

## External Entrepreneurial Orientation: A Path to Corporate Innovation

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### ABSTRACT

Some companies seek to retain the most talented employees by giving them the opportunity to become intrapreneurs and develop their ideas without having to leave the company. Despite the incentives and freedom, not all employees want to become intrapreneurs and end up leaving their jobs to form their own businesses. The purpose of this paper is to present a case of a company that has taken advantage of this phenomenon to use their intrapreneurs as a way to expand the business turning them into entrepreneurs of their own businesses. In this research, the studied company operates in the tourism sector and is entrepreneurial oriented. We analyzed the trajectory of five of its former employees who set up their own businesses connected to the employer business. The results indicate that even with an organizational environment that fosters the entrepreneurial spirit in people, organizations need to admit that the business itself is the natural way of their best intrapreneurs. Rather than lose these employees, to encourage them to create new companies directly or indirectly linked to the organization's business can be a good way to reinvent organizational structures through the creation of a network of companies created by former employees that we call here External Entrepreneurial Orientation.

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### 1 Introduction

Among the reasons that lead an organization to invest in Entrepreneurial Orientation (EO) would be the one that sees intrapreneurs (employees with entrepreneurial skills and mindset) as an alternative to maintain the most talented and creative individuals, encouraging them to develop their entrepreneurial potential to increase the company's competitiveness through the innovative capacity of these talents. An entrepreneurial oriented organization provides a stimulating work environment, thought-provoking and challenging, with the presence of

compensation mechanisms for high performance innovative projects, development of information, encouragement of creative skills, merit recognition and autonomy of managers (Kuratko et al, 1993).

Entrepreneurial oriented work environment provides a relatively stable employment for employees, a very important aspect considering there must exist room for tolerance to employees' error and mistakes when resulting from initiatives towards benefits to the organization, whether for the improvement of internal or business related processes (Stevenson and Jarillo, 1990). Despite this, employees of

these organizations prefer to leave the job to venture their own business.

The proportion of Brazilians involved with the administration of their own businesses grew in the last ten years, from 20.9% in 2002 to 30.2% in 2012 (GEM, 2012). The entrepreneurship rate in that decade increased significantly, indicating that Brazilians are more interested in entrepreneurial initiatives than job security. Despite the efforts of companies to create a stimulating work environment, they have proven insufficient to retain creative talent, which leads to the question underlying this study on the possible ways to retain these talents in the organization.

To this end, we seek in literature the concepts of intrapreneurship and entrepreneurial orientation, in order to lay the foundation for the field survey, conducted interviews with five former employees who left their jobs in an entrepreneurial oriented company to start their own businesses.

As secondary objectives, we seek to understand the characteristics of entrepreneurial oriented organizations, the motivations that lead employees to have their own businesses and to identify the elements that contribute to the formation of an entrepreneurial attitude.

## 2 Theoretical Framework

### 2.1 Intrapreneurship and Entrepreneurial Orientation (EO)

In the literature, one can find various definitions for the concept of entrepreneurship. Lumpkin and Dess (1996) consider that this variety of definitions is indeed the sign that today, among scholars, there is still no consensus on the essential elements that characterize entrepreneurship. Among the reasons for the difficulties encountered in the task of adequately characterize entrepreneurship, these authors point out, above all, the character of recent studies on entrepreneurship.

Let us take as a basis, the contributions of Baron (2013) for the definition. For the author, entrepreneurship involves opportunity recognition to create something (not necessarily a product or service), the inspiration, fundamental to the creation of something new, that people perceive some value. As of this opportunity recognition, the entrepreneur take steps to transform these

opportunities into a viable and profitable business. The author complement that, in addition to identifying the opportunity, the innovative entrepreneurial process within the organization also demands for prepared and motivated people to idealize the new suggested projects or improve existing ones.

