing with uncertainty’ and ‘the only way we can get more certainty is by starting the project and learning as we go along’ (Tidd & Bessant, 2009:311). Making the decision about which direction to chose becomes a matter of calculating the risks associated with different options. Innovation management involves committing resources to something that has an uncertain outcome, and it tries to convert that uncertainty at the outset to something closer to a calculated risk (Tidd & Bessant, 2009).

**Incremental and radical innovation**

‘The incremental innovations are in general seen as organised innovations. Whether they are generated in dedicated R&D divisions or elsewhere in the company, they are the result of intentional activity’ (Sundbo, 1998:175). Intrapreneurship can also be viewed as controlled chaos (Quinn, 1985). There is a dominant view of strategy being seen as controlled and planned, whereas some argue that the opposite, the emergent, might be the most fruitful and sustainable changes. The innate human nature is to seek control and limit uncertainty when encountering turbulence. Since we are living in a more uncertain and unstable economic society these years, chances are that more managerial control is being prioritised and this is interesting in regards to how risks are perceived in organisations today. Risk-taking is often referred to as highly related to uncertainty, lack of planning and unmanageable actions (Osborne, 1995, Sarasvathy, 2001, cited in, Lassen, Gerten & Riis (2006:363). One of the antecedents of organisational entrepreneurship is a risk-taking culture in which a degree of uncertainty acceptance is part. Uncertainty is defined as ‘the lack of complete certainty, that is, the existence of more than one possibility. The ‘true’ outcome/state/result/value is not known’ (Hubbard, 2007:46). At the same time risk can be described as a state of being
uncertain about whether or not the future outcome of the resource commitments are positive or negative (e.g. Hubbard, 2007; Mintzberg & Waters, 1982).

Quinn (1985) suggests that major innovations are best managed as ‘incremental, goal-oriented, interactive learning processes’ (Quinn, 1985:82) as innovation is by nature incremental. It is not enough to know innovation is vital and the business needs to create a process for innovation in order to accomplish intrapreneurship. ‘The difference with companies like Apple and Google is that, as they grow and become more bureaucratic, they also incorporate a process for innovation and entrepreneurial thinking’ says Jeff Weber and continues that many businesses do not have procedures for innovation even though they have procedures for every other process (Weber, 2010). According to Kuratko (2009) radical innovation is the launching of inaugural breakthroughs and they depend on experimentation that needs to be recognised and nurtured since it is not necessarily possible to manage. One the other hand, incremental innovation is the result from a more systematic process (Kuratko, 2009). In this thesis, the difference between radical and incremental innovation may serve the point of highlighting the level of support that is needed from the management’s side in order to encourage intrapreneurship and innovative processes.

Support from top management
‘Leadership support has been singled out as one of the most significant factors for employee initiative and thus a factor which is assumed to lead to an increased level of innovation’ (Smith, Kesting & Ulhøi, 2008:3). Knight (1987) asserts that corporate innovation and entrepreneurship can be effectively managed, and thus also mismanaged. ‘First, it can be encouraged (and discouraged) by the attitude that is projected through the corporation, usually by top-management’ (Knight, 1987:294). Management support is the ‘extent to which the management structure itself encourages employees to believe that innovation is, in fact, part of the role set for all organisation members. Some of the specific conditions reflecting management support would be quick adoption of employees ideas, recognition of people who bring ideas forward, support for small experimental projects, and seed money to get projects off the ground’ (Kuratko & Hodgetts, 2003:65). Moreover, the organisational culture should encourage everyone to believe they can be intrapreneurial by broadcasting requests for innovative ideas and promoting those who have succeeded doing this internally (Knight, 1987).

Not all factors directly encourage intrapreneurship but some are necessary in order to create an intrapreneurial culture. ‘If managers aren’t innovative, if they don’t provide the climate for creativity, if the can’t set aside their carefully laid plans to take advantage of a new
opportunity, then intrapreneurs have little encouragement’ (Fry, 1987:5, cited in Christensen, 2005:319). Similarly, ‘one of the most important roles leaders play within organisational setting is to create the climate for innovation’ (Tidd & Bessant, 2009:102). This suggests that organisational leaders face a great deal of responsibility and they can determine the faith of many innovative ideas depending on their own personal capabilities. When building this innovative culture one of the fundamental organisational conditions needed is a common set of values that ‘on the one hand promotes new ideas and initiatives, and on the other hand accepts that new ideas and ventures may fail- that failure is a process of learning, not humiliation’ (Innovation Inside, 2010:26).

It is crucial for management to support intrapreneurial activities even if they do not fully understand them (Christensen, 2005). ‘The basic idea of management support is to encourage employees to believe that innovation is embedded in the role of all employees.’ (Kuratko, Montagno & Hornsby, 1990; Hornsby, Naffziger, Kuratko & Montagno, 1993, cited in, Christensen, 2005:311). Tidd & Bessant (2009) assert that top-management commitment is often associated with successful innovation, however innovation can also happen in spite of the top-management. This suggests that being supportive of innovation not always means top-management must be actively involved, but also about creating space and support for the creativity needed in entrepreneurial activities within the company. However, the entrepreneur as innovator has traditionally been seen as internally driven and independent on his surroundings in his innovation behaviour. This traditionally view has changed in theory and empirical discussions in recent years, with the introduction of intrapreneurship as a highly communicative type of behaviour (Stevenson & Jarillo, 1990, in Sundbo, 1998:169). Intrapreneurship consists not so much of struggling for one’s own idea against all external obstacles, as of convincing others in the organisation of the viability of the idea (Sundbo, 1998).

Regarding the management’ role of giving feedback and evaluation, it is claimed that this is a key role in creative leadership (Tidd & Bessant, 2009). The management should at the same be appreciative and recognise the possibility that great inventions may also stem from employees simply wanting to impress someone else (Amabile & Khaire, 2008). However, giving feedback and possible advice and evaluation is critical and typically interpreted as not being convenient when fostering creativity and innovation and therefore one should wait with this after the idea generation (Tidd & Bessant, 2009). However, it is also asserted that this way of doing it may be wrong, and that evaluation and feedback from top-management may precede the idea generation phase (Tidd & Bessant, 2009).
In terms of top-management’ or managers’ skills in leading creativity, ‘the creative leader needs to do much more than simply provide a passive, supportive role, to encourage creative followers. Perceptual measures of leaders’ performance suggest that in a research environment the perception of leader’s technical skills is the single best predictor of research group performance’ (Tidd & Bessant, 2009:106). For example, it was found that a transformational leadership type might be the best type when dealing with high complexity, uncertainty or novelty. Moreover, the transformational leadership type had a positive impact in both research environments as well as more administrative (Tidd & Bessant, 2009). As entrepreneurship is about movement, changing and disrupting (Schumpeter, 1943, cited in, Brouwer, 2002), this correlates with being transformative. Thus it seems appropriate that the entrepreneurial qualities should be at the top-management level in order to manage intrapreneurial activities, i.e. creative research activities in an administrative environment.

In relation to our present recession, Gopalakrishnan (2009) asserts that in this world of crisis mode, managers navigate between different capability building activities at different periods of times. Gopalakrishnan (2009) elaborates that innovation is a basic instinct in line with spirituality and it manifests itself most clearly when it comes natural to people, and thus he discusses why it is that some businesses cannot just innovate naturally but need to be managed and programmed to do so. ‘You can be modestly innovative and consciously so, or you can be highly innovative and unconsciously so’ (Gopalakrishnan, 2009:78). Does this mean that one way is better than the other? Or more appropriate for different stages or periods of times? The programmed approach to attaining innovation is good, but he concludes that ‘the ultimate goal should be to be liberate the innovation gene inside a person, a company, an organization. When a child is born, she is naturally innovative. We put blinkers on the kid and we condition her to become like us; we inhibit her. The key, therefore, to becoming innovative is not to introduce new techniques of innovation, but to unlearn the ones that stall innovation’ (Gopalakrishnan, 2009:78). ‘Innovation will not evolve because you create a structure. Innovation has to be part of the DNA of an organisation: it has to somehow bring out the creative strengths of our people. You don't need to have structure for that’ (Gopalakrishnan, 2009:78).
EMPIRICAL MATERIAL
EMPIRICAL MATERIAL

The key empirical surveys are mentioned below while those surveys backing them up, are referred to in the bibliography.

INTRAPRENEURSHIP SURVEYS

Bosma, Stam & Wennekers (2010)
The survey, ‘Intrapreneurship- An international study’ is an international comparative study, which is based on eleven countries in the framework of the Global Entrepreneurship Monitor 2008. The characteristics of intrapreneurs and entrepreneurs are being investigated as well as the relationship between the two types of entrepreneurs.

Bager, Ottósson & Schøtt (2010)
The survey ‘Intrapreneurs, entrepreneurs and spin-off entrepreneurs: similarities and differences’ is based on two previous surveys: The Global Entrepreneurship Monitor report and company start-ups in Vejle, Denmark in the period 2005-2006. The objective of the survey is to investigate whether intrapreneurs are especially competent, proactive, innovative, growth-oriented and risk-takers, and how they perform.

Eesley & Longenecker (2006)
Dale T. Eesley and Clinton O. Longenecker asked 179 managers from more than 20 U.S based manufacturing and service companies about their experience with intrapreneurship. Intrapreneurship is defined here as ‘the act or practice of creating new business products and opportunities within an organisation through proactive empowerment and risk-taking.

Ernst & Young (2010)
The article ‘Igniting innovation. How hot companies fuel growth from within’ investigate the secrets of successful ‘free market entrepreneurship within the corporate organisation’, also known as ‘corporate entrepreneurship’ and ‘intrapreneurship’. Based on interviews with global senior business leaders, leading academics, industry authorities and ‘Entrepreneur of the Year’ award winners, they come up with six corporate strategies that are antecedent to the most successful intrapreneurship activities. It is based on Ernst & Young’s own ‘Connecting innovation to profit’ (2010,Q3) survey, which includes responses from 263 winners and finalists of the Entrepreneur of The Year award from the three regions of; The Americas, EMEIA (Europe, Middle-East, India and Africa) and the Asia-Pacific. Henceforth reference to these will be EY, 2010/ EY, 2010,Q3 respectively.

5 Low and high-income countries.
INNOVATION SURVEYS

Ernst & Young (2009)
In their article ‘Entrepreneurship and innovation: the keys to global economic recovery’, which is based on their survey ‘Seizing opportunities. A once in a lifetime chance’. Ernst & Young (henceforth, EY, 2009) discuss how companies and business leaders should focus on long-term and entrepreneurial thinking in order for them to recover from the financial crisis successfully.

Their survey ‘Innovation and commercialisation’ is based on the responses from 2240 executives worldwide. This is interesting to use as it highlights a more ‘management’ perspective of innovation. It suggests five ways to improve the approach to managing innovation in companies with growth ambitions. This will henceforth be referred to as MC, 2010.

Innovation Inside (2010)
‘The Rise of the Creative Masses. Transforming the Workforce into an Innovation Force’ survey is based on 6003 Nordic citizens from Denmark, Sweden, Norway and Finland, with 1500 respondents from each country. Ranging from managers to employees, it focuses on how to enhance the ability to think creatively to generate ideas and turn them into commercial solutions. The average results do not vary much from the Danish responses and thus I use the overall responses in general but will also point out when the Danish responses are more relevant to use for emphasising the Danish cultural difference. This will henceforth be referred to as II, 2010.

