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ENTREPRENEUR, ENTREPRENEURSHIP AND INTRAPRENEURSHIP. A LITERATURE REVIEW

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Abstract: *Entrepreneurship is nowadays a buzz word, present both in political arguments and discussions, in official debates and also in the economic literature. However, the entrepreneurship and the recognition of the entrepreneur's role for the economic system have been revealed by different authors for two centuries. Despite of this fact, there are still controversies regarding the meaning and significance of the entrepreneur and entrepreneurship. Since then, and especially in the latest decades, some new concepts have been added to the already rich literature, e.g. intrapreneur and intrapreneurship. This paper is a modest attempt to review some old but also some recent approaches concerning the named terms and concepts, and thus contributing to a better understanding and use of these concepts. After reminding some relevant approaches regarding the terms entrepreneur and entrepreneurship, the newly emerged terms have been in our attention. Indeed, while notions like „entrepreneur” and „entrepreneurship” are widely used and known, the words „intrapreneur” and „intrapreneurship” are less commonly used and much more new but in rapidly spreading, due to the fact that the recent decades have been labeled by certain economists as „the entrepreneurship era”. The reason why the notion of intrapreneurship is less known than that of entrepreneurship is very simple to explain: the former one is pretty new, whereas the latter one has a history of over 200 years.*

Key words: entrepreneurship; intrapreneurship; innovation; corporation, capital.

JEL classification: B30; L26.

1. Introduction

What is the difference between entrepreneurship and intrapreneurship? What are similarities and the differences between the two concepts: entrepreneurship and intrapreneurship? In order for us to find the answer to this question, first we have to come up with an answer to a different one: is it necessary that there be a new organization in order to implement a new idea or can this one be implemented in an already existing one? Entrepreneurship is all about initiative, innovation, taking decisions, being responsible enough so as to take risks regarding the economic activities undertaken by a certain person that possesses a certain capital. Intrapreneurship is the means by which an organization can be transformed in a more lucrative one, one in which visionary employees can implement entrepreneurial ideas. It is for the benefit of any organization to sustain and encourage intrapreneurship, because thanks to intrapreneurship, companies can reinvent themselves, can improve their performances, develop and maintain themselves on the market.

Today, companies are extremely large, therefore the entrepreneurial spirit manifests itself in already existing organizations and there is no need to initiate a new one. Those who manifest their entrepreneurial capacities in an already existing company are like a breath of fresh air for that company. They are not entrepreneurs in the proper sense of the notion, but rather they are specialists with exceptional training, being able to use the knowledge

they have accumulated in order to innovate and transform innovation in a success. These people are called intrapreneurs.

Intrapreneurship is proving good not only for the employer, but also for the employee, having the opportunity to stand out, to show off one's qualities, to distinguish him/herself, to innovate. A creative, innovative person that is encouraged to use these personal qualities will feel motivated to remain in the company and therefore we will see less of this „phenomenon whereby valuable, open minded and innovative employees are being lost, disappointed by the organizations and bureaucratic processes present in the large companies” (Badulescu, 2013).

2. The entrepreneur as main actor of the entrepreneurship and intrapreneurship

Despite a rich and diverse literature, capturing the essence of entrepreneurship and the role of entrepreneur for the economic system seems to be a difficult step for economists, who never cease to invoke it, but less to explain and even less to agree on it (Badulescu and Badulescu, 2012; Badulescu, 2013; Badulescu and Badulescu, 2014). As Hirshleifer (1976) has revealed, the main lines of thought define entrepreneurship in a general and quite superficial way, as a result of the confluence between business management and ownership. It is considered as a production factor, related to risk assuming and compensation, innovation, mitigation of uncertainties and generating profits. Baumol (1993) see the entrepreneur as “is at once one of the most intriguing and one of the most elusive in the cast of characters that constitutes the subject of economic analysis”.

Frank Knight (1942) considers that the entrepreneurs are the owners of the company (called “residual claimants”) and thus they are entitled to profit. For profit, the entrepreneur shall initiate useful changes or innovations, adapt to changes in economic environment and assume for his company the consequences of uncertainty. The fact that entrepreneurs are owners in the same time does not put equality between entrepreneurship and (small) business ownership. While small business owners see their company in a static view, maintaining the *statu quo*, they have a local coverage and limited growth prospects, the entrepreneurs see the business developing; they search opportunities and go beyond local conditions, in a continuous desire for expansion (De Clerq, Crijns and Ooghe 1997).

