Motivating intrapreneurs: the relevance of rewards

M.J. de Villiers-Scheepers

Abstract: A challenge faced by management graduates in promoting intrapreneurship to achieve competitive advantage is the use of motivational techniques that build commitment to entrepreneurial behaviour. Despite the acknowledged importance of rewards to encourage innovation, there is surprisingly little empirical evidence to provide guidance on which rewards motivate intrapreneurs. This paper investigates the rewards that organizations use to motivate intrapreneurs in both service and information and communication technology firms in South Africa. The results indicate that an intrapreneurial reward system tends to focus on formal acknowledgement, social incentives and the organizational freedom of employees. These, rather than monetary incentives, are valued by intrapreneurs and therefore should be incorporated into the teaching curricula of business schools. It is argued that application of these findings will help managers to promote intrapreneurial behaviour and create engaged employees.

Keywords: intrapreneurship; reward systems; empowerment; incentives; South Africa

Intrapreneurship has become a value-creating competency in a firm’s competitive repository for the formulation and execution of strategy in today’s turbulent knowledge economy (Antoncic and Hisrich, 2001) in which value is no longer created by physical assets but by intangible assets such as knowledge, creativity and intrapreneurship (Allee, 2000). Scholars have demonstrated empirically the beneficial influence of intrapreneurship for long-term financial performance, both internationally (Wiklund, 1999 and Zahra and Bogner, 1999; Zahra, 1993) and in South African firms (Goosen, 2002; Erasmus and Scheepers, 2008). However, few MBA programmes offered in business schools present modules on intrapreneurship: generally, they offer perspectives on entrepreneurship. Although some of the skills overlap, such as opportunity recognition and business planning, other skills, such as motivating staff and rewarding them for intrapreneural performance, are neglected in these curricula.

Motivation can be defined as those internal and/or external forces that trigger actions which persist until a certain goal is achieved (Daft, 2006). In firms, these triggers of behaviour are the various needs employees strive to satisfy through intrinsic and extrinsic rewards they receive at work (Arnolds and Venter, 2007, p 15). Rewards can therefore be used to influence employee behaviour; however, one of the complexities managers face in fostering intrapreneurship is the selection and use of motivational techniques or rewards that build commitment to entrepreneurial goals among employees (Lumpkin, 2007; Thompson et al., 2005).

The purpose of this paper is to determine empirically which rewards best encourage intrapreneurship. Specifically, it is argued that business schools in higher
education institutions (HEIs) should incorporate the findings and thus improve their management development curricula. The paper proceeds by discussing the challenges for business schools in HEIs to develop suitably qualified graduates, clarifying the intrapreneurship construct, reviewing the theoretical foundation of motivation and different types of rewards, presenting the methodology and results, discussing the findings and, finally, providing recommendations in terms of the managerial skills needed and the extent to which business schools are addressing these problems in their management development programmes.

Challenges for business schools in HEIs

Management graduates, in particular MBA graduates, are perceived by many as leaders in the global economy. In particular in Africa, these graduates are seen as holding the key to stimulating sustainable development, improving productivity and mobilizing Africa’s intellectual capital (Opoku et al, 2006; Louw et al, 2001). South Africa, regarded as the economic powerhouse of the region, is often a preferred study destination for African students because of the rich potential of the business networks it offers (Opoku et al, 2006). Thus South African business schools offering MBA and other management development programmes have a responsibility to deliver qualified business executives who are able to direct the region ethically to develop its full potential, through intellectual skills, multi-cultural values and intrapreneurial leadership sensitive to Africa’s challenges (Louw et al, 2001; Temtime and Mmereki, 2011; Scheepers et al, 2008).

These challenges, coupled with the demand for qualified management graduates and the globalization of Southern Africa, have increased the demand for MBA programmes (Opoku et al, 2006). Although business schools have responded, South African MBA programmes, like others worldwide, have come under scrutiny from various stakeholders in the past decade (Carmicheal and Stacey, 2006; Louw et al, 2001). Hawawini (2005) points out that business schools worldwide face a number of pressures, such as preparing executives to lead and manage in a global environment, ensuring that highly qualified faculty are attracted to teach students at business schools, incorporating information technologies into learning and teaching methodologies, strengthening reputations and brands, as well as finding sources of funding. Business schools have also been criticized by employers and graduates for focusing too much on teaching ‘hard’ quantitative subject disciplines, while neglecting softer disciplines where people skills should be developed (Martensen and Gronholdt, 2009; Louw et al, 2001; Temtime and Mmereki, 2011).

In their study, Louw et al (2001) found that MBA core courses offered in South Africa could largely be categorized into two groups: those that develop ‘hard’ skills, requiring quantitative and analytical competencies; and ‘soft’ courses, demanding adeptness in relationships, conceptual abilities and leadership. In studying the competencies MBA programmes developed in graduates (confirmed by employers), Louw et al (2001) found that these could be grouped into three main categories:

- organizational efficiency competencies such as analytical problem solving and conceptual skills, especially relevant in the four traditional management tasks;
- communication competencies referring to written and interpersonal communication, cooperation and learning abilities; and
- intrapreneurial skills composed of high-level conceptual skills (ability to convey a strong sense of vision), entrepreneurial skills, creative thinking and initiatives, leadership, holistic (systems thinking), interpersonal and relationship skills (networking skills and working in teams), and personal skills (pro-activity, business ethics and integrity).

Intrapreneurial skills are particularly relevant in an increasingly demanding global environment (Roffe 1999; Martensen and Gronholdt, 2009). Too few MBA programmes adequately develop the problem-solving, innovation, communication and intrapreneurship skills that are perceived to be most needed by employers, implying a relevance gap (Temtime and Mmereki, 2011). Too many programmes still only present entrepreneurship as a stand-alone or elective course (Louw et al, 2001), failing to emphasize the relevance of intrapreneurship for organizational contexts and integrating this with human resource management, showing how rewards and a facilitating culture can promote intrapreneurship.