The Danish Association of Managers and Executives (2010)
This service organisation for all Danish managers and executives made a survey ‘Innovation & Ledelse’ (Innovation and Management) to look specifically at the leader’s role in innovations-processes and his/her training in innovation management. This will henceforth be referred to as DAME, 2010.

The Danish Centre for Leadership, CfL (2010)
Their survey ‘Innovationsindikator’ (Innovation Indicator) investigates what the situation is with innovation after the global financial crisis has made its impact. The 393 respondents are from the CfL Trend Panel and they are all in management positions ranging from CEOs to project managers. The companies are Danish and primarily in the service industry. Henceforth this is referred to as CfL, 2010.
The Danish Chamber of Commerce (2011)

Their survey ‘Virksomhedernes innovation står I stampe’ (Companies’ innovation is ceased) looks at what the effect of the crisis has been on the Danish companies’ innovation. It tells us what the companies experience as barriers for innovation and how their innovation level has decreased. Henceforth this is referred to as DCC, 2011.
ANALYSIS
ANALYSIS

This section will begin concluding the themes that emerged from the empirical material when it ‘talked’ about my research question. Initially there were many themes in focus, and these have been delimited on the basis of my problem statement and purpose. The analysis will identify and analyse the following themes of organisational conditions for intrapreneurship. This is followed by the discussion and conclusion, in which the analytical results will be discussed and prepared for the concluding remarks.

The theme of top-management support is a natural concern when it comes to running an intrapreneurial company. The focus that has emerged empirically is on the need for top management to encourage idea development and not punish failure. Moreover, management feedback and degree of involvement have proven to be a central issue along with innovation skills of employees and managers. Different measures for motivating and rewarding employees appeared to have an important influence on the success intrapreneurial behaviour.

Strategic orientation is empirically viewed as playing a great role in terms of the strategic priority innovation has in the company. The balance between short-term and long-term is a challenge to handle strategically and the ‘entrepreneur-led’ and the ‘executive-led’ companies differ greatly in their strategic priorities- especially in relation to risk-taking and uncertainty.

The theme of risk-taking was revealed an important influence in the majority of the empirical material, in terms of how risk simultaneously can be a driver and a barrier for innovation. This became evident especially in the abovementioned distinction between the ‘entrepreneurial’ and the ‘managerial’ mindsets, where perception of risk depends on which perspective you see it from.
TOP MANAGEMENT SUPPORT

When companies pursue intrapreneurship, one of top-management’s important tasks is to create a culture where innovation is encouraged and embedded in every employee (Tidd & Bessant, 2009). According to Aulet et al. (2010), the most critical aspect for an intrapreneurial success is a strong support from the top-management. Moreover, top-management must support the intrapreneurial activities, even if it does not understand them (Kuratko, Montagno & Hornsby, 1990; Hornsby, Naffziger, Kuratko & Montagno, 1993). This chapter will look at how companies deal with innovation and intrapreneurship through the top-management’s role. Are employees encouraged to innovate, is failure accepted and do employees get the right motivation and rewards from a skilled top-management?

Encourage innovation

Creating a supportive culture and atmosphere of innovation is essential when engaging with intrapreneurship, but at the same time the flexible and dynamic management processes that are needed when doing radical innovation or working with intrapreneurship are challenging the established organisational culture. Eesley & Longenecker (2006) reveals that 38% of the respondents feel that ‘failing to sanction, promote and encourage intrapreneurship’ is a barrier to intrapreneurship. Moreover, 28% believe it is a barrier when ‘people are not encouraged to think about opportunities’. 23% support the fact that ‘lack of real management support’ hinders intrapreneurship (Eesley & Longenecker, 2006). Smith, Kesting & Ulhøi (2008:3) explain ‘the lack of employee initiative with the lack of leader support’ meaning that employees will rarely take initiative to bring their ideas forward if they think top-management support is negative or not appreciative (Kesting, Smith & Ulhøi, 2008).

36% believe that ‘management support and engagement of employees at all levels’ is a driver for intrapreneurship (Eesley & Longenecker, 2006). While extrinsic motivators (Amabile & Khaire, 2006) such as financial incentives may induce employees to participate in intrapreneurial activities, managers need to help employees understand what the desired intrapreneurial behaviours are and how they can be pursued at the different levels in the company. Management can also give more functional support to those intrapreneurs who face challenges due to poor training and thus need assistance to bring their ideas to reality (Smith, Kesting & Ulhøi, 2008). Employees who have confidence in management to help them develop their intrapreneurial initiatives will be more likely to view intrapreneurial activities as worthwhile (Smith, Kesting & Ulhøi, 2008).

When some of the world’s best entrepreneurs who lead entrepreneurial businesses are being asked to what ways they are encouraging innovation, 62% from EMEIA and 77% from the
U.S do this by ‘hiring people with demonstrable creativity’ (Ernst & Young, 2010, henceforth EY, 2010). In the same survey, the second highest score of encouraging innovation is ‘developing alliances with outside partners’, where 56% of the EMEIA use this approach. Interestingly, only 33% from EMEIA ‘provide set amount of time to pursue innovation’ as means for solving the issue of encouraging innovation in their organisations (EY, 2010). When the respondents from EMEIA encourage more innovation by hiring people from outside, this corresponds to the recommendations made by Knight (1987). Other ways to encourage innovation is through a diverse range of motivational factors, the intrinsic and extrinsic motivators (Amabile & Khaire, 2008).

**Rewards**

One of the suggestions for the top-management function when creating a favourable environment for innovation is to place the incentives and rewards as encouragement for innovation (Knight, 1987). The distinction between intrinsic and extrinsic motivators is important to be aware of when management want to encourage their employees to behave intrapreneurial (Amabile, 1998; Amabile & Khaire, 2008). Intrapreneurship involves risk-taking and a creative drive (e.g. Eesley & Longenecker, 2006). 21% of the respondents (EY, 2010) claim that ‘risk-taking and improvement activities are not rewarded’. This will influence the creation of intrapreneurship negatively as it is not encouraged to become a competitive advantage for the company.

Compared to independent entrepreneurs, the intrapreneurs are motivated by regular pay, bonuses, promotions and recognition (Morris & Kuratko, 2002, in, Christensen, 2005). However, intrapreneurs are more motivated by challenges than any monetary rewards (McFadzean, O’Loughlin & Shaw, 2005). People who are motivated by the task they are doing and by the need for achievement, have been shown to be more productive and creative (Amabile, 1998; Amabile & Khaire, 2008). 20% from EMEIA and 33% from the Asia-Pacific offer ‘monetary rewards’ (EY, 2010). This national and cultural difference is also exemplified in the Danish company, Danfoss, where their global divisions are motivated differently. The Danish employees are less motivated by financial incentives than their colleagues in U.S. The Danish employees are more motivated by promotions and a sense of recognition from colleagues that gives them prestige (Christensen, 2005).

When asking the entrepreneur-led companies about their motivational actions ‘the majority of entrepreneurs did not offer their staff monetary rewards in order to encourage innovation or give them a set amount of ideas time’ (EY, 2010,Q3: 4). At Danfoss the rewards reflect the nationality of the employees, resulting in bonuses are playing a motivational factor at the U.S
offices, whereas what motivates the Danish employees is promotions and collegial recognition (Christensen, 2005). This suggests that the national culture affect the reward systems of the businesses and that intrapreneurs differ in their motivations depending on which culture they are from. It could also suggest that Danish culture resembles the entrepreneurial style of motivating more than the American. However, as Christensen (2005) points out, the rewards may also be omitted from the Danish workplace due to Danish regulations not allowing monetary rewards. All employees at Danfoss were ‘encouraged to be innovative and consequently innovation happens everywhere’ (Christensen, 2005:311). According to my interview with Westergaard (Appendix 5), depending on how much the top management want from its employees- the more they should attune the rewards. ‘Sometimes it is not necessary to get monetary rewards but just to be the ‘employee of the month’. Recognition is by the end of the day what we all strive for!’. This proposes that EMEIA and thus Denmark have the right mentality and conditions for providing intrinsic motivators, which are the best motivators for encouraging employees to develop radical and sustainable innovations.

Management involvement
From 2006 to 2010 the management has become 21% more involved in the whole innovation process (CfL, 2010). Those businesses where the management is involved in the innovation create higher value of their innovation work (CfL, 2010). When looking at who is occupied with innovation, 72% say it is middle managers, 45% say employees and 39% say project leaders. 68% say that it the top management who are mostly occupied with innovation (CfL, 2010), however the basic idea of top-management support is to encourage innovation as being embedded in all employees’ roles (Kuratko et. al. 1990 & Hornsby et. al. 1993, in, Christensen, 2005). Embedding innovation activities throughout the business is highly important and 65% agree that ‘maintaining an environment where people can be innovative is critical for future business growth’ (EY, 2010). The majority of the respondents indicate their innovation activities takes place throughout the organisation, with 62% from the Americas and 42% from EMEIA. At the same time only 9% from the Americas, 14% from EMEIA and 16% from Asia-Pacific agree that their innovation takes place in individual business units. 36% from EMEIA, 44% from the Asia Pacific and 24% from Americas say it takes place in ‘centralised leadership team or company owner’. CfL (2010) argue that innovation will give the greatest value when it is incorporated in the daily business processes in close contact with customers and other stakeholders. ‘In most companies innovation happens in closed project teams, which are made across units in the company. This is not effective and the innovation process is too slow;’ says CEO of CfL, Poul Blaabjerg (CfL, 2010).
The relative low percentage of employees being occupied with innovation in EMEIA and thus Denmark, suggests that innovation is not completely embedded in the companies and they will thus miss out on creating greater value from their innovative activities (CfL, 2010). As Gopalakrishnan (2009) asserts, embedding innovation is not just done by organisational structures but management has to liberate the innovation potential inside the employees, which in his opinion can be done by ‘unlearning’ the present mentality and behavioural patterns that hinders innovation. Creating a culture for innovation and intrapreneurial initiatives can also be achieved by having a top-management that is supportive and not least evaluative and attentive to the ideas from employees. This is especially important in terms of the more autonomous strategic behaviour where the internal entrepreneurial initiatives need to be evaluated on two dimensions; the expected strategic importance of the entrepreneurial initiative and the degree to which the initiative differs from the core organisational capabilities (Burgelman & Sayles, 1986).

It is important to encourage idea development from the employees if the business wants to succeed in intrapreneurship. However, if the employees do not feel that their leaders are open and listen to their ideas it does not matter how many ideas they develop. According to Eesley & Longenecker (2006) it was found that when organisations did not listen to their employee’s input about how to make things better and there is no follow up on improvement ideas, they discourage the very things needed for organisational improvement to flourish. Knight (1987:294) argues that it is very important that those evaluating the entrepreneurial initiatives are ‘supportive rather than destructive, encouraging rather than discouraging and those experienced in removing obstacles, rather than creating them’. As Amabile (1998) claims, creative people are motivated by the need for achievement and by intellectual challenges, i.e. intrinsic motivators, and thereby not just the ‘carrot and stick’ method. This emphasises that management need to instruct people on how to proceed with their ideas or improve their ideas rather than just give a go- or no go.