On the other hand, Kirzner (1973) sees the entrepreneur as a “pure decider and arbitrator” and has no ownership. Kirzner claims that “... ownership and entrepreneurship should be seen as two completely separate functions, [...] pure entrepreneurial decision is by definition reserved for decision makers not possessing anything” (Salerno 2007 and Costea, s.a.).

Authors like Timmons and Spinelli (2003), Nieman (2001) consider entrepreneurship as the business launch (exploiting an identified opportunity), followed by growth and development on a specific area. Small business owners are seen as business starters, who consolidate and develop their business up to a stage, where they lose their willingness, ability and entrepreneurial intuition.

The entrepreneur's role can be revealed by understanding the Schumpeterian approach of production function (Iversen et al., 2008). Unlike the manager who combines the production factors in the production function, in order to achieve the highest technical efficiency, the entrepreneur goes outward the production function through his or her innovations. The entrepreneur moves the economic system out of equilibrium, through creating new products or production methods, and therefore others become outdated. This is the process of “creative destruction”, which Schumpeter views as the driving force behind economic development.

In the same line, Schultz (1975) emphasizes that entrepreneurship is closely related to disequilibrium situations, entrepreneurship being the ability to deal with such situations. In disequilibrium, the agents act sub-optimally and they could re-allocate their resources in order to achieve a higher level of satisfaction. Entrepreneurship means the capacity and

ability (differing from one person to another, from one company to another) to coordinate the re-allocation.

The Schumpeterian entrepreneur applies information about inventions to create new combinations; he is the most entitled to decide which new combinations are profitable. The Knightian entrepreneur estimates a unique situation that will arise in the future and makes decisions on how to exploit this situation in order to make profit. Both theories agree, however, that while entrepreneurs are *decision makers*, many decision makers are not entrepreneurs.

Casson attempts to unify the definitions of Schumpeter and Knight by stating the idea that the entrepreneur is that person specialised in decision-making, possessing many skills allowing them to make value judgements value for an intelligent use of scarce resources (Casson, 2003).

The entrepreneur is often assumed to have a particular personality and specific traits. The core point of these approaches (Kaufmann and Dante, 1999) consists of a set of characteristics describing the "entity" called entrepreneur, such as: fundamental change, innovative, flexible, willingness to undertake risks, always on alert, desire to succeed, and ambition. Some perspectives on the specific characteristics of the entrepreneur are emphasized below:

The entrepreneur is a person having abilities to solve crisis, a leader, motivated for undertaking risks. Marshall suggests that the qualities associated with a good entrepreneur are rare and limited, being "so great and so numerous that very few people can exhibit them all in a very high degree" (Burnett, 2003). The entrepreneur is the guiding mind and dynamic spirit in the modern capitalism enterprise. Weber (2005) shows the significant contrast between the new entrepreneur who sees earning as a call and wants to reform the state of the art, and the traditional capitalist is satisfied with the existing *statu quo*.

Sombart defines the entrepreneur as "quick in comprehension, true in judgement, clear in thought, with a sure eye for the needful... Above all, he must have a good memory." (Sombart, quoted by Grundmann and Stehr, 2001). Sombart sees the difference between an entrepreneur and a trader in what he calls the "calling" for the entrepreneur, respectively, instrumental activity, lucrative for the trader. Sombart identifies the meaning of "calling" in other types of human behaviors, namely the explorer, the inventor, the conqueror and the organizer. Although it seems much more prosaic, for Sombart, trader function is more important in modern society and economy than heroic - entrepreneurship. "*The entrepreneur began as a conquistador and ended as an official*" (Loader, 2001).