Intrapreneurship

Generally speaking, the term ‘intrapreneurship’ refers to entrepreneurial behaviour within established firms, with proponents such as Pinchot (1985) and Antoncic and Hisrich (2001) promoting and researching the phenomenon. Stevenson and Jarillo’s (1990) definition of entrepreneurship, as a process whereby individuals pursue opportunities without regard to the resources they control at that point in time, has been the basis of many entrepreneurship studies, due to the definition’s simplicity and wide applicability by focusing on actors,
opportunities, resources and alluding to the process involved. Antoncic and Hisrich (2001, p 498) built on this logic when formally describing intrapreneurship as a process, which ‘... goes on inside an existing firm, regardless of its size, ...’. Antoncic and Hisrich (2001, p 498) built on this logic to describe the process involved. Various terms have been used to refer to this multi-dimensional phenomenon, such as corporate venturing (Von Hippel, 1977); internal entrepreneurship (Schollhammer, 1982); strategic renewal (Guth and Ginsbert, 1990) and corporate entrepreneurship (Zahra, 1991; Birkinshaw, 2003; Garvin and Levesque, 2006).

Sharma and Chrisman (1999) view intrapreneurship as a process by which an individual, or group of individuals, in association with an established firm, creates a new organization or originates or innovation within the current firm. In most cases, intrapreneurship describes the total process whereby established enterprises act in innovative, risk-taking and pro-active ways (Zahra 1993; Dess et al, 1999; Bouchard 2001).

The intrapreneurial process has various outcomes, such as new products, services, processes or business developments, which firms use to build or maintain a competitive advantage. The pursuit of an intrapreneurial strategy not only has positive long-term financial performance effects (Erasmus and Scheepers, 2008; Goosen, 2002; Zahra, 1995) but also can lead to non-financial benefits such as improved morale of employees, increased collaboration and a creative working environment (Hayton 2005). The intrapreneurial posture of a firm can be assessed by measuring firm-level entrepreneurial orientation (EO) (Barringer and Bluedorn, 1999; Covin and Slevin, 1989; Miller, 1983). EO is reflected by three dimensions: innovativeness, pro-activeness and risk-taking, where a firm’s propensity to innovate, ability to take moderate, calculated risks and tendency to pursue opportunities in a proactive manner serves as an indication of EO. Consequently, EO captures the strategic posture of a firm and is linked to the processes, practices and decision-making activities that facilitate the pursuit and exploitation of opportunities (Lumpkin and Dess, 1996) such as a supportive organizational climate and reward systems.

The volume of research on intrapreneurship in South African firms has increased in recent years, from only a few studies in earlier years such as Struwig (1991), Goosen (2002) and Adonis (2003), focusing on the process and performance outcomes, to more diagnostic type of studies in recent years (Gantsho, 2006; Dhillwayo, 2007; Groenewald, 2010). However, none of these studies has focused specifically on the role of rewards in motivating intrapreneurs. Rewards express and reinforce the values and norms that comprise corporate culture and can therefore be used by managers to communicate desired attitudes and behaviours to employees. The theoretical foundation of rewards can be found in motivational theories such as reinforcement theories, the expectancy model of Porter and Lawler (1968) and an entrepreneurial model of motivation.

Motivation theories

Reinforcement theories are useful to explain why some behaviours in firms are repeated and why other behaviours, even though desired by a firm, may not reoccur. Reinforcement theory evolved from Pavlov’s conditioning experiments (Pavlov, 1960), through Skinner’s operant conditioning (Skinner, 1953) to Bandura’s social learning and social cognitive theory (Bandura, 1977). The basic premise of reinforcement theories is that behaviour which is positively rewarded will reoccur (Stajkovic and Luthans, 2001). Applied in the firm, this means that managers get the behaviour from employees that they (the managers) reinforce. Even though firms may formulate intrapreneurial strategies, make use of organic organizational structures or create self-regulating work teams, these actions will have little impact unless employees’ desired behaviours are reinforced (Luthans and Stajkovic, 1999, p 52). As Daniels (1995) reiterates, ‘A firm is perfectly designed to produce what it is producing. If it has problems, then the behaviours associated with those undesirable outcomes are being reinforced’. Luthans and Stajkovic (1999) suggest that firms need to reinforce and reward for intrapreneurial performance.

Porter and Lawler’s (1968) expectancy theory, which builds on reinforcement theories, provides a constructive perspective of an employee’s motivation to engage in intrapreneurial behaviour. The expectancy model posits that motivation is determined by (1) the concept of effort–reward probability and (2) the perceived value of rewards offered (Lawler, 1978). The concept of effort–reward probability is based on an individual’s perception of the effort they expend on a certain task will result in obtaining a specific reward or positively valued outcome. This effort–reward probability is also influenced by the probability that their performance will result in goal-achievement and the probability of receiving the reward. The perceived value of rewards refers to the individual’s perception if the value of the reward is desirable (Lawler, 1978).

Naffziger et al (1994) built on the expectancy model and proposed a model of intrapreneurial motivation...
which states that the decision to behave intrapreneurially is the result of the interaction of several factors. For example, an employee may want to launch a new initiative; however, the decision to act on this initiative is influenced by personal characteristics, goals, business environment and the nature of the idea. Additionally, an employee would also consider the factors proposed by Porter and Lawler (1968) before taking action. The perception of effort–reward probability would be influenced by past experience, that of the individual and co-workers and the value of intrinsic or extrinsic rewards offered by the firm. Should an employee decide to pursue the intrapreneurial initiative, the outcome of this process could range from a new product or process, or failure. Morris et al (2008) contend that future intrapreneurial behaviour depends on these experiences, outcomes and rewards. In other words, the desirability of future behaviours is influenced by reinforcement, within managerial control since management decides which types of rewards to offer.

Types of rewards

Kerr and Slocum (1987, p 130) assert that the reward system defines the relationship between the firm and employees by specifying the terms of exchange. It stipulates the contributions expected from employees and expresses values and norms to which those in the firm must conform, as well as the response employees can expect to receive as a result of their performance. The reward system is an unambiguous statement of the firm’s values and beliefs. As such, Thompson et al (2005) suggest that a properly designed reward system is a compelling instrument which can mobilize organizational commitment and build an intrapreneurial culture, which influences successful strategy execution.

