



Global Advanced Research Journal of Social Science (GARJSS) Vol. 4(1) pp. 006-010, July 2015
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Full Length Research Paper

The Relationship between Intrapreneurial Orientation and Firm Performance

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Accepted 13 July 2015

Literature shows that, the impressive contribution of big firms in developed economies stems from intrapreneurship, a term used to refer entrepreneurship within an existing organization. Intrapreneurial orientation is the key factor for survival and competitiveness for both big and small firms. Successful firms develop various intrapreneurial capabilities to support their business strategies, and then obtain outstanding firm performance. However, despite this, Ugandan firms do not perform well despite. Many close business in their first five years of operation. And yet, not much scholarly efforts have been invested in investigating how intrapreneurial orientation influences firm performance in Uganda. This study was aimed at examining the relationship intrapreneurial orientation and firm performance in Uganda. The study adopted a cross sectional design, this involved descriptive studies to describe characteristics. Correlation and Regression approaches were used to investigate the relationships between the variables of study and the extent to which the independent variable explained firm performance the dependent variable. The study covered 117 firms operation in Kampala, out of a total of 144 firms in bakery and beverages registered in Kampala. Data were collected using questionnaires and analyzed using descriptive, correlation and regression statistical methods. The results reveal that there exists a significant and positive relationship between intrapreneurial orientation and firm performance ($r = .494^{**}$, $p < .01$). Even components of Intrapreneurial orientation were positively related to firm performance with the following parameters; proactiveness ($r = .303^{**}$, $p < .01$), innovativeness ($r = .234^{**}$, $p < .01$) and risk taking propensity ($r = .332^{**}$, $p < .01$). These results imply that the higher the level of intrapreneurship among the employees, the higher the level of the firm performance that is likely to be realized. The results further show that Intrapreneurial orientation is weak predictor of firm performance (Beta=.205, Sig=.015). This implies that, the intrapreneurial capabilities need to be improved in small manufacturing firms if they are to improve firm performance greatly. Since there is a significant positive relationship between intrapreneurial orientation and firm performance, policies and programs to support intrapreneurs should be put into place that aim at strengthening pro-action, innovation and risk taking these build a base for more improved firm performance. These programs and policies should also aim at creating a positive feeling towards intrapreneurship such that, it's seen as a career option. Such programs could take the form of project startup and/ innovation incentives, idea generation competitions and rewards as well as intrapreneurial training at the lower levels.

Keywords: Intrapreneurial Orientation, Firm Performance, Intrapreneurship, Uganda

INTRODUCTION

Firms form the bedrock of most economies and are frequently the prime source of new jobs and play a crucial

role in income generation (Ocici, 2007). For instance, 80% of businesses in Congo are small firms. About 3.2 million people in Kenya are employed in small firms, and contribute 20% of the national GDP. Small firms also account for 70% of jobs in Nigeria while about 90% of all industrial firms in Morocco are small, providing 30% of

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exports and 46% of the total Jobs. Similarly in South Africa, these firms provide about 55% of jobs and 26% of the GDP (OECD, 2005).

In Uganda, small firms constitute over 90% of the investment in the private sector, contributing 75% to the GDP and employing over 2.5 million people (UBOS, 2007). Currently, the beverage and bakery manufacturing subsectors are said to have a high start-up rate but contributing less than 38% of the manufacturing employment and output (Randall, 2008 and ECA, 2009).

Findings show that, the impressive contribution of big firms in developed economies stems from intrapreneurship (Antoncic and Hisrich, 2004). Intrapreneurship is entrepreneurship within an existing organization, referring to emergent behavioral intentions and behaviors of an organization that are related to departures from the customary (Coulthard and Loos, 2007). Coulthard and Loos (2007) support the notion that intrapreneurial orientation is an important predictor of firm growth in terms of absolute growth and relative growth. Likewise, Kakati (2003) discovered that intrapreneurial orientation is the key factor for survival and competitiveness for both big and small firms. Successful firms develop various intrapreneurial capabilities to support their business strategies, and then obtain outstanding firm performance. Monnavarian and Ashena (2009) further observed that intrapreneurial orientation helps firms to face the complexity provoked by globalization, and becomes instrumental for business survival, growth, profitability, and market competitiveness.

Despite the above, most Ugandan firms do not perform well. Many close business in their first five years of operation (Ocici, 2007). Moreover, not much scholarly efforts have been invested in investigating how intrapreneurial orientation influences firm performance in Uganda. Hence, this study was aimed at examining the relationship intrapreneurial orientation and firm performance in Uganda.

INTRAPRENEURIAL ORIENTATION AND FIRM PERFORMANCE

As environments become more complex and dynamic, firms must become more entrepreneurial in order to identify new opportunities for sustained superior firm performance. The significance of intrapreneurs in creating wealth for and developing firms has been emphasized by many researchers (Hisrich and Peters, 2002; Hostager et al., 1998; Geisler, 1993; Pinchot, 1985). Hisrich and Peters (2002) state that intrapreneurs identify and evaluate the opportunities on behalf of their organizations, develop a business plan, determine the resources required and play a key role in managing organizations. Hostager et al. (1998) also indicate that intrapreneurs take risks, identify ideas for new products or services and turn these ideas into profitable products

and services in their organizations. Miller (1983) emphasizes that, the process of intrapreneurship and the organizational factors which foster and, or impede it are more important for firm performance.