Entrepreneurs are leaders and key agents of creative destruction. Schumpeter pointed out that the entrepreneur does not necessarily discover things, goods, but operates in an innovative way with things which have already been invented. Combining the existing inventions, the entrepreneur and his creative destruction create new industries, while old industries are withdrawn, destroyed or disappear. The entrepreneurs change the relationship and production techniques, they lead the economy toward a better use of capital and knowledge, ultimately leading to improved macroeconomic growth and productivity. Moreover, Schumpeter defines the entrepreneur as a creator of business cycles, because their actions generate dislocations that often come in waves. More recently, for Baumol (2002), an entrepreneur may not manage or own a business, may be engaged or not in a productive activity, but the defining factor is the "innovative behaviour". The entrepreneur is a person who makes investment under uncertainty and has an unusually low level of aversion to uncertainty. Frank Knight (1921) makes a clear distinction between risk and uncertainty. For example, uncertainty refers to a unique event, difficult to predict as size, effects and time of occurrence (such as rapid and decisive changes in consumer tastes), to which there are no "classical" protection, like insurance. According to Knight, the entrepreneur examines these unique events in the economy, applies his own judgments and actions, acting as an *ad hoc* insurance agent, and even protects other shareholders of the company against these effects.

The entrepreneur has an attitude and behavior based on receptivity to new information and people; he makes independent decisions, sees opportunities in rapidly changing and uncertain economic environment, he is persistent, available to assimilate technical knowledge, has outstanding personality, leadership, management abilities (Johnson, 2001). According to Sexton and Bowman-Upton (1991), entrepreneurship is a general approach to the management that begins with identifying opportunities and culminates with their exploitation.

The entrepreneurs search opportunities and innovate to meet the society's needs, without taking into account the apparent limitation of the currently available resources.

Although comprehensive and meeting the analysts' consensus, the behavioural theories are to be criticized at least on two respects. On one hand, it is difficult to test these skills, especially to demonstrate that they comprehensively define entrepreneurship, and on the other hand, these traits can exist at many people who are not necessarily entrepreneurs. As a conciliatory approach, we can say there is a general understanding that most of the above traits accompany a continuous business activity in most entrepreneurial types known over time.

3. Entrepreneurship versus intrapreneurship

The simplest forms of the intrapreneurship concept appeared in the '70s, as a result of certain paradigm changes in the market, economy and companies' culture. The origins of intrapreneurship are to be found, no doubt, in entrepreneurship. The author who introduced the notions of intrapreneurship and intrapreneur is Gifford Pinchot III in 1978. The notions stem from the phrase intra-corporate-entrepreneur (Pinchot, 2010), and it concerned two aspects:

1. Intrapreneurship is a set of good business practice that gives full credit to people with entrepreneurial personality to innovate quickly in large organizations, not only for the benefit of the latter, but also that of the consumers/clients.

2. Intrapreneurship encompasses individual actions or/and team actions that behave in an entrepreneurial manner, in order to serve the interest of very large companies and supply chains, with or without official help (Pinchot, 2010).

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

Antonicic and Hisrich (2003) offered a series of key elements pertaining to intrapreneurship: new ventures and new businesses, product/service innovation, process innovation, risk taking (losses, opportunity costs), pro-activeness. The two economists see these elements as being independent, but at the same time interrelated, so as to refer to the same construct.

Macrae analyses intrapreneurship when western economies had difficulties. He considers that organizations should compete within themselves and self regulating profit centers should come up with the best solutions. Macrae says that this predates the notion of intrapreneur, but he supports Pinchot's ideas, warning about generally accepted theories promoted by business schools (Macrae, 1976; Macrae 1982).

Pinchot and Pinchot suggest new terms related to intrapreneurship. One of them is "freeholder" which stands for employee or associate, but implies higher commitment. "Intra-property" pertains to the profit centre, assets and rights, and is not controlled by the corporate centre. "Intra money" refers to the wealth within the enterprise as a symbol of independence and freedom (Pinchot and Pinchot, 1997), (Hathway 2009).

For Pinchot and Pellman, intrapreneuring is a set of definite principles, being the result of Pinchot's work in big companies. In their view, powerful teams led by entrepreneurs may be the beginning of successful organizations. The emphasis is on early prototyping,

tolerance of errors, internal and external networking and clever use of funds and sponsors (Pinchot and Pellman, 1999), (Hathway 2009).

Today there are a series of approaches regarding intrapreneurship, the most important being (Wanscoor, 1992):

- The first approach values the individual, the hero, with emphasis on individual intrapreneurial action;
- The second set of approaches has an emphasis on the intrapreneurial team, consisting of individuals who are willing to undertake risks and who promote intrapreneurship together;
- The third type of approaches focuses on the intrapreneurial organization, formed within the company where it used to function as a organizational subunit.