Reinforcement and reward systems have a powerful influence on employee motivation, as proposed by motivation theories. Bau and Dowling (2007, p 161–162) define reward systems broadly, including all monetary and non-monetary rewards and incentives provided by a firm. They argue that reward systems consist of a number of components, namely direct and indirect financial incentives, social incentives, incentives provided by the work itself and incentives inherent in the organizational culture.

Financial incentives

Many managers view money as the main motivator of employees, despite the lack of conclusive evidence about the motivational impact of monetary rewards on the job performance of employees (Arnolds and Venter, 2007). Financial incentives can be classified as direct rewards, such as pay-for-performance, and indirect incentives such as free internet and recreational facilities (Bau and Dowling, 2007, p 162). Ellis and Pennington (2004) report that although direct financial rewards play a decisive role in attracting talented employees to a firm, these rewards have only a short-term impact on the motivational level of employees. Herzberg (1964) provides an explanation for this assertion in his two-factor theory of motivation. He maintains that factors such as money have the potential to ‘motivate negatively’ (that is, demotivate – necessary but not sufficient conditions for motivation), and that only ‘motivators’, that is rewards focusing on esteem and self-actualization, can motivate employees (Hofstede, 1980). Barrier (1996) agrees and suggests that recognition or showing appreciation, which is a social incentive, is a stronger motivator of performance than financial incentives.

Social incentives

Social incentives can be varied and include those created by communicating with employees – for example, verbal recognition, encouragement and appreciation of employees’ efforts (Bau and Dowling, 2007). Several research studies have shown that rewards focused on the social needs of employees may have a stronger motivational effect on performance than financial rewards (see, for example, Barrier, 1996; Stajkovic and Luthans, 2001). Alfred (1991) reports that one of the needs employees expressed the most was the need to be accepted. Despite the fact that many managers and mission statements proclaim that people are their most valued asset, most companies fail to practise this philosophy (Iyer and Davenport, 2008; Kemp, 2002). Against this background, social rewards should be a strong motivator of employee job performance; then again, employees who find their jobs challenging and rewarding may be motivated by the nature of the work they perform.

Job design incentives

Bau and Dowling (2007) define job design incentives as the rewarding and meaningful nature of a job to an individual and mention that it includes autonomy, growth through career development and the recognition of individual performance. Managers often use job design rewards to increase employees’ work efficiency and productivity (Certo, 2003). Malherbe and Pearse (2003) found that employee motivation is enhanced by changing core aspects of a job, such as adding more responsibility, allowing more autonomy and providing for career development. Arnolds and Venter (2007) contend that job design rewards are as important motivators of the job performance as social and financial rewards.
Incentives inherent in the organizational culture

Employees may also find rewards in other aspects, such as the size of the firm, organizational structure and leadership style. Bau and Dowling (2007) identify benefits of working for a smaller firm, such as being able to work on all aspects of a new project and not just specialized areas, having more responsibilities and observing the meaningful impact of a completed project. The type of organizational structure employed by a firm can also influence employee motivation and satisfaction. Employees who prefer to work in a dynamic environment would be very frustrated working in a bureaucratic environment, while employees who prefer structure and rules would find it difficult to work in firms with organic, flexible organizational structures (Morris et al, 2008). The leadership style of managers also influences the motivation and satisfaction employees experience (Kuratko et al, 2005).

Incentives can either be formally designed by management or be present by chance. However, all these aspects can be regarded as part of a firm’s total reward system (Arnolds and Venter, 2007). Nevertheless, Samsodien (2004) indicates that it is difficult for firms to find the right mix of financial and non-financial rewards, especially when firms decide to stimulate intrapreneurship.

Intrapreneurial organizational culture rewards

These are inherent to the values and norms within the firm. Intrapreneurial reward systems encourage employees to embrace some of the risks associated with intrapreneurship, provide the opportunity to be creative in goal attainment and emphasize the value of innovation (Parbhoo, 1997). Such cultures are characterized by decentralized decision-making and employees being given opportunities to pursue challenging jobs (Goosen, 2002). Block and MacMillan (2003) advise firms who wish to encourage intrapreneurship to provide financial support and resources for innovative projects.

Social and managerial rewards

In an intrapreneurial firm, social and managerial rewards relate to an active involvement of top managers in intrapreneurship (Morris et al, 2008). These types of social rewards serve as recognition for champions of intrapreneurial projects and also enhance middle managers’ willingness to accept the risks associated with intrapreneurship. Innovative firms are characterized by providing rewards subject to performance, offering challenges, increasing responsibilities and making the ideas of innovative people known to others in the organizational hierarchy (Kuratko and Hodgetts, 2004). In this way, top managers become role models for intrapreneurship and provide incentives for employees to act intrapreneurially (Govender, 1998, p 12).

Organizational freedom

Organizational freedom describes the autonomy and discretion employees enjoy when making decisions about performing their work in the way they believe is most effective. In intrapreneurial work environments, employees are allowed to make decisions about their work process and failure is tolerated during the innovation process (Hornsby et al, 2002) – and this creates a positive and motivating work environment. Goosen et al (2002, p 40) regard this kind of reward as ‘intrapreneurial freedom’, where employees are provided with access to resources and free time to develop new ideas. The concept of allowing employees to work on problems of their own choosing during 15 percent of work time, which has its origins in the 3M corporation (Fry, 1987), has since been expanded by, for example, Google, who allow their engineers to spend up to 20 percent of their time on intrapreneurial projects of their own choosing (Iyer and Davenport, 2008).
It has been argued that employees come to work each day to receive rewards. These rewards can be explained using motivational theories and can take a variety of forms, such as financial rewards, power and status, social rewards and self-actualization, all of which satisfy the motivation needs employees may have. Some of these rewards can be specifically designed to encourage intrapreneurship – and may change as firms grow in size and age.