Similarly, Pinchot (1985) argues that organizations are very much dependent on these individuals who by taking risks, champion new business ideas from development through to profitable reality. Geisler (1993) comments that while identifying the ideas for new products or services and turning them into profitable reality, intrapreneurs continuously look for innovative solutions. They therefore act like initiators of continuous change. Collectively, these studies conclude that in the era of hyper competition and dynamism, firms are now more dependent on the knowledge and skills of innovative, opportunity seeking intrapreneurial employees than ever before.

Hisrich and Peters (2002) indicate that in the process of creating value by bringing together a unique package of resources, the intrapreneurs possess the characteristics of creativity and opportunism. While identifying business opportunities, they take ownership and are accountable for their activities. They utilize their creative and flexible thinking, risk taking and ultimately risk reducing skills. The risk taking behaviour of the intrapreneurs is particularly critical because operations in a dynamic environment are often filled with uncertainties and potential business risks. Intrapreneurs need to take calculated risks when they enter into foreign operations and one would expect them to carefully screen a business opportunity before reaching a decision (Yeung, 2002).

A recent report by Ernst and Young (2009) stated that "intrapreneurial thinking isn't optional...it's more than a buzzword – it's a business strategy". Today organizations stand to benefit more than ever from reengineering company processes, developing new offerings, and rethinking relationships with various partners. It is those firms with an intrapreneurial spirit that pervade the employee mindset to pursue new market opportunities, maximize efficiencies and set themselves up to compete successfully in the future. This is in line with the findings of Griffith, Noble and Chen (2006), who revealed that, innovation, risk-taking and long-term rather than short-term perspective are fundamental in gaining the competitive advantage in the market.

The higher levels of performance in firms are explained by the fact that individual employees driven by personal inner desires tend to develop creative and innovative projects in anticipation of the opportunities in the environment and counter competitor actions, with calculated risks (Jambulingam, Thanigavelan, Kathuria, and Doucette, 2005; De Jong, and Wennekers, 2008). Findings by Messeghem (2003) reveal that, intrapreneurship can have beneficial effects on the firm's growth and profitability, both in absolute and relative terms. This is because innovation, pro-activeness and

risk taking have long been acknowledged as important to the long-term growth and competitiveness of the organization. Further research on innovation has shown that it encourages information collection and utilization which enhances employee readiness to meet customer needs (Wang and Netemeyer, 2004).

By nature, people who are proactive believe that they can create change in their environment (Crant, 2000). Such individuals prefer to take initiative in an attempt to control the environment rather than to passively observe events around them and react. Prior research on proactiveness has found that such individuals are more likely to feel competent and ready to act by identifying unmet customer needs, pursuing opportunities and create consistent contact between the firm and the customer (Major, Turner, and Fletcher, 2006). The relationship between intrapreneurial orientation and firm performance has been confirmed in past research on large firms (Zahra, 1991, 1993; Zahra and Covin, 1995) and on existing firms regardless of their size (Antoncic and Hisrich, 2004, Stewart, 2009)

Whereas there is a consensus among scholars that, intrapreneurial orientation can greatly influence firm performance, some researchers argue that intrapreneurial orientation is fundamental in service firms where employee- customer interaction defines service quality and customer satisfaction in totality (Brown et al. 2002). Similarly Christian et al (2006), Lumpkin, Congliser and Schneider, (2009) also pointed out that, small firms are characterized by absolute centrality of the owner manager, limited scanning activities and high level of informality, these may inhibit the diffusion of intrapreneurial activities that require autonomy on the part of the employees. In regard to this, owner- managers feel insecure to empower the lower managers in their businesses and such behaviour may negatively affect the market performance of the small firms (Christian et al., 2006)

RESEARCH DESIGN

The study adopted a cross sectional design, this involved descriptive studies to describe characteristics. Correlation and Regression approaches were used to investigate the relationships between the variables of study and the extent to which the independent variable explained firm performance the dependent variable. This is because the objective was to examine the relationship between these variables.

Sample design

The study covered 117 firms operation in Kampala, out of a total of 144 firms in bakery and beverages registered in Kampala (UBOS, 2007). This was based on Krejcie and Morgan (1970) sampling procedure.

Data collection and analysis

Data were collected using questionnaires and analyzed using descriptive, correlation and regression statistical methods.

PRESENTATION OF FINDINGS

Number of employees

This was aimed at establishing the percentage distribution of businesses by the current number of employees held as shown in table 1 below; The study revealed that, majority of the businesses employed 11-20 employees (66.1%) while 25.7% and 8.2% employed 05-10 and 21-50 employees respectively.