Only 13% of the Nordic respondents say that everybody at their workplace strongly supports innovation and when it is divided into managers and employees there are 12% managers and 10% employees who say that everybody support innovation (Innovation Inside, 2010, henceforth II, 2010). When they do support it, only 21% of the Nordic respondents always get feedback on their ideas (II, 2010). Only 11% of the Danish employees feel that the management listen to their ideas every time (II, 2010). When it is the Danish managers that are being asked how their management, i.e. top management, listen to their ideas, 22% of them agree that they always listen to their ideas (II, 2010). This indicates a problem with middle managers that needs to improve their attentiveness towards ideas coming from
employees below them since it does not encourage anyone to develop ideas if they are not being listened to. If managers do not take on the responsibility of listening to the employees’ ideas, i.e. the autonomous strategic behaviour (Burgelman & Sayles, 1986) and take them to a higher level, the culture is not suitable for intrapreneurship. These numbers indicate a low level of feedback, which suggests a weak and challenging motivation for intrapreneurial behaviour. This is backed up by Eesley & Longenecker (2006), where 44% of the U.S respondents agree that a barrier to intrapreneurship is 'ideas with nowhere to go for follow-up or action' (Eesley & Longenecker, 2006). ‘The human problem of managing attention is because people and their organisations are largely designed to focus on and exploit existing practices rather than pay attention to exploring new ideas’ (Van de Ven & Engleman, 2004:50). This is ‘a serious innovation barrier in the large workplaces’ (II, 2010:45) and emphasises that large organisational structures do complicate the flow of communication between the different levels.

Amabile & Khaire (2008:107) assert that managers must embrace the certainty of failure and that ‘managers must decrease fear of failure and that the goal should be experiment constantly, fail early and often, and learn as much as possible in the process’. Management of intrapreneurship must take into account the probability of errors as it increases exponentially with complexity (Quinn, 1985). As the complexity increases, the innovator’s control over decisions consequently decreases which may lead to potential error costs and risks (Quinn, 1985). ‘Since there will be failures before successes, CEO advocacy is critical’ (Aulet et al., 2010:1). Only 15% of the Nordic average strongly agrees that failure is acceptable (II, 2010). CfL (2010) reports that nearly 38% of the Danish companies have an organisational culture that accepts failure. This suggests a weak innovation culture in the Nordic countries, since failure acceptance is key to entrepreneurial experimentation and creativity. However Denmark has the best cultural foundation for creating intrapreneurship.

**Innovation skills of employees & top management**

When being asked how important it is to be creative and innovative in their jobs, 63% of Danish managers and 44% of Danish employees agree this is very important (II, 2010:22). At the same, when being asked how creative and innovative they are in their jobs, only 26% of Danish managers and 16 % of Danish employees say they are this very much (II, 2010). This suggests a considerable gap between what is understood as important and what is actually performed and it could be explained by a lack of having the right skills and competences for intrapreneurial and innovative activities.

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6 25% agree to a high degree/ 53% agree to some degree (CfL, 2010).
In our interview, Westergaard (Appendix 5) makes a good point in arguing for the priority of educating and training employees in innovation management and entrepreneurial skills by the example ‘If the top management at Danfoss tells their employees: Okay, give us an innovative idea and you will be rewarded with a bonus of 50.000 kr. Then employees will still ask ‘what is an innovative idea?’. This example emphasises that motivations and ambitions may be good to have, but if those employees do not have an understanding of what makes an idea innovative and the right innovation skills, the entrepreneurial initiatives from employees will most likely not come very far in the evaluation process. According to Aulet et al. (2010), ‘traditionally the employees of large and mature companies are trained and expected to manage existing businesses rather than to create new businesses’. They gain proficiency in the practices of gaining market share, adding incremental new product features and optimizing existing competitive advantages (Aulet et al., 2010). Entrepreneurs, on the other hand, learn to create new markets, to create entirely new products (Aulet et al., 2010). Top-management must encourage employees to believe their role involves innovation (Kuratko & Hodgetts, 2003) and if the top-management is not innovative itself, then intrapreneurs have even less encouragement (Christensen, 2005). However, innovation can also happen in spite of top-management (Tidd & Bessant, 2009), but this does not seem to be the issue in this case. It could be suggested that they simply lack the skills to move forward with their ideas, in order for them to agree they are innovative. Only 40% of the Danish companies undertake activities that increase and improve the employee’s innovation skills (CfL, 2010) and 25% of the Danish companies say that ‘the company does not have employees with the necessary competences’ (The Danish Chamber of Commerce, 2011, henceforth DCC, 2010). This clearly suggests that the top-management of the companies need to focus more on employees’ innovative skills and prioritise to train them if they want an intrapreneurial workforce.

However, it is not only the employees, who lack the right competences for innovation, it is also the top-management. The Danish Association of Managers & Executives (2010, henceforth DAME, 2010) survey specifically focus on the leader’s role in the innovation process and it is revealed that 78% of the respondents have not received training in innovation management. 63% feel it is important to participate in innovation management training but at the same time 50% feel they lack training in innovation management (DAME, 2010). Top-management must ensure that employees have access to the resources they need (Smith, Kesting & Ulhøi, 2008) and in this case it would imply that the employees need support in developing their own resources of innovation skills. Burgeiman & Sayles (1986) defined middle management’s capabilities and top-management’ support as key influences in
a creating successful intrapreneurship. Those employees being intrinsically motivated are especially motivated by the managerial behaviour (Amabile & Khaire, 2008). This points to that it may actually be the top-management’s own innovation skills that hinder the employees’ intrinsic motivation. Moreover, because management do not undertake activities to improve the innovation skills of the employees, the drive for achievement (Hornsby, Naffziger, Kuratko & Montano, 1993) will eventually become a struggle for the entrepreneurial employees if they are not able to require the necessary competences.

Since 68% say that it the ‘top management/the directors who are occupied with innovation in their company and 72% say it is the middle-managers (CfL, 2010) it naturally becomes a barrier for the growth and innovation of the company if the management do not have the necessary training. In this regard, Westergaard (Appendix 5) notes in our interview that when it comes to the ambitions or drive of middle managers to work with intrapreneurship, he agrees that it is a question of them not having the necessary tools. ‘It doesn't work if you have a leader saying 'let's be innovative- but how?' In Danfoss Ventures they made a great effort in equipping the employees with the necessary tools so that they would know how to be innovative (Appendix 4).

Burgelman & Sayles (1986) found that the bottom-up and more autonomous strategic behaviour is much more realistic than the traditional planned approach to strategic behaviour induced from the top-management. They conclude that it may actually be questionable whether or not innovation can really happen in large organisations, if innovation is determined changes that have been planned and predicted by top-management’s strategy (Burgelman & Sayles, 1986). Summing up, this proposes that top-management must improve their innovation skills in order for them to succeed in encouraging more employee initiatives through intrinsic motivators.
STRATEGIC ORIENTATION

This section will investigate the relationship between intrapreneurship and the strategic orientation of companies pursuing innovation and intrapreneurship during the recession. It is important that the top-management is involved, to some degree, in the intrapreneurial activities making sure that these activities are part of the company’s growth strategy (Eriksen, Hildebrandt & Jensen, 2008).

37% of the respondents (DCC, 2010) reveal that the crisis has lead to a decrease in their innovation activities, and 31% agree it has made it increase. It is not clear that the crisis has had a negative effect of the innovative tasks directly. From those companies having a decrease in innovative activities, 63% of them say ‘the crisis has lead to more uncertainty about the return on investment in innovation’. 53% of them say that the ‘crisis has forced them to think more short-term survival’ (DCC, 2010) and 58% have increased their focus on reducing costs to build short-term profits (EY, 2009). An appreciation of the unexpected was previously claimed to have a positive impact on the strategy (Chia & Holt, 2011). Therefore, on one hand, since companies are forced to think of short-time objectives, it could be suggesting an opening for a ‘wayfinding’ (Chia & Holt, 2011) and autonomous strategic behaviour (Burgelman & Sayles, 1986). As mentioned previously, strategy is ultimately about maintaining control (Burgelman, 2009), but taking into the recession into consideration, he agrees that times would be good for rethinking strategy. One the other hand, because companies mention they are more uncertain about the return on investment of innovative activities, it may occur that top-management will put intrapreneurial initiatives on pause and wait before they engage in new risky leaps into the future (Mintzberg & Waters, 1982).

In general it can be deducted that in these years, companies have some important choices to make in regards to which perspective they approach their corporate strategy with- the traditional manager or the entrepreneurial manager. Having this uncertainty in mind, it is interesting to see how their overall strategic behaviours are influencing the priority and creation of intrapreneurship and innovation.

Strategic priority of innovation & intrapreneurship

As noted earlier in the theoretical framework, strategy drives the performance and future commitments of the company, even though the approach to strategy differs in terms of where it is initiated and how it incorporates the long-term and short-term objectives. Strategy is the commitment to actions in the future (Mintzberg & Waters, 2006) and this suggests that there

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7 The Danish Chamber of Commerce, 2010
8 Ernst & Young, 2009
should be some level of formal process for intrapreneurship to make sure that those creative ideas and actions will be realised in the future. How is this done in reality and is it the best way forward?

As EY (2010, Q3: 4)\(^9\) mentions, ‘the point of having a formal guideline for intrapreneurship, is to institutionalise intrapreneurship so that it becomes an inseparable part of a company’s operations. Only then can the process of continuous innovation take place- allowing the company to become and stay a market leader’. According to Knight (1987:294) he agrees that ‘firm milestones and performance guidelines should be established, which will terminate the project if not meet’, but he also propose that ‘broadening the strategy to consider all new ideas is usually the solution’ (Knight, 1987:294). 80% have innovation as an integrated element in their strategy (CfL, 2010), and 79% agree that innovation plays a great role in the strategy of the company (DAME, 2010)\(^10\).

Moreover, it is revealed that the biggest drivers for innovation in the Danish organisation in 2010 are primarily from internal sources, with 43% believe strategic focus is the biggest driver for innovation, 52% believe it is the ‘innovative employees’ and 39% say it is ‘top-management attention and involvement’ (CfL, 2010). At the same time, 21% believe the biggest barrier for innovation is the ‘lack of strategic focus’ (CfL, 2010). 30% in the survey by Eesley & Longenecker (2006) agree that ‘clearly defined organisational needs, vision and direction’ is a gateway to intrapreneurship and 30% of the respondents (McKinsey & Company, 2010, henceforth MCC, 2010) describe their organisation’s innovation priorities by ‘well defined strategic-innovation priorities at the corporate and business unit level’. 39% agree they have ‘a general alignment on strategic-innovation priorities, but they are not formalised’ (MCC, 2010). According to EY (2010, Q3) board-level objectives are important when businesses want to grow and be innovative. Therefore it is noteworthy to see that only 50% from EMEIA ‘set formal priorities for innovation in their organisation’s strategic planning process’, a little higher is the Americas with 54% and Asia-Pacific tops with 62%. Moreover, 32% from EMEIA feel that it plays no role to set these formal priorities and 18% from EMEIA inform that they are ineffectively prioritising innovation on a strategic level (EY, 2010, Q3). MCC (2010) backs up that it plays no role to set formal priorities for innovation when they ask the exact same question in their survey.