Firm size and age
Changes in the size and age of a firm have often been linked to the venture life cycle. Greiner (1972) argues that as firms evolve and grow their managerial practices, including rewards and incentive systems, change. When firms are founded, entrepreneurs need to concentrate on creating a customer base, managing the cash flow and focusing on operational issues. In these start-up phases there is seldom time to develop sophisticated incentive and reward systems (Bau and Dowling, 2007, p 163). However, as firms grow and employ more people, the probability increases that they will create a structured incentive and reward system (Govender, 1998). The larger the firm, the more dependant they become on formal reward systems to provide stability, order and coordination (Morris et al, 2008). With regard to the age of the firm, younger start-ups may offer employees fewer financial incentives in exchange for the opportunity to learn and share in the excitement associated with the creation of an entrepreneurial venture (Bau and Dowling, 2007). However, as firms develop a more stable financial base, larger monetary incentives can be offered. Hornsby and Kuratko (1990) showed that compared to smaller firms larger firms use more financial incentives and fringe benefits. Therefore it can be expected that older firms with more employees will provide more formal, financial rewards for their employees than smaller firms. For this present study, the motivational impact of rewards on the intrapreneurship was investigated, using a survey research design.

Methodology

Sample and data collection
A cross-sectional telephone survey of firms in the service and ICT sector, operating in South Africa and involved in e-business, was conducted in 2005, to determine the type of rewards offered to employees. A non-probability, judgement sample was selected from this population to study firms making extensive use of e-business; but no comprehensive sampling frame was available. A sampling frame was drawn up from companies listed on the Johannesburg Security Exchange (JSE), and firms operating in the information

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<thead>
<tr>
<th>Sample group</th>
<th>Number</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Service firms</td>
<td>119</td>
<td>53</td>
</tr>
<tr>
<td>ICT firms</td>
<td>101</td>
<td>47</td>
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<thead>
<tr>
<th>Age of companies</th>
<th>Number</th>
<th>Percentage</th>
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<tr>
<td>Less than 6 years</td>
<td>52</td>
<td>23</td>
</tr>
<tr>
<td>7–15 years</td>
<td>91</td>
<td>40</td>
</tr>
<tr>
<td>16–25 years</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>26–49 years</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>More than 50 years</td>
<td>28</td>
<td>12</td>
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<tr>
<th>Size of companies</th>
<th>Number</th>
<th>Percentage</th>
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<tr>
<td>1–99 employees</td>
<td>101</td>
<td>45</td>
</tr>
<tr>
<td>100–199 employees</td>
<td>26</td>
<td>12</td>
</tr>
<tr>
<td>200–499 employees</td>
<td>24</td>
<td>11</td>
</tr>
<tr>
<td>500–999 employees</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>1,000–2,999 employees</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>3,000 or more employees</td>
<td>33</td>
<td>15</td>
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<table>
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<tr>
<th>Entrepreneurial orientation</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>Moderate</td>
<td>98</td>
<td>44</td>
</tr>
<tr>
<td>High</td>
<td>94</td>
<td>42</td>
</tr>
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</table>

| Total | 225 | 100.0 |

and communication technology sector (ICT), selected from the IT Web database (IT Web, 2005). Both of these groups were identified by Trialogue as being active in e-business (Hartley and Worthington-Smith, 2004): there were 300 JSE companies and 424 ICT firms. Nine companies appeared on both lists, so that the final sampling frame comprised 715 firms. All firms were approached: in the case of JSE firms, the Chief Information Officer was contacted, while in ICT firms the approach was made to the Chief Executive Officer or Marketing Manager. These jobholders were selected because their positions provided them with the ability to comment on internal and strategic approaches within their firms (Zahra, 1993). Firms were asked to comment on their EO and approach to incentives and rewards for intrapreneurship. Telephone surveys were used because they offered savings in time and money and, compared to personal interviews, reduced interviewer bias. The survey was also relatively easy to administer because of the relatively high response rate that was achieved (Babbie and Mouton, 2003). Of the 715 firms contacted, 315 participated, a response rate of 44%. From the initial group of 315 firms, only service and ICT firms were analysed for this paper, totalling 225 firms (see Table 1).

Measures
The measurement instrument used to assess the dependent and independent variables was based, where possible, on existing scales. EO was assessed by means

254

INDUSTRY & HIGHER EDUCATION August 2011
of the widely used scale developed by Covin and Slevin (1989) which consists of nine items, three items measuring each of innovativeness, pro-activeness and risk-taking. These items were scored on a nine-point Likert scale, ranging from 1 (‘strongly disagree’) to 9 (‘strongly agree’), since it was easier for respondents to visualize such a scale during the telephone interviews. An index for EO was calculated from these items, resulting in a Cronbach’s Alpha coefficient of 0.88. Higher overall scores on the 9-item EO scale indicate higher levels of intrapreneurship, while lower scores are indicative of a more conservative orientation, as recommended by Green et al. (2008).

Firm size was measured by recording the number of staff employed. The firm size variable was then created, by dividing firms into different size categories. Firm age was determined by recording the number of years in existence and this variable was also created by dividing firms into different age categories, as shown in Table 1.

The dependent variable ‘rewards for intrapreneurship’ was assessed using the Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Hornsby et al. (2002); and specifically the reward sub-scale. This scale was further supplemented by items identified in the literature to assess financial, organizational and social incentives (Arnolds and Venter, 2007; Morris and Jones, 1993).

Data were analysed using SPSS (SPSS v16, 2007). Exploratory data analysis was used to describe the data and exploratory factor analysis (EFA) was used to reduce the number of reward items and detect the underlying structure of reward constructs. Furthermore, one-way analysis of variance was used to determine if the rewards used by firms differed in terms of size and age and also if rewards were different between firms with different EO scores (low, moderate or high).

Independent t-tests were used to determine if there were significant differences between the rewards offered by ICT and service firms.

Results

Sample description

Table 1 shows the composition of the sample that participated in the telephone surveys, by comparing the distribution between service and ICT firms, the age and size of the firm. It shows a 47:53 per cent split of service and ICT firms that participated in the survey. Most (77%) firms in the sample were well-established (older than seven years), while 54% employed 100 employees or more. Most firms displayed either a moderate (44%) or high (42%) EO, as would be expected in service and ICT firms, given the competitive pressures in these sectors.