Correlation Analysis

Correlation Analysis was carried out to establish the relationships between the study variables because the study focused on investigating the relationship between the study variables. Pearson (r) Correlations were used to test the direction and strength of relationships that are extant among the study variables which were intrapreneurial orientation and firm performance. Pearson correlation was used because of the interval nature of the data. Table 2 resents correlation results:

The results in table 2 above revealed that there exists a significant and positive relationship between intrapreneurial orientation and firm performance ($r=.494^{**}$, $p<.01$). Even components of Intrapreneurial orientation were positively related to firm performance with the following parameters; proactiveness ($r=.303^{**}$, $p<.01$), innovativeness ($r=.234^{**}$, $p<.01$) and risk taking propensity ($r=.332^{**}$, $p<.01$). These results imply that the higher the level of intrapreneurship among the employees, the higher the level of the firm performance that is likely to be realized.

The Regression Analysis

In order to determine how the study variables are related, a predictor model was developed using regression Analysis.

The results in table 3 below show the extent to which the predictor variable which is; intrapreneurial orientation explain firm performance.

The results in table 3, showed that Intrapreneurial orientation was a weak predictor of firm performance (Beta=.205, Sig=.015). This implies that, the intrapreneurial capabilities need to be improved in small manufacturing firms if they are to improve firm performance greatly.

Table 1. Number of employees

Range	Frequency	Valid Percent	Cumulative Percent
05 – 10	22	25.7	25.7
11 – 20	56	66.1	91.8
21 – 50	7	8.2	100.0
Total	85	100.0	

Source: Primary Data

Table 2. Pearson Correlations.

Variable	Proactiveness	Innovativeness	Risk Taking Propensity	Intrapreneurial Orientation	Firm Performance
Proactiveness	1.000	.215**	.187*	.516**	.303**
Innovativeness	.215**	1.000	.114	.482**	.234**
Risk Taking Propensity	.187*	.114	1.000	.312**	.332**
Intrapreneurial Orientation	.516**	.482**	.312**	1.000	.494**
Firm Performance	.303**	.234**	.332**	.494**	1.000

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

Source: Primary Data

Table 3. Regression Analysis Model

Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.626	.349		1.795	.075
Intrapreneurial Orientation	.224	.091	.205	2.460	.015

Dependent Variable: Firm Performance

Source: Primary Data

DISCUSSION OF FINDINGS

It was established that there is a significant positive relationship between intrapreneurial orientation and firm performance. This means that high intrapreneurial capability in terms of risk taking propensity, proactiveness and innovation among firm employees will enhance firm's survival, growth and competitiveness.

This significant and positive relationship between intrapreneurial orientation and firm performance could be attributed to the fact that, the majority of the respondents in the sample (59.7%) were found to have taken time to, identify and new ideas, undertake risky projects and secured funds necessary to fix a problem with desire for personal satisfaction, who despite being in odds with their colleagues and having inadequate resources were more

likely to persist through the challenges in order to grow the business.

These findings are in agreement with other scholars such as; Hisrich and Peters (2002) who asserted that intrapreneurs identify and evaluate the opportunities on behalf of their organizations, develop a business plan, determine the resources required and play a key role in managing organizations. Hostager et al. (1998) who indicated that intrapreneurs take risks, identify ideas for new products or services and turn these ideas into profitable products and services in their organizations. Miller (1983) who emphasized that, the process of intrapreneurship and the organizational factors which foster and, or impede it are more important for firm performance. They therefore, create firms with better performance (Hamilton and Lawrence, 2001).

The findings are also supported by Griffith, Noble and Chen (2006), who revealed that, innovation, risk-taking and long-term rather than short-term perspective are fundamental in gaining the competitive advantage in the market and long term survival of a business. However, these findings could contradict Brown et al. (2002) who assert that intrapreneurial orientation is only fundamental in service firms where employee- customer interaction defines service quality and customer satisfaction in totality

CONCLUSION AND RECOMMENDATIONS

From the results of this study, it can be concluded that there is a significant positive relationship between intrapreneurial orientation and Firm performance. More specifically when intrapreneurs are committed, and voluntarily plan their actions in business firm performance tends to be improved than when they are impelled by undesirable factors. This suggests that intrapreneurs need to have a more positive attitude towards their jobs which is a reflection of proactiveness and risk taking. also intrapreneurs with high commitment to the business and have a positive attitude have the willingness to apply new ideas, invest in research and development and proactively scan their business environment to provide added value to the customers, regardless of whether the newness and added value are embodied in products, processes, work organizational systems or marketing systems. However, its social networks that tend to significantly contribute to Firm performance. This could be attributed to the fact that the target sample in this study was small manufacturing firms where the owner manager is at the helm of all business activities and has a great influence on the performance of the firm than the employees.

Since there was a significant positive relationship between intrapreneurial orientation and firm performance, policies and programs to support intrapreneurs should be put into place that aim at strengthening pro-action, innovation and risk taking these build a base for more improved firm performance. These programs and policies should also aim at creating a positive feeling towards intrapreneurship such that, it's seen as a career option. Such programs could take the form of project startup and/ innovation incentives, idea generation competitions and rewards as well as intrapreneurial training at the lower levels.

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