Advocating for setting formal priorities for innovation is the respondents, companies that set formal priorities for innovation as part of the planning process, are much likelier to say their

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\(^9\) Ernst & Young, 2010  
\(^10\) The Danish Association of Managers & Executives, 2010
companies are better at innovation than their peers. 63% of those who prioritise agree versus 43% of those who do not (EY, 2010). These results suggest that companies do benefit from setting formal strategic-innovation priorities and it is indicated that companies (leaders) are pursuing long-term innovations, which are critical in these turbulent times (Burgelman, 2009), by placing innovation on a strategic level- either formally or informally. However, it also indicates that the entrepreneurial lead companies do not need to rely that much on their strategic planning processes as the companies that are executive lead. ‘Entrepreneurial companies understand the importance of innovation in their growth strategy, but not all of them set the kind of board-level objectives needed to drive innovation forward’ (EY, 2010:3).

We need to look into this distinction between the entrepreneurial led and executive led companies and how they are dealing with strategic behaviour.

**Two distinct approaches to strategic behaviour**

Throughout the empirical material there is a clear distinction between the ‘management’ and the ‘entrepreneurial’ in terms of how the companies in the empirical material approach strategic considerations. Companies working with intrapreneurship must be able to find the right balance of planning the long-term and a flexible approach to the creative and innovative processes (Mintzberg & Waters, 1982). The manager and the entrepreneur have contrasting objectives, i.e. controlling and maintaining order versus opportunity seeking and creative disruption of the order, but both are very important in intrapreneurship. This paradoxical relationship needs to be balanced to get the best out of both worlds. Management teams and the leaders play an important and initiating role (Burgelman & Sayles, 1986). On the other hand, effective managers of innovation are setting goals and keeping the limits and interventions to a maximum ‘rather than implementing elaborate planning or control systems’ (Quinn, 1985:83). They should develop long-term visions for the business that go beyond mere economic measures by focusing on ‘the actions that that lead to profitability, rather than on profitability itself’ (Quinn, 1985:78).

According to EY (2009) there is a clear indication of the different priorities that executives and entrepreneurs make when leading their strategic growth-oriented companies. In their efforts of finding and exploiting the opportunities inherent in the recession, 74% of the executives claim that they are ‘able to secure the present’ state of the company as opposed to only 30% of the entrepreneurs agreeing to this (EY, 2009). 40% of the executives and 23% of the entrepreneurs are ‘able to protect their assets’ and when it comes to the task of re-shaping the business, 37% of the executives manage this while only 16% of the entrepreneurs do the same (EY, 2009). However when it comes to ‘pursuing new market opportunities’ 67% of the entrepreneurs pursue this while only 19% of the executive led
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companies do this (EY, 2009). Mintzberg & Waters (1982) claim that the entrepreneurs are led by their intuition, ‘intuition based on wisdom-detailed, ingrained, personalised knowledge of the world’ (Mintzberg & Waters, 1982:495). They furthermore describe the ‘entrepreneurial activity as the taking of bold, risky leaps into the future’ (Mintzberg & Waters, 1982:492). Does this suggest that the entrepreneurial led companies are bolder than the executives and that they have a greater knowledge of the markets? What is important to remember is the fact that no company can ‘sprint’ all the time without having pauses to reflect in and renew it energy (Mintzberg & Waters, 1982). The planning mode becomes necessary when companies grow into more complex sizes where planning gives order to the entrepreneurial vision, however there is thereby also the risk that ‘the planning mode forces out the entrepreneurial one; procedure tends to replace vision’ (Mintzberg & Waters, 1982:498). Managers with excessive rationalism pursues order by planning and thus they ‘drive out the very things that lead to innovation in order to prove their announced plans’ (Quinn, 1985:77).

It can be suggested that the executive led companies are resembling the ‘planning mode’ (Mintzberg & Waters, 1982) in terms of being focused on securing the present state while ‘pausing’ and making the next strategic move. But the entrepreneurial led companies in the same survey are mature companies the same size as those led by the executive leaders. This suggests that a well-balanced combination of leadership capabilities and entrepreneurial mindset creates the most suitable behaviour when managing an intrapreneurial business.

Despite the planned actions and strategic practices of management it cannot and should not disregard the fact that ‘innovation tends to be individually motivated, opportunistic, customer responsive, tumultuous, nonlinear, and interactive in its development’ (Quinn, 1985:83). According to Chia & Holt (2009) a different approach to strategic actions may prove more valuable than the traditional approach which is conscious, goal-oriented and effectively planned. Their distinction between the ‘navigation’ and ‘wayfinding’ approaches are supporting the arguments by Quinn (1985) when it is revealed that highly structured and planned approaches do most often not result in major innovations. Chia & Holt (2009) maintain that strategic actions may be consistent and effective without the existence of explicit strategic plans and intentions. Strategy is constantly evolving in its efforts of coping with everyday conditions and thus is embraces surprises in an opportunistic fashion instead of sticking to specific objectives and commitment of overcoming any objects that stand in the way of the consciously laid plan. Having strategic focus to drive innovation in the empirical companies reveals the dominant approach to organisational entrepreneurship resembles the ‘planning’ (Mintzberg & Waters, 1982), the ‘navigating mode’ (Chia & Holt, 2009) and the ‘induced strategic behaviour’ (Burgelman & Sayles, 1986) more than the entrepreneurial
mode. The entrepreneurial-led companies in Ernst & Young (2010) are the only exception to this. Now we move on to see how the different companies manage to solve the paradox of long-term innovation objectives and short-term operational activities.

In order for companies to manage the contrasting relationship of controlled stability and ‘radical’ movement (e.g. Hjorth, 2003; Schumpeter, 2002) they need to balance the act of long-term innovation objectives with daily operational tasks. According to Birkinshaw, Buckland & Hatcher (2003) companies must have a more realistic understanding of a long-term vision and then adjust the expectations of employees and stakeholders accordingly. So, how is this done in reality? 63% of the respondents reveal that they still see the daily operations dominate the agenda (CfL, 2010) and 60% of the middle managers agree that they need to lower their priority of innovative tasks in favour of daily operational tasks (DAME, 2010). Time and resources are often prioritised which means that the long-term projects that takes longer time and more resources are in danger of not getting support (Christensen, 2005). Tidd & Bessant (2009) claim that the management structures and processes that are needed in the daily procedures stand in opposing contrast to those needed when businesses need to manage innovation. There is a pressure for long-term strategic planning in the daily operations in which the ‘production favours efficiency rather than innovation’ and ‘budgeting systems favour short-term returns on incremental improvements’ (Tidd & Bessant, 2009:454). In contrast there are the intrapreneurial activities that focus on new ideas, uncertainty and risk-taking behaviour. This suggests a challenge as corporate short time profits reports conflict with long-term perspectives of developing radical innovations (Quinn, 1985).

**Role of middle management in strategic intrapreneurship**

It was previously revealed in the top-management support analysis, that 68% believe the ‘top management’ is most occupied with innovation, 72% believe it is ‘middle managers’ and only 45% believe it is the ‘employees’ that are most occupied with innovation (DAME, 2010). The same survey reveals that only 56% of the middle managers agree that they are being involved in the company’s work on innovation strategy. These conditions suggest some challenges. First, there is a gap between the intended strategy and the realised strategy (Mintzberg & Waters, 1982), when middle managers need to prioritise operational tasks even though they agree that innovation plays an important role in the company. According to Kuratko (2009) a corporate entrepreneurship strategy is a vision-directed, organisation-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity. This suggest that those companies having innovation as an
integrated element in their corporate strategy, will not be able to create a successful intrapreneurial culture if they are not able to find the balance between daily operations and the long-term innovative objectives. Second, only 56% of the middle managers are involved in the innovation strategy and more than half of them need to lower their priority of innovative activities (DAME, 2010). This is problematic because they are in the position of establishing linkages between the employee initiatives and the top-management (Burgelman & Sayles, 1986) and especially because there is a tendency for top management to rely on corporate staffs to make their assessments of the new creative initiatives coming from below (Burgelman & Sayles, 1986). Because of the collective work structure of intrapreneurship (Hornsby, Naffziger, Kuratko & Montagno, 1993; cited in, Christensen, 2005) and this linking role of middle managers, it may be asserted that it is even more important for the creation of intrapreneurship, that more than 56% are being involved in the innovation strategy of the company. This is important in order for them to advocate the individuals’ creative ideas (Pinchot & Pinchot, 1978; Chrisman & Sharma, 1999; Bosma, Stam & Wennekers, 2010) and get them backed up from management (Bager, Ottósson & Schøtt, 2010) because ‘such interactions improve top-management’s capacity to make strategically sound assessments’ (Burgelman, Christensen & Wheelwright, 2004:666).
RISK-TAKING

When describing entrepreneurship by means of risk-taking behaviour, the meaning of this depends on which context risk taking is being placed in (Lassen, Gertsen & Riis, 2006). In this thesis risk-taking is being placed in the context of the tension between entrepreneurial and managerial risk perception.

The fact that we are living in a recession has influenced people and businesses in their way of thinking values, economy, entrepreneurship, innovation and hence also the view on intrapreneurship. Companies are preparing themselves for a double-dip as we speak. They have realised they need to initiate one more round of risk-management and this is problematic in relation to intrapreneurial activities since it is the risk-willingness of the individuals that drive innovation (Quinn, 1985). The companies do however maintain a certain level of focus on innovative activities compared to the first time the recession hit. The respondents from DCC (2011) agree on different reasons for why the crisis has resulted in their companies innovating less. The most significant reason is the fact that ‘the crisis has lead to more uncertainty about the return on investment in innovation’. However, being risk-takers in corporate settings would seem challenging when the level of uncertainty on innovation investments is increasing. This indicates that the chances of initiating intrapreneurship, decreases when there are financial crises or other major market uncertainties. As mentioned in the previous section on strategic orientation, it could be argued problematic since this is the time when the opportunities are greater (Burgelman, 2009).

Risk-taking and uncertainty

Uncertainty can exist without risk, but risk does not exist without uncertainty. Frank Knight (1921, cited in, Philipsen, 1998) relates risk with uncertainty in his definition of entrepreneurship. His definition is focusing on risk and uncertainty and he claims that the profits and losses of companies can only be explained by uncertainty. At the same time, Knight (1921, cited in, Philipsen, 1998) makes a clear distinction between uncertainty and risk. ‘Risk is calculable a priori and can, therefore, be treated as a cost’ and ‘uncertainty, in contrast, is uninsurable, because it depends on the exercise of human judgment in the making of decisions by men’ (Knight, 1961, cited in, Brouwer, 2002:93). However, from an economist’s perspective, intrapreneurship is, among others, built on people’s will to take calculated risks in a proactive manner (Eesley & Longenecker, 2006).