Reward measures

Table 2 presents the descriptive statistics of the various reward and recognition items assessed in the survey, by indicating the mean (M), standard deviation (SD) and coefficient of variation (CV) for each item. The table shows that respondents indicated that management was generally receptive to the ideas and suggestions of employees (M=7.37). This could be indicative of a participatory decision-making style and decentralized, flatter organizational structures. Respondents also indicated that they received special recognition (M=7.26) in the case of exceptional work performance, which suggests that most firms have mechanisms to reward excellent performance. The statement with which respondents were most in agreement was that firms gave employees the chance to make use of their own individual talents (M=7.22; CV=19.95). Other

<table>
<thead>
<tr>
<th>Reward and recognition items</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Coefficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special recognition</td>
<td>7.26</td>
<td>1.70</td>
<td>23.38</td>
</tr>
<tr>
<td>Tell his boss</td>
<td>7.18</td>
<td>1.92</td>
<td>26.70</td>
</tr>
<tr>
<td>Increase job responsibilities</td>
<td>7.01</td>
<td>1.74</td>
<td>24.86</td>
</tr>
<tr>
<td>Manager helps me by removing obstacles</td>
<td>6.63</td>
<td>1.86</td>
<td>28.06</td>
</tr>
<tr>
<td>Rewards depend on my work</td>
<td>7.16</td>
<td>1.65</td>
<td>22.98</td>
</tr>
<tr>
<td>Champions of new projects recognized</td>
<td>6.23</td>
<td>1.84</td>
<td>29.49</td>
</tr>
<tr>
<td>Financial support for innovative projects</td>
<td>5.63</td>
<td>2.28</td>
<td>40.49</td>
</tr>
<tr>
<td>Encouragement of calculated risk-taking</td>
<td>6.24</td>
<td>1.98</td>
<td>31.80</td>
</tr>
<tr>
<td>Free time to develop new ideas</td>
<td>5.36</td>
<td>2.26</td>
<td>42.46</td>
</tr>
<tr>
<td>Promotion follows new idea development</td>
<td>6.07</td>
<td>2.07</td>
<td>34.16</td>
</tr>
<tr>
<td>Management receptive to my ideas</td>
<td>7.37</td>
<td>1.73</td>
<td>23.51</td>
</tr>
<tr>
<td>Organizational freedom for employee judgement</td>
<td>6.98</td>
<td>1.66</td>
<td>23.75</td>
</tr>
<tr>
<td>Opportunity to be creative in goal achievement</td>
<td>6.73</td>
<td>1.77</td>
<td>26.22</td>
</tr>
<tr>
<td>Own decisions on how to achieve outcomes</td>
<td>6.43</td>
<td>1.94</td>
<td>30.11</td>
</tr>
<tr>
<td>Make use of individuals’ talents</td>
<td>7.22</td>
<td>1.44</td>
<td>19.95</td>
</tr>
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reward items with relatively high mean scores (M > 7) were that managers would tell their superiors if employee performance was excellent (M = 7.18) and that the rewards received were dependent on the work delivered by employees (M = 7.16).

It is interesting to note that firms did not necessarily promote employees after successful idea development (M = 6.07). Promotion is an official form of financial and social reward and it could be anticipated that entrepreneurial firms would promote staff who formulate and implement new initiatives because these champions have the potential to develop into future leaders in such a firm (Morris et al., 2008). Promotion has both monetary and non-monetary implications. With regard to the monetary implications, employees generally receive an increase; however, in non-monetary terms, a promotion is also a status reward, visible to all other employees within a firm, and satisfies achievement as well as social and status needs. A possible reason for the relatively low mean score on this item (M < 6.5) could be that firms nowadays are flatter (in terms of staff hierarchies) and therefore offer fewer possibilities for promotion – especially so in the case of smaller firms.

The statements with the lowest mean scores were those relating to free time to develop new ideas (M = 5.36; CV = 42.26) and financial support for new ideas (M = 5.63; CV = 40.49). It seems that firms in the sample generally did not provide problem-solving time for employees to formulate entrepreneurial solutions or provide financial support for new ideas. Although this finding can be explained by the smaller resource base of smaller firms, it also provides an indication that relatively few firms in the sample implement world-class intrapreneurship benchmark practices.

### Table 3. Exploratory factor analysis of reward and recognition items.

<table>
<thead>
<tr>
<th>Social incentives</th>
<th>Formal acknowledgement</th>
<th>Organizational freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special recognition</td>
<td>0.832</td>
<td>0.155</td>
</tr>
<tr>
<td>Tell his boss</td>
<td>0.794</td>
<td>0.104</td>
</tr>
<tr>
<td>Increase job responsibilities</td>
<td>0.780</td>
<td>0.128</td>
</tr>
<tr>
<td>Manager helps me by removing obstacles</td>
<td>0.718</td>
<td>0.254</td>
</tr>
<tr>
<td>Rewards depend on my work</td>
<td>0.685</td>
<td>0.190</td>
</tr>
<tr>
<td>Champion of new projects recognized</td>
<td>0.160</td>
<td>0.754</td>
</tr>
<tr>
<td>Financial support for new ideas</td>
<td>0.098</td>
<td>0.753</td>
</tr>
<tr>
<td>Encouragement of calculated risk-taking</td>
<td>0.152</td>
<td>0.709</td>
</tr>
<tr>
<td>Free time to develop new ideas</td>
<td>0.111</td>
<td>0.708</td>
</tr>
<tr>
<td>Promotion follows new idea development</td>
<td>0.236</td>
<td>0.624</td>
</tr>
<tr>
<td>Management receptive to my ideas</td>
<td>0.370</td>
<td>0.552</td>
</tr>
<tr>
<td>Organizational freedom for employee judgement</td>
<td>0.238</td>
<td>0.238</td>
</tr>
<tr>
<td>Opportunity to be creative in goal achievement</td>
<td>0.198</td>
<td>0.270</td>
</tr>
<tr>
<td>Own decisions on how to achieve outcomes</td>
<td>0.072</td>
<td>0.213</td>
</tr>
<tr>
<td>Make use of individuals’ talents</td>
<td>0.363</td>
<td>0.272</td>
</tr>
</tbody>
</table>