Some authors are not restricted to find a definition for entrepreneurship. These authors also seek to understand the elements that transform an individual into an entrepreneur. In this sense, it is worth considering the contributions of Hashimoto (2006), to whom people have the need to adopt an entrepreneurial posture to achieve success and prominence in their professional careers. This is a vision inspired by the studies of McClelland (1972), for whom the entrepreneur has its own needs, such as the quest for success, recognition and satisfaction of their desires for power and control. Filion (1999) also support this vision as he sees the entrepreneur as a creative person, characterized by the ability to set and achieve goals and the ability to maintain a high level of detection business opportunities through surrounding environmental awareness.

One of the first authors that established a link between entrepreneurial behavior to existing organizations was Drucker (1987), who believed that entrepreneurship need not be a feature associated only to an individual who starts a new business, but can also be linked to existing businesses which can promote entrepreneurship as a way to boost technological innovation of its products or services. All possible entrepreneurship settings hold in common the same element: Creating something innovative from the combination of certain features.

Before him, however, Pinchot (1978) has coined the term intrapreneurial to characterize the employee who “uses his talent to create and conduct entrepreneurial projects within the organization” (Pinchot apud Hashimoto, 2006, p. 22). The intrapreneur would then be the one who thinks and implements entrepreneurial initiatives within an organization, leveraging the ability to innovate effectively.

What would be the enabling environment for the development of initiatives of an intrapreneur? The full development of an individual with this profile would take place in an entrepreneurial oriented organization. The EO refers to the entrepreneurial process within an

organization. The EO is related to “the methods, practices and styles of managerial decision-making used to act entrepreneurially” (Lumpkin and Dess, 1996).

Studies on EO (Miller, 1983; Covin & Slevin, 1991; Lumpkin & Dess, 1996) have developed the constructs of five EO dimensions: innovativeness, risk taking, proactiveness, autonomy and competitive aggressiveness, whose presence characterizes the level of EO. These elements are present in organizations in different combinations, which vary in accordance to the type of entrepreneurial opportunity intended to pursue. Furthermore, OE has emerged as consistent alternative to gain competitive advantage.

### 3 Methodology

This is a case study, an investigation method more appropriated to understand current events in a deeply and detailed way (Yin, 2001), especially when a particular situation, distinct from the most common incidents, emerge from the field general examination. Due to our main goal, which is to identify the reasons that lead intrapreneurs to leave their jobs to start their own businesses, the research methodology choice took into consideration some important aspects found, and which include the typology and the chosen method.

According to Creswell (1998), some reasons justifying the choice of a qualitative type of research. Among them, we have the specific wording of the questions (questions starting with "how", "what", "where") and the need to develop an in-depth analysis of a single case.

#### 3.1. Entrepreneurial Orientation of the studied firm Forma Turismo

Forma Turismo is a travel agency based in São Paulo, with more than 90 employees and operations in Italy and abroad. The company was chosen for demonstrating, from testimonials from employees and the analysis of HR practices, some of the entrepreneurial orientation characteristics.

To make sure that this company would be a good case study, we carried out a validation of the entrepreneurial characteristics through a questionnaire administered to employees. The

questionnaire prepared by Hashimoto (2008), evaluates, through 30 questions, the employee view of the Entrepreneurial Orientation on a Likert 5-point scale ranging from 'Agree' to 'Strongly Disagree'.

The instrument validation process followed two phases: The first was to validate the theoretical foundation behind each question, as follows:

**Table 1.** Theoretical Background - Questionnaire Hashimoto (2008)

	<b>Proposition</b>	<b>Source</b>
<b>1</b>	It promotes a relaxed, loose environment at all levels of the organization.	Hirisch, 2001; Khandwalla, 1977; Kuratko, 1993; Kanter, 1989.
<b>2</b>	Employees are recognized for their entrepreneurial initiatives.	Kurakto et al, 1993.
<b>3</b>	Decisions are stimulated at lower organizational levels, as well as the practice of delegating and encouraging autonomy.	Hirisch, 2001; Merrifield, 1993; Macmillan, 1986; Stevenson and Jarillo, 1990; Hornsby, 1990; Kurakto et al, 1993.
<b>4</b>	There is a part of the company's budget allocated to support initiatives arising from employee ideas.	Hirisch, 2001; Merrifield, 1993; Macmillan, 1986; Stevenson and Jarillo, 1990; Hornsby, 1990.
<b>5</b>	It encourages diversity in the training of employees and work teams.	Bessant and Tidd, 2007
<b>6</b>	It is tolerant to errors arising from attempts to promote changes under calculated risks.	Kurakto et al, 1993; Stevenson and Jarillo, 1990; Morris et al, 2006.
<b>7</b>	Promotes extensive training and business/project oriented development.	Zahra and Covin, 1995; Zahra 1996; Drucker 1995.
<b>8</b>	Provides logistical and operational support to individual initiatives with high probability of return, helping to break through internal barriers and policies.	Hirisch, 2001; Merrifield, 1993; Macmillan, 1986; Stevenson and Jarillo, 1990; Hornsby, 1990.
<b>9</b>	It is flexible in regards to the internal rules and regulations that might prevent innovative projects progress.	Stevenson and Jarillo, 1990.
<b>10</b>	The company offers options to internal customers.	Kurakto et al, 1993.
<b>11</b>	The employee may use a portion of their time in	Zahra, 1996.

	various activities without explanation.	
12	Each employee knows the organizations' vision and mission.	Hirisch, 2001; Guth and Ginsberg, 1990; Zahra, 1991; Kanter, 1984; Stevenson and Jarillo, 1990; Antoncic and Hisrich, 2001.
13	In the organizational culture there is cooperation and people are responsible to each other.	Ghung and Gibbons, 1997.
14	Projects are chosen based on objective criteria, free and transparent to everyone in the organization.	Davila, Epstein and Shelton, 2007.
15	The information flow smoothly within the organization and free of barriers.	Hirisch, 2001; Kanter, 1984; Pinchot, 1985.
16	Power is decentralized, pulverizing the effect of political influence.	Mintzberg, 1973; Miller, 1983.
17	The traditional job description is less valued than the contribution capacity of each employee.	Kurakto et al, 1993.
18	Technology is strong support to initiatives.	Khandwalla, 1987; Covin e Slevin, 1989.
19	There is a compensation structure and variable compensation based on results and performance.	Kurakto et al, 1993.
20	There aren't power symbols within the organization (symbols that demonstrate hierarchical differences).	Levering, 1997
21	Senior management is receptive to innovative projects and ideas coming from any level of the organization.	Kurakto et al, 1993; Stevenson and Jarillo, 1990; Vesper, 1990.
22	Trust relationships are not based on favoritism and partiality.	Levering, 1997; Fulmer, Gerhart and Scott, 2003.
23	It is observed more positive than negative in any idea presented.	Zahra, 1996.
24	There are no suspicions or individualism in team generated work.	Ghung and Gibbons, 1997.
25	Any employee can freely express their ideas without the risk of being criticized or rejected.	Ghung and Gibbons, 1997.
26	Internal projects adhere to the strategy, vision and mission of the organization.	Hirisch, 2001; Guth and Ginsberg, 1990; Zahra, 1991; Kanter, 1984; Stevenson and Jarillo, 1990;

		Antoncic and Hisrich, 2001.
27	A mechanism allows the identification and retaining of true entrepreneurs in the organization.	Stevenson and Jarillo, 1990.
28	There are no departmental silos within the organization, all departments talk freely with each other and collaborate with each other.	Albuquerque and França, 1998; Zahra and Zahra, 1992.
29	The organizational climate environment provides extensive use of creativity.	Kurakto et al, 1993.
30	The reward and incentive model accommodates all projects through clear and fair criteria.	Kurakto et al, 1993.