The entrepreneur acts independently, activates in his own organization, whereas the intrapreneur is only partially independent, activating within the company as an employee. Being led in their activities by the entrepreneurial spirit, they have certain elements in common, such as initiative, innovation and risk necessary for the creation of added value. These elements are implemented differently, resulting, therefore, in a series of differences. The next table offers information regarding the similarities and differences between the activities undertaken by the entrepreneur and those of the intrapreneur.

Table 1: Similarities and differences between entrepreneurship and intrapreneurship

Similarities	Differences
<ul style="list-style-type: none"> • Innovation: <ul style="list-style-type: none"> - both the entrepreneur and the intrapreneur are innovative persons; - innovation can represent a new product or service, a new technological process or an improved management method; 	<ul style="list-style-type: none"> • Type of activity: <ul style="list-style-type: none"> - the intrapreneur's activity has a restoring character; - the entrepreneur's activity has a creative character;
<ul style="list-style-type: none"> • Creation of value: <ul style="list-style-type: none"> - adding further value to the products and services is the goal of the the two; - alteration must be truly new and must come up with a different proposal; 	<ul style="list-style-type: none"> • Encountered obstacles: <ul style="list-style-type: none"> - for the intrapreneur, the company's culture can be the main obstacle; - the entrepreneur has only one obstacle, a very powerful one: the market;
<ul style="list-style-type: none"> • Undertaking risk: <ul style="list-style-type: none"> - the intrapreneurial and entrepreneurial activities have a higher degree of risk as compared to the usual ones; - the intrapreneur risks the company's money, focusing on new products; - the entrepreneur risks own money and time; 	<ul style="list-style-type: none"> • Sources of funding: <ul style="list-style-type: none"> - the intrapreneur uses the company's resources, that can be very large; - the entrepreneur must look for personal funding sources, at the risk of losing his own assets/fortune;

Source: Sasu 2003 (in Badulescu, 2013)

The experience acquired by working in a large company may prove useful for the opening a personal business. One has to decide which alternative is most suitable, as both entrepreneurship and intrapreneurship have advantages as well as disadvantages.

4. Other forms of entrepreneurship/intrapreneurship.

Exopreneurship is a form of entrepreneurship that is linked to intrapreneurship, but innovation is facilitated by external entrepreneurs, referred to as exopreneurs. The forms of exopreneurship have to do with the role and purpose of external agents, (entrepreneurs). Exopreneurship can turn into: franchising, subcontracting, strategic alliances and external search for new financing sources (Chang, 2001).

Franchising is not immediately associated with intrapreneurship, but the notion of frantreprenuer encompasses the activity and the personality of a franchisor who reconfigures and innovates through franchising, developing the international market. Franchising is a different but important form of entrepreneurship (Sundbo et al., 2001). The intrapreneur acts as a manager of change, whereas the frantreprenuer is seen as a partner. The intrapreneur focuses on adaptation, whereas the frantreprenuer focuses on standardization. The intrapreneur has a wider purpose as regard to innovation, whereas the frantreprenuer's purpose is a more limited one (Hathway, 2009).

5. Conclusions

An important part of this article underlines the relationship between entrepreneurship and intrapreneurship, as well as the similarities and differences between these two concepts. In order to be a successful entrepreneur it is necessary to possess a capital that allows you to bring something new on the market, for the companies who want to maintain themselves on the market, to resist competition, to enlarge and develop their business, innovation is mandatory. Both entrepreneurship and intrapreneurship offer this possibility, but in different organizational frameworks. Big companies interested in innovation are becoming more and more preoccupied with the creation of a true entrepreneurship/intrapreneurship culture. They want to convince employees, investors and managers that trying to promote new ideas is no loss of time, but on the contrary, it adds value to the company, that it is normal to make mistakes in the search for something new and that failure shall not be punished, if things do not go according to plan. Taking into consideration the high speed changes in today's business world, the big companies that are reluctant to innovation and intrapreneurship are likely to be left out of the race and therefore face drastic and rapid profit cuts and have less chances of surviving.

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