### Exploratory factor analysis

The 15 items shown in Table 2 were reduced to three constructs, with discriminant validity determined using EFA (SPSS, 2007). Discriminant validity refers to the extent to which measures of two or more different constructs are distinct constructs (Gerbing and Anderson, 1988). The Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy (0.906) and the Bartlett’s test of sphericity (p < 0.00) provided indications that the data were suitable for EFA (Tabachnick and Fidell, 2001). The factor extraction procedure followed an exploratory, reiterative process, using Kaiser’s criterion and Catell’s scree test in combination with theory to specify the number of factors to be retained. Kaiser’s criterion recommends that only factors with eigenvalues of 1.0 and higher should be retained. Catell’s scree test identifies factors that have a substantial amount of common variance before the inflection point and should be retained, because these factors contribute most to the explanation of the variance in the data set (Pallant, 2006).

Based on the recommendation of Tabachnick and Fidell (2001), a Varimax rotation with Principal Component extraction was used to factor-analyse the data, since the underlying reward factors were not expected to be correlated, given that factors focus on a variety of different rewards. The factor structure most susceptible to interpretation that emerged from this iterative process proposed by Tabachnick and Fidell (2001) for the reward factors is reported in Table 3, where items needed to load to a significant extent (at least 0.4) on one factor to form part of the factor structure (Hair et al., 2006, p 128).
Table 3 illustrates that three factors emerged from
the EFA. The first factor refers to social and managerial
rewards, where managerial staff support employees in
the intrapreneurship process by removing obstacles,
recognizing employee efforts by telling their supervisors
and giving special recognition, thereby enhancing
employees’ willingness to act entrepreneurially. These
items are supported in the literature, where innovative
firms are characterized by providing rewards subject to
performance and increasing job responsibilities and thus
communicating the importance of intrapreneurship to
others in the hierarchy (Kuratko and Hodgetts, 2004).

The second factor relates to formal acknowledgement, including direct and indirect
financial rewards as well as intrapreneurial
organizational culture rewards. Financial support for
new ideas, free time to develop new ideas and the
encouragement of championing of new projects loaded
on this factor, in line with the recommendations of
Block and MacMillan (2003) for the creation of an
intrapreneurial climate. Receptive management and
promotion also loaded on this factor, underlining the
managerial view of the importance of intrapreneurship.

The third factor, named organizational freedom,
focuses on the autonomy and empowerment employees
enjoy in the firm, with items such as the opportunity to
be creative, using one’s own judgement and making use
of employee talents to achieve specified firm goals,
loading on this factor. The selection of items on this
factor is supported in the literature, where both Hornsby
intrapreneurial freedom and autonomy as relevant
indicators of an innovative climate.

Table 4 summarizes the descriptive statistics (mean,
standard deviation, coefficient of variation) for the
reward factors from the EFA and the Cronbach Alpha
coefficient scores. Table 4 specifies that, in general,
firms tend first to offer more social incentives,
organizational freedom second and, finally, formal
acknowledgement. It is interesting to note that, as
argued in the literature, firms seem to understand the
importance of social incentives and organizational
freedom as motivators for employee performance
(Arnolds and Venter, 2007; Hofstede, 1980).

The internal consistency scores of the three new
factors were assessed by calculating Cronbach’s Alpha
coefficient, which often serves as a measure of
reliability. Sekaran (1992, p 284) remarks that higher
Cronbach’s Alpha coefficient values, such as 0.80,
generally indicate that measures are highly reliable.
The Cronbach’s Alpha coefficient values for social incentives,
formal acknowledgement and organizational freedom were 0.859, 0.833 and 0.894 respectively, all
therefore exceeding the 0.80 threshold.

The final step in assessing the reward constructs was
to determine if the reward systems would be different
with regard to differences in firm age and size between
the two sample groups (service and ICT firms) and the
levels of intrapreneurship (EO) within firms.

Significant differences between reward systems and
independent variables
The social incentives, formal acknowledgement and
organizational freedom rewards were compared
separately to the various independent variables, namely
firm size and age, the sample group (ICT or service
firms) and EO, using one-way analysis of variance
(F-tests) to compare the means of three or more
different groups for firm size and age and EO and an
independent t-test for the two means of the sample
group.

No significant differences were found between the
social incentives means for firm age (p=0.510) and size
(p=0.923). Table 5 summarizes the results of the
one-way analysis of variance, comparing the means of
social incentives across sample group (t-test) and EO.
There does appear to be a significant difference in the
social incentives offered by ICT and service firms:
however, the p-value is close to p=0.05 and the
difference is significant at the 90% significance level.
The prevalence of social incentives seems to be higher
for ICT firms (M=7.224) compared to service firms
(M=6.851). Furthermore, there were statistically
significant differences in the social rewards offered by
firms with lower levels of intrapreneurship (M=6.521)
as opposed to moderate and higher levels of
intrapreneurship (moderate M=6.967; high EO:
M=7.317), suggesting that firms offering more social
Motivating intrapreneurs: the relevance of rewards

Table 5. Comparison of means for social incentives.

<table>
<thead>
<tr>
<th>Sample group</th>
<th>Number</th>
<th>Mean</th>
<th>SD</th>
<th>95% confidence interval, lower–upper</th>
<th>F-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>119</td>
<td>7.224</td>
<td>1.418</td>
<td>6.966–7.481</td>
<td>t=1.978</td>
<td>0.049*</td>
</tr>
<tr>
<td>EO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>33</td>
<td>6.521</td>
<td>1.761</td>
<td>5.897–7.146</td>
<td>4.234</td>
<td>0.016*</td>
</tr>
<tr>
<td>Moderate</td>
<td>98</td>
<td>6.967</td>
<td>1.429</td>
<td>6.681–7.254</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>94</td>
<td>7.317</td>
<td>1.217</td>
<td>7.068–7.566</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>225</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05.

incentives designed to encourage entrepreneurial behaviour should have higher levels of intrapreneurship.