The second step was the validation of the instrument's internal consistency. For this step, the questionnaire was applied in sixteen companies from different segments, all located in Sao Paulo. 145 questionnaires were answered by employees from different hierarchical levels, randomly chosen. The results obtained in this stage of the research showed a Cronbach's alpha of 0.9484, indicating high degree of reliability to identify the level of Entrepreneurial Orientation of an organization.

Once validated, we proceeded to the application of the questionnaire to a sample of 30 employees and former employees of Forma Turismo, chosen at random and applied in person, in some cases collectively and on paper, and in other cases, remotely and sent electronically.

Analysis of the data received indicated that 77% of the questionnaires showed an average of responses in the ratings 'Agree' and 'Fully agree' (4 and 5 points for a total of 5 points) accounted for more than half of the responses, indicating that Forma Turismo can be considered Entrepreneurial oriented.

### 3.2. The Intrapreneurs/entrepreneurs perspectives

The next step was the interviews with former employees who left this company to open their own businesses. Interviews were conducted in places and times compatible with the availability of respondents. On two occasions, the date and time scheduled for the interview of one of the respondents have changed. In two other occasions, the date and time of the interview were

changed to two of the respondents. In the remaining two cases, the interviews were affected on the first date and scheduled time. As the chosen place, two of the respondents chose to carry out telephone interviews. The other three interviews were taken in their companies' locations. In general, there was no rush in answering the questions and all respondents showed great interest in collaborating with the research. The average duration of each interview was around thirty minutes, to a maximum of approximately forty-five minutes. The result was a rich material for analysis. Three of the interviews were recorded, with the permission of respondents. In the case of two of the respondents, because the interviews were conducted by telephone, the material could not be recorded.

All respondents were former employees of Forma Turismo and all are the founders of their current businesses (Table 2). In order to preserve the identity of respondents, and their respective companies, they were identified by E1, E2, E3, E4 and E5.

**Table 2 - Description of Respondents**

Respondent ID	Scholarity	Position held	Years at company	Age	Marital status	Gender
E1	Law	Director	5	32	Single	Male
E2	Administration	Director	6	34	Married	Male
E3	Communication	Director	13	32	Married	Male
E4	Physical education	Director	12	40	Married	Male
E5	Administration	Director	6	26	Single	Male

The founded companies have the following characteristics: two of them are tourism agencies, as franchise operators of Forma Turismo. The company founded by E1 is located in Belo Horizonte - MG; the company founded by E2 is in Brasilia - DF. The company founded by E3 is from information technology segment, the one founded by E4, is a training company and the E5 company produces film movies, the three of them are located in Sao Paulo city.

The number of employees presented in Table 3 refers to the number of direct employees full time dedicated to the company. With the

exception of E4's company, all the others use of project based labor hands, with a variable number of employees depending on demands.

**Table 3 - Characteristics of the founded companies**

Company	Location	Number of Employees	Business Activity
E1	Belo Horizonte - MG	20	Tourism agency
E2	Brasília - DF	16	Tourism agency
E3	São Paulo - SP	38	Information technology
E4	São Paulo - SP	10	Training
E5	São Paulo - SP	15	Film producer

## 4 Analysis

Data obtained from the interviews were interpreted through content analysis proposed by Bardin (2008), consisting of an applicable technique to several speeches and all types of communication. It starts from the assumption that behind the apparent symbolic and with various meanings speech, lies a sense to be revealed. Therefore, after successive readings of the transcripts, the most representative points in the speeches of respondents, it was highlighted those that most characterized the views expressed.