E.g. in the Danish newspaper, Børsen, 21st of November 2011.
According to Sarasvathy & Dew (2005) risk is simultaneously an obstacle and a driver of innovation and if you remove all the risk you also remove all the opportunities. Innovation is inherently uncertain and will inevitably involve failures as well as successes (Tidd & Bessant, 2009:102). Companies need to decide on their ‘price of failure’ before initiating intrapreneurship. The question is how much are they willing to risk before terminating the idea or how many times do they need to fail before it is too many? One suggestion is that ‘intrapreneurs need to be given the space in which to fail, since failure is an unavoidable aspect of the intrapre neurial process. This is not to say that organisations should simply condone failure, but rather that organisations need to begin to measure and attribute failure to either intrapreneur fault, or circumstances beyond the intrapreneur’s control- and punish and reward accordingly’ (Anon., 2009). In line with this is the suggestion that companies must examine their risk parameters and the ‘intrapreneur should be financially prepared to take on the risks of failure’ (Pinchot III & Pinchot, 1978, in, EY, 2010:28). From a traditional management perspective, the inherent uncertainty in innovation should be reduced where possible by collecting information and research (Cooper, 2001, in Tidd & Bessant, 2009:102).

Miller & Friesen (1978) claim that a financial risk is the degree managers are willing to make risky resource commitments to projects that may turn into costly failures. Executives define a risky choice as one that has a possible poor outcome (Zahra, 1996). The determinants of managerial risk-taking behaviour can be revealed, by looking at what the leaders, managers and executives report about their companies’ corporate entrepreneurship activities. As mentioned previously when analysing the top-management support, DAME (2010) reports that 14% of the managers agree that ‘lack of risk-willingness’ is the greatest barrier for innovation in their companies and 38% of the managers agree to ‘lack of time’ is the greatest barrier to innovation. Nearly 20% of the Danish companies (CfL, 2010) ‘do not accept failures’. This suggests that the majority of those managing the companies do not believe they have a problem when it comes to being risk-takers. It is believed that risk-willingness inherently involves a perceived ability of making reasonable risk-calculations (Knight, 1921) or having a controlled boldness (Mintzberg & Waters, 1982). Building on the proposal that risks are calculable to managers, whereas uncertainty is not (Knight, 1921) it seems as if there is a lack of a genuine uncertainty that is vital for intrapreneurship and radical innovation. Thus it indicates that companies are doing more incremental innovation than radical and that those not accepting failure will suffer when it comes to innovative processes.

‘Too little risk and too much risk can be fatal for a company’ (Morris & Kuratko, 2002, cited in, Christensen, 2005:314). Entrepreneurship evolves around creativity that includes uncertainty and ambiguity- both vital dimensions for entrepreneurship to succeed. The rewards and
incentives in large businesses are not designed for innovation but instead they reward those minimising surprises and risks (Quinn, 1985). This will challenge innovative activities since these are full of surprises (Quinn, 1985). From a rational management point of view this uncertainty needs to be reduced in order for them to calculate the risks of it. However, it is empirically shown that 57% of U.S companies believe ‘punishing risk-taking, new ideas and mistakes’ is the biggest barrier to intrapreneurship (Eesley & Longenecker, 2006:20). This suggests that the two perspectives of entrepreneurship and management are counterproductive but still both very much needed in an entrepreneurial organisation. Based on this, there must be created a balance between managerial risk and entrepreneurial risk. However, recent literature has questioned whether entrepreneurs are really risk-takers at all (EY, 2010). Rather than being risk-takers, successful entrepreneurs are risk minimizers who evaluate opportunities carefully and assess the risks that their venture will face (EY, 2010). Risk-minimizers or risk-takers, based on this previous section, it can be suggested that an opportunistic and proactive behaviour is essential in entrepreneurial risk-taking behaviour.

Proactive behaviour

Proactive behaviour is the ‘ever present focus on flexibility, responsiveness, open-minded questioning and identifying new opportunities’ (Lassen, Gertsen & Riis, 2006:366). 53% of global companies have an increased focus on need for processes to recognise and deal with problems before they can threaten the strategic direction of the company while 39% of global companies have stayed the same as they were before the crisis started (EY, 2009). Lassen, Gertsen & Riis (2006) found in their study that those companies that had an entrepreneurial orientation in terms of proactive and risk-taking behaviour, were more inclined to do radical innovation. The proactive behaviour was seen in terms of how the companies continuously innovate for growth or they were actively anticipating future challenges in existing markets while exploring new market opportunities. Due to this open-mindedness they pursued more risky projects and ‘as the firms learned how to manage the radical innovation process the actual risk-taking was diminished. Risk-taking thus became more a matter of risk management’ (Lassen, Gertsen & Riis, 2006:369). This suggests that there is willingness and a need for a more proactive behaviour, and that proactiveness can increase companies’ capabilities in doing radical innovation.

De Jong, Parker, Wennekers & Wu (2011) found significant correlations with proactive personality, having a master degree, being male, job autonomy and variety, but also being a manager or sales person was correlated with proactive behaviour. More specifically they revealed that innovativeness, proactiveness and risk-taking were largely correlated, but being a manager was only related to proactiveness and not with innovativeness or risk-
taking. This proposes that being in a management position is not in favour of having risk-taking behaviour. However, they also positively relate proactive behaviour to intrapreneurial behaviour. Middle managers are recognised as a source of entrepreneurial activity (e.g. Kuratko, Montagno, Hornsby, 1999; Hornsby, Kuratko & Zahra, 2002, cited in, Christensen, 2005) and the higher up a manager is on the hierarchical latter, he will be in a better position to identify and implement entrepreneurial ideas due to his different organisational roles.

Building on this, Fry (1987:5, cited in, Christensen, 2006:319) claims that ‘if managers aren’t innovative, if they don’t provide the climate for creativity, if they can’t set aside their carefully laid plans to take advantage of a new opportunity, then intrapreneurs have little encouragement’. Intrapreneurs embrace risk-taking at the general level, but they are less inclined towards running a personal financial risk than entrepreneurs are (Bager, Ottósson & Schøtt, 2010:356).

**Attitudes towards risk-taking behaviour**

Traditional managers differ in their attitude towards risk-taking behaviour compared to intrapreneurs. Kuratko & Hodgetts (2004) have compared eight characteristics of the traditional manager with those of the entrepreneur and intrapreneur. The attitude toward risk is interesting as the traditional manager is ‘cautious’ towards it, while the intrapreneur ‘likes moderate risk and is generally not afraid of being fired and thus sees little personal risk’ (Kuratko & Hodgetts, 2004: 71). A similar pattern was found concerning risky situations and the level of risk acceptance in the Danish companies (Bager, Ottósson & Schøtt, 2010). Here most intrapreneurs find it positively challenging working with non-routine tasks, as opposed to commoners who prefer the well-known tasks. 85% of the intrapreneurs have a preference for ‘creating something new’, 81% of the entrepreneurs report the same and 60% of the commoners agree to this. From a different perspective on the same question, 15% of the intrapreneurs, 19% of the entrepreneurs and 40% of the commoners ‘work well with well-known tasks’. Most intrapreneurs welcome a challenge and this is significantly more than the commoners. 79% of the intrapreneurs compared to 48% of the commoners ‘see risky situations s a challenge’. Only 21% of the intrapreneurs ‘do not see risky situations as a challenge’, while 52% of the commoners agree to the same (Bager, Ottósson & Schøtt, 2010). This suggests that risk is the price you pay for opportunity, but it depends on which perspective you see organisational entrepreneurship from- the traditional managers or the intrapreneurs.

In regards to the organisational context of intrapreneurship, one of the most common bureaucratic challenges to innovation in large businesses is the top management’s way of thinking about technological innovation (Quinn, 1985). Moreover, large companies tend to be
more financially driven and less tolerant of risk ‘as compared to innovation in small entrepreneurial companies where innovation comes natural because it is vital to their survival and growth’ (Aulet et al., 2010:1). This is problematic, because ‘risk perception is related to familiarity and experience’ (Quinn, 1985:76) and if the top management in a large company have grown into a more financial orientation, they could be inclined to view innovation as too risky and challenging.

In the case of Danfoss (Christensen, 2005:315), it was revealed that the internal drivers of corporate entrepreneurship (rewards, top-management support, resources, organisational structure and tolerance for risk) could be divided into basic and intrapreneurial factors. The basic factors are factors that at a minimum need to be present in an organisation in order for intrapreneurship to take place and the intrapreneurial factors then describe factors that encourage and enhance intrapreneurship (see appendix 1) and they resemble the intrinsic motivators (Amabile, 1998). Based on this distinction, it was concluded that ‘basic factors such as top-management support and financial resources are not sufficient for intrapreneurship to happen, while risk only seems to matter to the extent that it is perceived by employees’ (Christensen, 2005:315). Christensen (2005) concludes that the enablers of intrapreneurship are not sufficient to encourage intrapreneurship when it comes to a knowledge-intensive company, like Danfoss. ‘Making intrapreneurs experiment without penalising them when an idea fails will encourage an intrapreneurial spirit, and the more experiment they carry out the better they will be at determining what works and what does not work’ (Christensen, 2005:314). This case study emphasises the point that risk-taking attitudes depend on the viewer and that if a company needs to be truly intrapreneurial, it needs to refrain from punishing risk-taking and not just accept a certain level of risks.

**Incremental or radical innovation**

The degree of uncertainty changes in relation to incremental or radical innovation. Incremental innovation is about doing more of what we know and thus we are able to estimate the risks at a higher level than if we were making radical innovations. Innovations are radical in the sense that they are about doing something completely different from what we are used to, and thus we do not have the same degree of knowledge to calculate the risks (Tidd & Bessant, 2009). Radical innovation is creating something new and not seen before and this creates a high level of uncertainty. According to CfL (2010), nearly 40% of the respondents report they are engaged in radical innovation. This means that from a management perspective more risks to minimise, but from an entrepreneurial perspective this is where the greatest opportunities exist.
As previously shown, EY (2009) revealed how executive-led companies focused more on securing the present state of the company as opposed to the entrepreneur-led companies’ efforts in pursuing new markets. This suggests that risk is perceived in terms of how much the mature multi-nationals, run by global corporate executives, are concerned with protecting their current position, as opposed to the strategic growth companies, run by global entrepreneurs, who are focused on pursuing new markets and thus more opportunistic. The two types of leaders clearly represent, respectively, the ‘induced’ and ‘autonomous’ approaches to strategic behaviour (Burgelman & Sayles, 1986), which is discussed in the previous analysis. It also indicates that those companies pursuing new market opportunities are stimulated to doing more radical innovation than those companies protecting their present positions. Bager, Ottósson & Schøtt (2010: 348) revealed which type of intrapreneurial activities the Danish intrapreneurs are engaged in by grouping them into two groups: intrapreneuring (orientation towards the creation of new projects and business lines) and corporate venturing (about the formation of new ventures). In practice it is difficult to draw a clear line, but the survey reveals what the majority responds from four types: A new project, a new business line, a new subsidiary or a new spin-off. The majority agreed they are involved in ‘starting a new business line’ (61%). A significant minority of 23% replied they just expected this to be ‘a new project’, which indicated incremental innovations rather than radical innovations. This indicates that Danish companies come close to how the global entrepreneurial companies behave when doing radical innovations.
DISCUSSION & CONCLUSION
DISCUSSION & CONCLUSION

My personal motivation for writing this thesis was to investigate how large companies could become intrapreneurial. I therefore interpreted the possible themes that would influence, good or bad, the building of intrapreneurial activities. This interest and motivation has emerged from my previous work with SMEs and entrepreneurs, and I therefore wanted to see what happens to the managerial mindset and organisational conditions when these grow into mature organisations. Hence, the objective of this thesis has been to create a practical understanding of how the organisational conditions for intrapreneurship are influencing the building of an intrapreneurial company in today’s recession.