Table 6 presents the results of the one-way analysis of variance, comparing the means of formal acknowledgement rewards for the levels of intrapreneurship. Formal acknowledgement rewards showed no significant difference as firms became older (p=0.113) or employed more staff (p=0.575); however, the means did show a declining trend over time and as firms increased in size. No significant differences were found between the formal acknowledgement offered by ICT or service firms (p=0.143); but, as shown in Table 6, there were significant differences in the means of formal acknowledgement rewards of firms with a low EO (M=5.278), moderate EO (M=6.235) and a high EO (M=6.362). The significant difference between these groups is due to the mean of firms with a lower level of intrapreneurship compared to firms with moderate and higher levels.

Table 7 summarizes the results of the one-way analysis of variance for the organizational freedom rewards and levels of intrapreneurship. No significant differences were found in the means of organizational freedom rewards as firms became more established (p=0.146) and employed more people (p=0.176), although the mean values do suggest a declining trend in organizational freedom. It is also interesting to note that although ICT firms indicate a higher mean score (M=6.966) for organizational freedom compared to the mean score of service firms (M=6.698), these differences were not significant (p=0.179). As can be seen in Table 7, there were significant differences between the means of organizational freedom in firms with a low EO (M=6.053), a moderate EO (M=6.878)
and firms with a high EO (M=7.077). More conservative firms (low EO) offer fewer organizational freedom rewards, compared to more intrapreneurial firms (higher EO).

**Discussion**

The study reported in this paper set out to identify which rewards best encourage intrapreneurship and the implications of the findings for business schools in their existing and future offerings. The results indicate that rewards focusing on social incentives, formal acknowledgement and organizational freedom support intrapreneurship. Money is not the most important motivator of intrapreneurship: the key motivators were social incentives, formal acknowledgement, support and recognition of employees, encouragement and reinforcement of intrapreneurship, as emphasized by Barrier (1996).

The findings indicate that the type of rewards offered by firms to foster intrapreneurship did not change significantly as firms employ more staff, or as firms became more established. Although the mean scores of some rewards – such as formal acknowledgement and organizational freedom – showed a declining trend, the differences between the means were not statistically significant. Greiner (1972) explains how managerial practices such as reward systems become formalized as a firm moves through the venture life cycle; and Morris et al (2008) highlight the danger of inhibiting intrapreneurship as firms become formalized and their systems and procedures become more bureaucratic. Nonetheless, Bau and Dowling (2007) observe that, although human resource systems, including reward systems, become more complex as firms employ more staff, firms may also have more resources at their disposal to offer rewards that could be perceived as more desirable and valued by employees.

This last comment of Bau and Dowling (2007) sheds some light on the findings of this present study, in that as structures become more formalized employees may experience less organizational freedom and autonomy and may have less time and resources (formal acknowledgement) for entrepreneurial behaviour. However, other rewards that are more valued could be offered by an established firm.

Little difference was found between the rewards offered by service firms and those by ICT firms. However, it appears that ICT firms did offer more social incentives to encourage intrapreneurship. These social incentives included, for example, special recognition for excellent performance, increasing job responsibilities, employees being helped by managers to navigate obstacles to intrapreneurship, and managers telling their superiors about excellent employee performance.

Significant differences were found between the social, formal acknowledgement and organizational freedom rewards offered by conservative firms with lower levels of intrapreneurship, compared to more intrapreneurial firms with moderate and higher levels of EO. It seems that intrapreneurial firms offer more social incentives, formally acknowledge and support their employees and provide organizational freedom which enables employees to decide themselves how to achieve job-related goals. The types of values and norms communicated by these kinds of rewards communicate to employees that intrapreneurship is desired, thus positively reinforcing innovative and novel actions.

It is recommended that the findings of this paper should be incorporated into the curricula of MBA and undergraduate students studying intrapreneurship, for several reasons. First, graduates today enter an intensely competitive global environment which requires intrapreneurial leadership. Second, most business schools tend to teach entrepreneurship as a stand-alone and elective module, while many MBA graduates tend to stay and work in a corporate environment for their whole career. Courses on intrapreneurship would provide valuable outcomes to both graduates and employers. Finally, intrapreneurship should be integrated with other courses focusing on the development of ‘softer’ skills, such as human resources, leadership and organizational development, and not be seen in isolation.

The competitive environment of South African business schools is similar to the challenge worldwide, as Hawawini (2005) points out. South Africa has a population of 49.32 million people and 18.5% of its active labour force holds at least one tertiary qualification (Lehola, 2010). More than 20 business schools (local and international) have a physical presence in South Africa (SABSA, 2010), and already compete fiercely against one another. However, international competition also provides prospective students with an array of education providers offering options to study online. In such an intensely competitive environment, South African business schools should focus on their competitive advantages, namely local contextual knowledge and creating intrapreneurial African leaders, as well as on fostering global linkages. In addition, the benefits of the student experience and networks built while participating in such programmes should be promoted through online, international offerings. Closer examination of the more well-known business schools suggests that only a handful of schools offer MBA courses specifically related to
intrapreneurship and innovation, despite the importance of these skills in the knowledge economy.

In general most business schools have, in recent years, included entrepreneurship as an elective in their MBA curricula and develop entrepreneurial skills in participants, specifically business planning skills and opportunity recognition (Louw et al., 2001). However, apart from a handful of leading business schools, the development of intrapreneurial skills seems to be neglected by many schools (Temtime and Mnereki, 2001), despite the fact that most students in these MBA programmes continue to work within existing organizations after graduation, where intrapreneurial skills are more useful than entrepreneurial skills, especially in terms of motivating staff to act intrapreneurially.