Having outlined the main themes that need to be considered when creating an intrapreneurial company, I will now summarise and discuss these in order for me to conclude in answering the research question of how the organisational conditions for entrepreneurship are influencing, good or bad, the building of an intrapreneurial company in today’s recession?

It can be argued that the themes are related in terms of they influence each other as they are all part of the organisational culture. Morris & Kuratko (2002:257, in, Christensen, 2006:320) argue that ‘culture underlies all other components of a workplace’. So how are the themes related to each other? I find it appropriate to start the discussion by challenging the general understanding of the paradox of intrapreneurship in terms of the need for both the ‘entrepreneurial’ and the ‘managerial’ type. Before I set out to investigate the research question, I was under the general impression that large organisations were often hindered in intrapreneurial activities due to their bureaucracy and need for stability and maintaining control. I believed that the recession would stir up things and force companies to take a different course of action, and thus I saw an opening for reviving the intrapreneurial efforts. However, I also assumed that the recession would be to blame for companies decreasing their innovative and entrepreneurial activities. What is the situation?

First of all, the recession creates more uncertainty in the return on investment of companies’ innovation activities, which suggests that the chances of initiating intrapreneurial activities decrease in recessions. This is problematic since now is probably the time where opportunities are the greatest. It was not clear that the recession had resulted in companies decreasing their innovative activities, as there was more or less 50/50 decrease and increase in innovative activities. However, it is clear that companies are forced to focus more short-term. This can be both good and bad for intrapreneurial activities. Good in the sense that it may create an opening for a more ‘wayfinding’ and ‘knowing as we go’ approach (Chia & Holt, 2009), which is more opportunistic and thus entrepreneurial. However, it may also be
negative in the sense that top-management will focus too much on the short-term profits and this conflicts with the long-term perspectives of radical innovation development (Quinn, 1985). Unfortunately, it does appear that the latter is more realistic as I can conclude that the majority of the companies resemble the induced strategic behaviour (Burgelman & Sayles, 1986) and planning mode (Mintzberg & Waters, 1982) more than the entrepreneurial mode.

I would argue that this distinction between the ‘entrepreneurial’ and the ‘managerial’ has revealed itself as being rooted in the themes of risk-taking and failure acceptance and that risk-taking seem to be the greatest challenge of working with intrapreneurship in the recession. This is however unlike what Kuratko, Montagno & Hornsby (1990, cited in, Christensen, 2005) found in their empirical studies, where they only found management support, organisational structure, resources and rewards significant. Risk-taking has been much more emphasised in the empirical material than the theoretical framework indicated, and thus I was urged to find more detailed and specific theories that cover the risk-taking aspect in relation to organisational entrepreneurship activities. Let us have a closer look at how the risk-taking theme is influencing other aspects.

It was argued that risk is simultaneously a barrier and a driver of innovation and if you remove all the risk you also take away the opportunities. Empirically, the majority of the companies argue that they have innovation as an integrated element in their corporate strategy. We see the traditional and managerial style, because they are driven by a strategic focus on innovation that resembles the navigation mode (Chia & Holt, 2009) where they ‘need to know before going’. And why is it that they have this perspective? I would argue that it is because they need to take out the uncertainty and ambiguity of risks, so that it is reduced to something they can calculate and predict before continuing. But is this the best way- or is there no single best way? Empirically, it is suggested that those companies setting formal and strategic priorities for innovation, also get a greater return on investment of their innovative activities. However, it seems strange that companies at the same time reveal they often need to cut back on the innovative activities due to operational tasks. On the contrary, the entrepreneurial-led companies do not rely that much on the strategic planning process. These companies with the entrepreneurial orientation are also more inclined to do radical innovation in a proactive and risk-taking manner. Based on this, I would conclude that this means those relying too heavily on the planned, strategic and formal priority of innovation, do not develop radical innovation.

The aspect of uncertainty became central when discussing how traditional and entrepreneurial leaders saw risk-taking, and it was concluded that traditional management style lacked the genuine uncertainty that is needed for doing radical innovation, and in their
efforts of minimising and removing the uncertainty, they limit themselves to incremental innovation. The traditional managers were more cautious towards pursuing new markets and more engaged in securing the present (EY, 2009). On the other hand, entrepreneurial oriented companies had proactive and risk-taking behaviour, that is needed for radical innovation development (Lassen, Gertsen & Riis, 2006) and they have a much more relaxed relationship to predicting the future and calculating the risks (Sarasvathy & Dew, 2005). However, half of the global companies seemed to be moving towards a more proactively entrepreneurial orientation when they have increasingly recognised the need for dealing with issues before they could become a threat to the strategic orientation of the company. But then again, depending on what the present mindset of the company is, this can be discussed to have the exact opposite effect and draw the companies towards a more rational and induced strategic behaviour. If the present state of the companies is that they are favouring the uncertainty and have an opportunistic approach to employees’ creative skills and the future of the company, then it could be concluded that their strategy would stand stronger if they acted proactively towards disturbances. However, if they rationally plan their controlled leaps into the future, then the chances of exploring and exploiting autonomous opportunities from employees are in danger of being neglected. Unfortunately for the intrapreneurial fate, it does seem as if the latter is the general state of the companies when, amongst others, it was revealed that more than half of Danish middle managers are forced to lower their priority of innovative tasks in favour of daily operations (The Danish Association of Managers & Executives, 2010).

In terms of having innovation on a strategic plan, I initially believed that it mattered a great deal and that no innovative and intrapreneurial activities would succeed without it having a role in the corporate strategy. However, my interpretation was that even though lack of strategic focus was seen as a barrier for intrapreneurship, the entrepreneurial led companies did manage well in spite of them not relying too much on their strategic planning processes. 80% of the traditional led companies had innovation as an integrated element in their strategy, however it can be discussed how valuable this is since many still are forced to prioritise operational tasks instead of innovative tasks. Besides this revealing a considerable gap between the strategic intentions and the reality of those working with innovation, it can also be discussed that the reasons for this gap is simply a lack of support and training in the needed innovation and entrepreneurial skills. If this is so, then this would obviously also be affected by whether or not top-management sees risks as risks, or do they see it as opportunities and appreciate the unexpected. One could ask the question: is it at all possible for the top-management to successfully encourage and support intrapreneurship if it does not have an entrepreneurial mindset or innovation management skills? A large number of
Managers agreed in the empirical material that they lacked training and skills in innovation management, and so did the employees. And it was interpreted in the analysis that it may actually be the top-management’s own innovation skills that hinder the employees’ intrinsic motivation for doing innovation and thus this was an area for improvement. At the same time, it was revealed that innovative employees and their risk willingness to take calculated risks drives intrapreneurship. So in answered the latest question, it could be argued to depend on how top-management perceive risk-taking and uncertainty. It would also seem as if the skills and training in innovation management plays a greater role in the empirical material than in the theoretical framework for intrapreneurs.

This suggests that it when it comes to organisational entrepreneurship, there should be more focus on learning the skills of innovative and creative processes instead of having these skills belong only to independent entrepreneurs. Moreover, entrepreneurial and innovative skills in top-management may actually prove to be of much higher relevance and importance in today’s uncertain and turbulent economy, than the usual need for top-management support. I still believe that top-management support is vital for the encouragement and success of an intrapreneurial company, but if top-management believe that the unexpected and risks are something to be minimised and cut back on, then what does their support really matter to intrapreneurship? Conclusively, this theme is especially suggested a challenge in the recession because corporate strategies are changing to the more ‘core and clean’ in many businesses because of the managers’ risk-taking perceptions. The traditional managers’ tendency, to focus on order and securing the present, kills and discourage new ideas from employees in intrapreneurial activities.

If the top-management does not appreciate risk and the unexpected, how realistic would it be that they would encourage and even reward those employees that act as entrepreneurial risk-takers? One could think that their level of encouragement and feedback would correlate with how much their accept failure and hence risk-taking. It was revealed in the analysis that the use of intrinsic and extrinsic motivators differs globally and that the entrepreneurial-led companies did not extrinsically motivate their employees by monetary rewards. Actually, the themes of motivators and rewards were more emphasised in the theoretical framework than in the empirical material, which could argueable indicate that the employees do not see the rewards as a problem or something that is missing in their daily work. The employees working with intrapreneurship and innovation are more interesting in not being punished when experimenting and thus see top-management accepting of failure more relevant than the type of management motivators. It does however seem as if Danish employees are more intrinsically motivated than opposed to companies in the U.S, and this is suggested to
resemble the motivation technique of the global entrepreneurial-led companies. Overall, management must encourage innovation through failure-acceptance, as they are the only ones who can do this. However, this can be concluded to be a challenge for building an intrapreneurial company, at least in Scandinavia, since less than 40% of the empirical respondents believe they work in a company that does not accept failures. This suggested a weak innovation culture in the Nordic countries, since failure acceptance is key to entrepreneurial experimentation and creativity. Moreover, when comparing internationally, it can be concluded that Danish companies, in spite of the fact that Danes fear failure, are an optimal place to build intrapreneurship, because of their tendencies to primarily search for ideas among their employees and reward intrinsically.

**Concluding remarks**

Through my analysis and reflections, it can be concluded that risk-taking and failure acceptance have revealed themselves as being especially important areas that can become challenges in dealing with intrapreneurship in the recession. To avoid them being challenges in creating an intrapreneurial company, they should be recognised and appreciated as important themes that will enable a successful intrapreneurial company. Moreover, it can be asserted that we all look for recognition and this is after all the best driver for many things in organisations and in life in general. Risk-taking and failure acceptance will influence how the top-management support and encourage employees to engage in innovative activities and how its priorities will affect the reward systems. By the end of the day, it does not matter how ambitious or driven the employees are towards entrepreneurial activities, if top-management do not accept failure or own any innovative skills themselves.

The strategic priority of innovation and entrepreneurship is obviously influenced by the top-management’s strategic behaviour and how they see risky and uncertain situations. Moreover, the middle managers play an important role in linking the autonomous employee initiatives with the top level of strategic priority. I can conclude from my interpretation that no matter how much innovation is on the strategic agenda of a company, it does not become intrapreneurial if leaders’ mindsets are not entrepreneurial, if they do not encompass innovation management skills (and the employees) and they do not give the time to employees and middle management so that they are allowed to prioritise intrapreneurship. After all, as Burgelman & Sayles (1986) claim, it is highly questionable that innovation can happen in large and mature companies if it is not through an autonomous strategic behaviour.
This thesis is actually insinuating that the recession is not the primary factor that is to blame for how companies may be challenged in intrapreneurship, as it is the tendency of old industrial management style that dominate the companies today. However, there is a shift going on and the natural dominance of the managerial approach is gradually fading away. This means that lots of habits of thinking have to be left behind and they are all attached to the social role of the manager. The managerial function in the traditional sense has to step back and make room for a more entrepreneurial one. Furthermore, the results of this thesis may suggest that those themes acting as implications for intrapreneurial success, just speed up the need for making this shift away from the industrial to the entrepreneurial management style. However, I must point out, that the ‘planning’ mode and the ‘entrepreneurial’ mode are related cyclical meaning that when companies reach the mature level and a level of complexity, the planning mode may appropriately help to structure the entrepreneurial vision, before setting out on new risky leaps in an uncertain future. Conclusively, both modes set the right culture and are both needed in companies today and intrapreneurship may be the best method for managing this constant balance between the two modes.

Suggestions for further research
Getting a more nuanced perspective on the theme risk-taking has been revealed as particular interesting after having interpreted the empirical material for answering the research question. The issue of the trilogy, uncertainty, ambiguity and risk, would be interesting to bring in, but I have had to stay true to what the empirical material have focused on. A greater nuance of risk can be provided by greater versions of risk from the calculable to the not calculable. This is an interesting spectrum because of the tendency of traditional management to push in one direction and that is exactly what the intrapreneurship issue is about.

Elaborating on the proactive behaviour and learning by failing faster is also an interesting theme for further research, since the learning process will help companies to be more risk-takers and entrepreneurial. But on the other hand, it may be that exact learning process that hinders their intrapreneurial and radical innovative mindset. It was suggested that the existing innovation techniques need to be unlearned (Gopalakrishnan, 2009) and that this may be an even greater challenge for large companies than to become more risk-takers. Moreover, the unlearning becomes very important when risk is risk to managers, because risk-perception is related to familiarity and experience. So how would it be possible for company leaders to unlearn what they have been doing so far? And how should one evaluate what it is that they need to unlearn in order for it not to hinder innovation? Does it
simply mean that traditional managers need to adopt a more entrepreneurial mindset of not seeing risk as risk - and can they do that?
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APPENDIX
### APPENDIX


No.3. Interview guide

No.4. Summary from interview with Dennis Westergaard

No.5. CD of interview with Dennis Westergaard


<table>
<thead>
<tr>
<th>FACTORS</th>
<th>BASIC</th>
<th>INTRAPRENEURIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards</td>
<td>Regular pay, job security</td>
<td>Promotion, expanded job responsibility, autonomy, recognition, free time to work on pet projects, bonuses</td>
</tr>
<tr>
<td>Top-management support</td>
<td>Sponsors</td>
<td>Commitment</td>
</tr>
<tr>
<td>Resources</td>
<td>Finance &amp; materials</td>
<td>Knowledge resources</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Hierarchy</td>
<td>Corporate venturing, cross-functional teams, internationalisation, external networks</td>
</tr>
<tr>
<td>Risk</td>
<td>Tolerance of lower risks</td>
<td>No penalisation</td>
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<tr>
<th>Exhibit 1. A Typology of Corporate Innovation</th>
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<tbody>
<tr>
<td><strong>NEW STRATEGIC DIRECTION.</strong> This is the Strategic Planning Institute [22] definition for new corporate ventures. It is an innovation representing newness to management in any two of (a) product, (b) market and (c) technology, plus the notion of current investment return. It is not simply a product line extension.</td>
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<tr>
<td><strong>INITIATIVE FROM BELOW.</strong> This is defined as employee initiative from down in the organization to undertake something new. The innovation is often created by subordinates without being asked, expected or even being given permission by higher management. The notion of bootleg projects or skunk works is often used to describe this phenomenon. Kanter [9] concentrates largely on this type, although only five of 34 examples he cites involve new products, or market or technology changes.</td>
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<tr>
<td><strong>AUTONOMOUS BUSINESS UNIT OPERATION</strong> [23]. The concept of the strategic business unit, a decentralized form of introducing innovation, is characterized by IBM in developing and introducing its personal computer. It includes partially parent-owned corporate spin-offs.</td>
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<td><strong>ORDINARY NEW PRODUCT DEVELOPMENT.</strong> This is the traditional approach, where various specialists play roles in a sequence from market research or brainstorming to a pilot R &amp; D project, to a larger group approach. It may also be a technology push idea which is market researched and planned and budgeted through its introduction.</td>
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<tr>
<td><strong>ACQUISITION.</strong> The corporation may take over an entire company rather than creating a new one, or it may acquire part of it, such as technology, people, a license or franchise rights.</td>
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<tr>
<td><strong>JOINT VENTURE.</strong> Two firms may contribute the necessary elements to create an innovation. An example would be a large firm providing the resources to commercialize a small firm’s high technology invention.</td>
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<tr>
<td><strong>VENTURE GROUPS OR DIVISIONS.</strong> These are formal organizations set up as greenhouses for the cultivation of new ventures. While separate, autonomous entities, they are usually seen as a means to an end rather than the achievement itself.</td>
</tr>
<tr>
<td><strong>INDEPENDENT SPIN-OFFS OR NEW START-UPS.</strong> This type may vary in ownership from the corporation sponsoring individuals to set up their own firm to wholly independent companies, usually owned and operated by individuals who have left the corporation because of frustration over its rules, regulations and conservative approach to innovation. Often the basis for this firm is an idea from within the corporation.</td>
</tr>
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3. Interview guide

*Interview with Dennis Westergaard, 10.05.2011, Aabenraa*

Topics & Questions

- Please introduce yourself (name and professional career)
- How would you define corporate entrepreneurship?
- Is it the same as intrapreneurship?
- How does this differ from R&D?
- Why do you think this is important for organisations?
- What are the benefits and drawbacks of intrapreneurship?
- Is it difficult to handle the process of handling many ideas?
- What do employees think about it?
- What is your own experience with intrapreneurship?
- When did you first start to work with this?
- Has the term evolved? Have you noticed any changes in the use of it? Focus on change?
- What could be the consequences of intrapreneurship for a small business manager/SMEs?
- How do you understand employee-driven innovation?
- Who is the best intrapreneur? The traits?
- Can you name a good experience you have had with intrapreneurship?
- Do you believe that innovation culture and intrapreneurship needs to be developed using the top down approach (management dictating how the innovation needs to happen or a few areas to focus on) or it is better to let it develop through the bottom up approach (adopt a few ideas or innovations from the field and promote it)?
4. Summary of interview with Dennis Westergaard

His background is from the financial sector and has been a business consultant and he has worked with start-ups in consulting them while also developing a small business with a partner. Five years after he started the small business, he moved to Danfoss to work in the financial department. After 1 year in the financial department of Danfoss, Dennis had heard about the Danfoss Ventures and applied for a position in this department. He became Business Development Director in this department (5 years) and ended this job last fall 2010.

Danfoss Ventures was established to become the ‘Innovation Hub’ of Danfoss’ and they were intended to be the first-movers when it came to innovation. Because it was established at Danfoss it obviously was about innovation within the framework of an established business and hence it is about intrapreneurship. In Danfoss Ventures there were several different work tasks:

#1: to develop one’s own portfolio of businesses for Danfoss. In this there is a difference between incremental and radical innovation. Incremental innovation to Dennis is ‘basis businesses’ and radical innovations were those that Danfoss Ventures were on the lookout for. They were looking for new technologies or new solutions in those areas that Danfoss already is present in or areas Danfoss wants to be present in. They also looked for something interesting that they thought could turn into something big within a period of 15-20 years perspective and that could substitute some of the present technologies or solutions.

How did they find these through network? Their approach was to speak up from the box they stood on. They were engaged in many network and talked about their project to all those who wanted to listen at every possible opportunity.

Danfoss Ventures ended up being put down as result of a new strategy by the top management in Danfoss. This was the strategy of ‘Core & Clear’, which is about going back to the core competences of Danfoss. This strategy was to a great extend, influenced by and a result of, the global financial crisis that also hit Danfoss hard.

In the end of the period of Danfoss Ventures, they began to change the approach of just ‘yelling out’ about their project in the hope of someone listened, to a more goal-oriented and structured communication. Their intention was to appoint ‘ambassadors’ in strategic geographical locations around the world, so for example a guy sitting in New York to build and maintain the networking activities with universities and institutes and then he informed those in Denmark when he had experienced something interesting. The ‘ambassadors’ for Danfoss Ventures were to be selected from Danfoss employees (30.000 globally) to be local representations and report back.

#2: Regarding the task of growth, there was also an ‘entrepreneur’ park at Danfoss (Mads Clausen entreprenørpark), that helped external entrepreneurs and start-ups, in which Dennis Westergaard and other business developers were mentors for those business start-ups.

#3: To brand Danfoss as an innovative and first-moving company.

#4: To educate and develop the employees in intrapreneurship. One thing is to get a good idea but another thing is to ‘sell’ the idea to the organisation so one gets access to time, resources and money and not least help to get the idea ‘ud over rampen’.

So how do you handle things like the abovementioned point? For this Danfoss still has the ‘Man on the Moon’, which is a business plan competition.

The main purpose of ‘Man on the Moon’ is education, but as it turned out, there were a number of very good business ideas that were a result of the competition. Everyone could enrol in the competition and the first year there were selected 9 ideas (3 teams with 3 ideas each). There is setup a platform on the Danfoss intranet, where participants can find team mates and post their ideas. At that point of time there were approximately 25.000 employees who all had access to this. 100 ideas per week were posted. There were over 1000 active in the debate and the game. Then they selected 10 teams with each 4 members. These 10 teams were then participating in basic team building activities and different disciplines within entrepreneurship with a mentor appointed to each team. Then there were a semi-final where half of the teams were deselected. The 5 teams had one more day of education in
disciplines regarding their presentations of business plans. Two periods of each 5 weeks before the final. Total time from when the competition is started to the final: 3 months.

**So, how do employees with their daily work and routines fit this in when they enrol?** In principal they should fulfil their normal work tasks and then do this when their work is done. That being said, every year before the competition started, a mail was sent out from Jørgen Mads Clausen to say the competition started and he supported it, and a mail was also sent directly to the Global Management Group (200 top leaders) in which it was mentioned that they should give their employees some freedom and encourage them to join the competition.

(12.43.700 time: cut out break- talk)

Dennis Westergaard was also engaged in educating employees through developing a course in entrepreneurship and ‘elevated pitcher’ where they also used a mini format of a business plan competition. Other course was on idea generation and creative innovative processes. He made some courses himself and toured the world.

(14.46.374: start new topic)

**How do you define the term corporate entrepreneurship?** Basically it is to an entrepreneur within the framework of an established business.

(14.50.000-20.00.000: Dennis talks about his company, Mayday Invest)

**How do you see the difference between intrapreneurship and a normal R&D department work? Is there a difference?** Well yes there is a difference, but again, it is very company specific in terms of how they run a R&D department. Many years ago, Danfoss had a central technology department that had its own budget and very wide boundaries for what they could work with. Their work resulted in some business ideas. Dennis says' My initial feeling tells me that R&D departments are more inhibited in their focus and in their tasks'. He continues ‘the time that they could have spent running around getting ideas is over. Businesses need to be fast and efficient and thus R&D departments get more specific assignments now, e.g. give us the next generation of this device etc.’