Furthermore, intrapreneurial behaviour occurs in an organizational context and although an individual takes action, the critical role of a facilitating environment has been shown in various studies, such as those of Scheepers et al. (2008), Roffe (1999) and Hornsby et al. (2002). Intrapreneurship should therefore be integrated with other courses where ‘soft skills’ such as leadership, human resource development and organizational development are taught. Intrapreneurial skills, the ability to motivate others, high-level conceptual skills, creative thinking and initiatives as well as proactive behaviour and networking skills are all highly valued and sought by employers as well as prospective students.

Some South African business schools, such as Wits Business School, Gordon Institute of Business Science (GIBS, University of Pretoria) and Graduate School of Business (University of Cape Town), present short three-day to five-day courses on corporate entrepreneurship which appear to teach the intrapreneurial process within established organizations. However, these courses run the risk of providing no more than another knowledge enriching and networking experience, if a change management programme and support and mentoring are not implemented alongside the intrapreneurship effort. Additionally, as this paper argues, social rewards, formal acknowledgement and organizational freedom rewards are needed to motivate intrapreneurs. These kinds of rewards should be legitimized within an intrapreneurial company culture. Therefore, even if managers are taught the relevant skills, top management commitment to these changes would be required to implement the skills acquired. Furthermore, business schools could legitimize intrapreneurship and innovation in established organizations by creating formal programmes that recognize and benchmark success stories. Creating external recognition or awards for such efforts would also serve to put it on the corporate agenda and enhance the position of innovative firms.

The findings of this study should serve to focus the attention of managers on maximizing the potential of others by offering relevant social incentives, formal recognition and management support, as well as organizational freedom rewards, to promote intrapreneurship. These incentives are practical, easy to implement and require very few additional resources, but they need to be used within firms committed to developing the intrapreneurial potential of their staff if they are to realize the corporate vision.

However, caution needs to be exercised when generalizing these present results, since some limitations from the research design may influence the findings. The study reported here involved a cross-sectional telephone survey and resource limitations only allowed for data collection of one respondent per firm. It is suggested that future research should triangulate the views of one respondent with secondary sources, or use multiple respondents. In addition, a convenience judgement sample was used and therefore the findings, based on the managerial practices of service and ICT firms, may not be generally applicable to other industry sectors – such as, for instance, manufacturing.

Future research should test these findings across industries and with multiple respondents. The use of a cross-sectional research design provides limited explanatory power and it is therefore recommended that future research should be expanded to include a longitudinal component, to assess the organizational culture and climate over time. Future research could enhance the results of this present study by conducting cross-national and cross-cultural comparisons with other countries, taking the cultural dimensions of Hofstede (1980) into account and how these impact on intrapreneurship. Despite the limitations, however, practical and academic implications can be identified.

Conclusions and managerial implications

The concept of rewards to motivate employees to act entrepreneurially and thus promote intrapreneurship in firms has captured the imagination of executives and researchers alike. Since the reward system defines the terms of the exchange relationship between a firm and its employees, it is an unambiguous statement of the firm’s values and beliefs. However, most compensation and reward systems are not designed to promote intrapreneurship and, therefore, a firm’s reward system may reinforce undesirable behaviour. This study therefore attempted to identify the types of rewards and incentives which would be most suitable for stimulating intrapreneurial behaviour.
The results suggest that managers seeking to implement intrapreneurship can motivate their employees by providing social incentives, formal acknowledgement and support and giving employees organizational freedom and autonomy. Social incentives that could be provided to employees include giving special recognition for intrapreneurship, creating a culture of celebration by informing upper levels of management of employee achievements, helping employees to overcome obstacles, increasing job responsibilities and by providing rewards equitably for performance. These actions communicate trust and support to employees and allow them to function as part of an organizational team to achieve growth objectives. Formal acknowledgement and support incentives refer to promoting champions and providing time and financial resources for new initiatives, thereby encouraging employees to take calculated risks. Organizational freedom and autonomy rewards refer to allowing employees to take their own decisions and follow their own methods to achieve outcomes. These rewards communicate respect and acknowledge employees’ skills and talents. Should managers provide all three, the organizational culture becomes one of trust and respect and entrepreneurial values will be reinforced. This type of organizational climate could result in increased intrapreneurship – that is, increasing innovation in the development and introduction of products, services and processes – by focusing proactively on opportunities and encouraging employees to take moderate risks to achieve strategic objectives.

Incorporating intrapreneurship as part of the curricula of MBA and management development programmes, would enable graduates not only to broaden their own skills but also to emphasize the important role they, the graduates, could play by developing the intrapreneurial potential of employees. These skills have been shown to have positive long-term performance implications for firms. Business schools should also increase their involvement, by offering change management services, as well as creating intrapreneurship recognition rewards which would legitimize the efforts of intrapreneurial firms.

Surprisingly, the age and size of firms did not influence significantly the type of rewards provided to stimulate intrapreneurship. The reason for this could be that while, on the one hand, a firm may implement more formal reward systems, thus reducing organizational freedom, it could, on the other hand, provide more valuable and desirable rewards as it becomes more established. However, it does seem that firms that actively provide social rewards, formal acknowledgement for intrapreneurship and create organizational freedom for employees do enjoy and benefit from higher levels of intrapreneurship.

In conclusion, this paper provides practical suggestions for firms and managers on the implementation of an intrapreneurial strategy, by focusing on the reward system. The types of rewards that support intrapreneurship are social incentives, formal acknowledgement and support as well as organizational freedom. They communicate supportive values and allow champions to increase levels of intrapreneurship within a firm. This paper contributes to the knowledge base by showing what type of rewards motivate employees to act innovatively and thus support intrapreneurship, both of which can enable a firm to prosper and create value in the often commercially hostile knowledge economy.

Acknowledgements

The author gratefully acknowledges the financial support of the National Research Foundation of South Africa and University of Stellenbosch, in funding the collection of the data used in this article. The views expressed in this article are those of the author and do not reflect the views of these institutions.

Notes

1Trialogue is a consultancy and publisher based in Cape Town that is involved with ‘the development and management of knowledge within the sustainability and corporate social investment arenas and also provides custom publications to clients’, see also: http://www.trialogue.co.za/cust-publications.html, last accessed 23 July 2011.

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Motivating intrapreneurs: the relevance of rewards


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