It is very rare that the people working in a research & development department have commercial capabilities. Often, when Dennis has talked to inventors, they come with good ideas but have never really thought of whom the customers should be or how they should benefit from this. They lack the whole commercial, customer and profit-oriented mindset. This mindset is rarely found in a R&D department.

**So what are the types that work in a R&D department?** They are engineers, physicists, chemists and people who are good at coming up with solutions to specific problems. In his opinion they are people who are very professionally competent within technologies and in principle this is also what they are meant to be doing. In smaller companies, one can then only hope that the director is commercially oriented because then when he talks to his development engineers, he himself can think the ideas through.

In larger companies there is usually to much distance between the R&D employees to the commercial oriented employees or decision makers on a higher level. If the R&D people do not have a central position then they are located in a business unit who have its own goals and will often disregard ‘wild’ ideas because they are being measured on how they reach the goals that support the present business.

**Is it then more incremental innovation they do?** No it can be both incremental and radical, but most often the radical ideas are based within the known markets, segments and customers. This is where they should research and develop. He thinks it is rare that the people in this department comes out with a brand new product idea and then ask if they should go ahead with this in the business. This is the not the general picture, because today businesses need to be more and more focused and if someone falls out of the category they will get a rejection on their proposals. In this regard, when Danfoss created Danfoss Ventures, at least there was an organisation that could capture those wild ideas, people had somewhere to go with their ideas that often came about by coincidence and get them evaluated.
MANAGING INTRAPRENEURSHIP IN THE RECESSION

(28.55.901: new topic)

Why do you think it is important for larger businesses to take on the concept working with intrapreneurship in a structured manner? What is the primary goal for businesses with intrapreneurship as a strategy? Dennis says he believes that ideas (and good ideas) and solutions evolve in the business almost by themselves and one might miss out on potential business opportunities if you don’t have some sort of system that support or captures these ideas flying around. ‘You can get it all for free- if you just know how to capture it’. A side bonus of working with this is that the business educates employees in becoming more commercially oriented in their mindset and also thinking in terms of needs. So if the employees in the normal R&D departments start to think in terms of value driven processes and how their invention can fulfil customers’ needs. This can be done even though they are not in close contact with customers in their daily routines. So, you actually get free education and value creation when working with intrapreneurship.

Do you believe all employees need this mindset no matter their position? Yes. Everyone is the company needs to have some sort of idea of how this works, because by the end of day we are all just sitting here because there is a customer who wants to pay for what we do. If we don’t deliver something to the customers that are in total more worth that what it actually costs to produce then we don’t have a job! For this reason it’s also good that even the cleaning lady thinks about what she contributes with!

(32.21.347: new topic)

What are the drawbacks or less positive things about intrapreneurship- if any? Dennis hears that people are afraid that if they let their employees come up with good ideas, they loose 2 or 3 of their best people because they prefer working on the new exiting project. Dennis often replies: first of all, the managers need to know that if the employees have the entrepreneurial mindset /capabilities, then they will take the leap sooner or later. Second, they also need to remember that people are not employed for a lifetime and there is much job rotation. So why not use your good people on internal projects that can develop the company while they are with you. NB_ the intellectual property does not leave the company, but is just somewhere else.

According to a survey they made with those participating in the ‘Man on Moon’ contests, almost 100% mentions they have benefitted from it in terms of having learned useful tools they used in their daily jobs, they now have a valuable network in the company and many have used this as a springboard to new jobs internally.

More drawbacks? Well, if you don’t master to control it properly and embed on the right levels and if you don’t kill those projects that do not hold when you explore them further, then there is the risk of things running out of control and you spend huge amounts of money on the wrong projects and you misuse human capital as well. So this obviously poses some requirements to those managing and organising it? Yes, milestones and internal boards are necessary and you need to think it through before initiating. If you loose the grand overview you might end up loosing projects who run off living their own life, leaving you back loosing time and money. If you don’t embed it in the whole organisation, you might risk these activities living in the outer areas of the business and you loose the synergetic benefits.

(37.36.000: new topic)

It sounds to me like it is a given that employees have all these ideas just waiting to be let out- isn’t there also people who lack the ambitions or motivations to work or tell about these extraordinary ideas? There are lots of people who are satisfied working from 8-4 without any extra things and then home. In general it doesn’t work that everyone runs around getting crazy ideas all the time (unless you are a creative marketing agency) and then not taking care of ones job. There needs to be a balance naturally. But again, as it is with everything else: you will get more out off what you put focus on and reward. This leads us back to the point that if something like intrapreneurship is to be successful it must be embedded in the top management level. If the top management level does not signal that this is encouraged and it will be approved of/recognised, then it becomes a failure all the way down among middle leaders but also in the last levels. ‘If no one gets a clap on the shoulder, no one gets approval, but instead gets punished for thinking outside the focus area, then the ideas stop. ’Det skal efterspørges, der skal sættes focus på det, det skal værdsættes’.

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There are people who have ‘it’ more in them than others and that’s ok. But what you then can do is to support the processes by putting the teams (screening boards) together so that the guy with 17 ideas a day is together with the more quietly focused guy with 1 idea a day (he poses the more critical questions). This will get the guy with the 17 ideas learn that after a few times pitching the idea, he knows which areas they ask about and then he becomes better in thinking the whole thing through. A version of this is seen at Danfoss last year, where they posted the ideas so everyone in the organisation could have a go at it and ask questions and pose comments. It doesn’t take many employees in an organisation before you have someone who is experienced in this or that.

(43.07.138: new topic)

What do you do if you have a lot of ambitions and drive as a top leader but the middle managers or those who are to implement it miss the ambitions and drive? The question is more whether or not they have the necessary tools? It doesn’t work if you have a leader saying ‘let’s be innovative’ but how? In Danfoss they made Danfoss Ventures to equip the employees with the necessary tools so they would know HOW to be innovative. (What to do when they get an idea? They can just write it down and send it to D.F, but better is to make a business plan to see all aspects of the commercialisation of their idea).

Dennis makes a good point in arguing the importance of educating people in what to do with the good ideas, by the story that if the top management in Danfoss tells them ‘okay- give us an innovative idea and you will be rewarded with a bonus of 50.000kr.’ Then people will still ask what is an innovative idea and the result will be a huge amount of crap being sent in. The top management needs to think it strategically through and when they say they want to be innovative and support an innovative culture, then they need to be specific on what they mean by innovative. Top management level then needs to free up resources to support the innovative processes.

But, when the employees have been ‘dressed to innovate’ then I assume they still need some incentives for going through this? That’s part of the mental thinking process they are going through. Maybe the incentive is that if the company becomes innovative they can keep their job. Or maybe more banal they can be asked ‘do you want to be part of Danmarks most innovative company and brag about it?’ this can also be argued to be an incentive.

But how does it really work in reality? Don’t the employee put aside the ‘funny innovation’ work if he/she is stressed with their daily operations? Again, it depends on how much the top management means it. Some charismatic leaders have been able to get people to work day and night. (Examples: first day at work in Maersk and you get the pep talk by Maersk in his office, or at the restaurant Noma, where chefs work for free). TOP LEADERSHIP is crucial! (48.54.749). In relation to this and a cultural difference, in Danfoss, the employees are able to stand in front of the top management to present their ideas and this is not a big deal to talk to top management for Danes. But to Indians or Chinese, it is huge to fly in to the head quarter to speak in front of the top management.

(49.57.234: first prize in Man on the moon)

Winners get one week at MIT Entrepreneurship Development Programme.

But depending on how much the top leaders want from their employees- the more they should attune the rewards. Sometimes it is not necessary to get financial rewards but just to be ‘employee of the month’. RECOGNITION is by the end of the day what we all strive for! ‘Anerkendelse er meget mere værd end 1000 kr. I bonus’ (50.39.895).

(51.34.942: New topic)

Do you think the definition of intrapreneurship, corporate entrepreneurship or corporate venturing, has changed since you were introduced to it for the first time? No. No change after the crisis? Basically there is nothing that had changed the definition as such and we are back to Schumpeter’s definition, which many have hence made small adjustments to. BUT, what has changed is the degree to how much companies have done with it, how much they have invested in it and how much they have wanted it. In the case of Danfoss, they found that they wanted to cut it out completely. Dennis continues that ‘if this was the right or wrong decision to do this is hard to answer’. ‘Danfoss sparede initiativet væk’. (52.54.853).
But Danfoss were the first to initiate this, right? Yes, and we (Danfoss) were among the top three worldwide in corporate entrepreneurship and were famous and recognised in different media. There were many companies because of the financial crisis, that turned down the volume of intrapreneurship and some did as Danfoss, turned down completely for it. Some keep the volume on 50% so that they could turn it up again when things become better.

Some companies in the crisis have decided that to survive and grow they need to do this through corporate entrepreneurship so that they can enhance their business platform.

To me it is interesting that Danfoss has completely paused their activities in this area, when focus in the financial crisis has been to do more innovation to get us out of the hard times? Yes but point number 1: there has to be money because there is an investment before you can harvest. Remember to point out that Danfoss has not ended ALL development BUT only the Venturing Radical Innovation initiative is gone. Man on the Moon contest is still there. They are hanging on to the notion that it is still important to know how to work entrepreneurial- how to initiate new businesses within the framework of the established business units and division. BUT, then the question is whether or not one can talk about corporate entrepreneurship or just an advanced form of business development? Where do you differ between these two concepts then? Maybe one should not focus that much on the different definitions of the terms but more on which context they are working in.

What do you think the effect of intrapreneurship will have on the smaller businesses? What can the big and small learn from each other in terms of this topic? There are two types of entrepreneurial leaders (small business owner versus manager in big company with entrepreneurial mindset). What is then needed for the smaller businesses is an initiative to connect them with each other and other entrepreneurs and larger companies. Like the company Dennis has, supporting and investing the new businesses, they can draw on the established network and setup of the mentors.

To build a new ‘Man on the Moon’ contest in a small company does not work. He continues talking about Mayday Invest and we go into a talk about Science Parks when discussing the benefits of companies like his. Erfversparing.dk was not a success. His company is more sustainable because they involve themselves and their money.

What do you see as good traits of the entrepreneurial leader? This is difficult to answer for Dennis as the entrepreneurial leader can be many. He asserts that the entrepreneurial leader is broadly one who creates more successes than failures and one who dares to do things that sometimes succeed but fails at other times. He has the drive and is the first to move. To be an entrepreneur is one who ‘builds something’. They must dare to risk something. Sometimes they need to take some calculated risks. He is the one who has the courage and ambitions. Conclusively, what probably motivates the great iconic entrepreneurs today is their legacy. The thought of having built something great is actually what drives them still when running a business like Danfoss etc.

What is most sustainable - the bottom up or top down? No matter from where the ideas and emergent change initiatives comes from, they will not continue if the top management is not in favour of it. So, employee driven, user driven or participatory design will not become a reality if top management don’t decide it should be. Working with intrapreneurship can be compared to employee-driven innovation? Yes but it still has to decided on a strategic level from top management that this is what the company will pursue the employee-driven innovation strategy.

5. CD of interview with Dennis Westergaard