The most representative points found in the respondents' answers were grouped by statements similarities and classified into three categories of analysis, named as its contents and in line with the objectives of the study: The respondents' concepts about entrepreneurship, the origin of the business idea and the reasons for leaving the job. The three categories are analyzed in detail below:

### 4.1. The definition of entrepreneurship

This category meant to verify whether the respondents consider themselves entrepreneurs. In general, all respondents associated the entrepreneur to the individual who takes risks and seeks autonomy and independence in creating his/her own business. This association has been highlighted by E5. E1 and E2 associated the entrepreneur to the individual that identifies a business opportunity:

It is to see a new business opportunity, to dare to take risks and innovate. (E1)

Entrepreneur is the person who always seeks something else, who wants to perform his/her own ideas, taking risks for it and, above all, to never give up until he/she is beaten, and even beaten, to rise after the battle for a new mission. (E2)

First of all, he is a person who takes risks, that's the key. It is a person who has the dream of setting up a business or make something happen, which often is not quite of his metier, which is not afraid to put their hands dirty, to execute, I think this is the key. (E3)

Being an entrepreneur is to be that person who takes risks, the person who is offered to take risks, with no fear of failure, is that person who always wants more, always wants to earn more and the owner of the nose itself, wanting to take charge of his own life. You know what? To be an independent person and always want to win more, more, more. (E4)

He/she is someone who is not afraid to take risks, not afraid to start his/her own business and have a strong willing to make it happen. That is to say, not afraid to work, no laziness, no Saturday nor Sunday. (...) I do not think being an entrepreneur is the best of all worlds ever, (...) I think it gives a little more freedom for you to do different kinds of things, you can work in several areas, it gives you more time, I think. Free to occupy your time, you are not an employee of a company that has to hit the card at seven in the morning and get out of there at six in the afternoon. There is no time (and often you are a little freeze, even in your own company) to work or to risk on other areas or to bet, whatever, but not as an entrepreneur. You have all the time, you work in the dawn, you work in the day... (E5)

All respondents have their entrepreneurship concepts in line with the idea of creating someone own business. Moreover, the respondents' entrepreneurs figure match the literature review.

#### 4.2. The opportunity identification and the born of the business ideas

This category verified whether the entrepreneur developed his business idea as a former employee of the Forma Turismo and how he assessed the validity of the opportunity. The interest in this category is related to Baron (2013) considerations that entrepreneurship involves recognizing the opportunity to create something.

In their statements, respondents said their ideas have been well received by the organization, therefore getting support for implementing these ideas, since they would attend or would expand

the company's business. The ideas presented by four of the respondents, E1, E2, E3 and E5, had implicit the need for the employee to leave his job at Forma Turismo. E4 presented the idea to establish a partnership with Forma Turismo when he identified an opportunity to increase the company's earnings. E4 attitude can be understood with the studies Shepherd et al (2004) which states that one entrepreneur out of seven start a business to meet the demands of his/her employer, or together with the employer. The author shows that the success rate of such projects is high, as these projects have a greater potential to access financial, human and organizational resources than the vast majority of independent businesses.

This result contradicts Pinchot (1989), for whom entrepreneurship is independent when the entrepreneur becomes a business owner, which happens mostly due to lack of room for innovation within the company. According to the author, most intrapreneurs leave their jobs not because they consider insufficient their salary and benefits, but because they feel frustrated in their attempts to innovate and they open their own businesses as a pathway to their desire to innovate, which earn much more than wealth and prestige, they earn their freedom of action.

Respondents make clear that the identified opportunities could be exploited internally and they could continue to work in the company as intrapreneurs. Forma Turismo partners, however, saw these opportunities as a way to grow and expand its operations through entrepreneurs and intrapreneurs. Its strategy is based on the incentive for their employees to become business entrepreneurs that complement the core business of Forma Turismo. One of the statements that best reflects this approach comes from E3:

(...) The opportunity, as I said, was raised from a need, OK? By the time I started working with it I was 18, 17 years old. I started to handle internet and promised him (partners) a website. I didn't know how to program, I was starting to learn, then I saw an opportunity to work with something I like, even not knowing what to get from a computer. They told me "Oh, I need to do that," then gave me a direction. I was there to learn (E3).

#### 4.3. Reasons for leaving the job

This category evaluated the motivations behind the willing to start their own businesses.

E1 and E2 said to have their own business would give the opportunity to be directly responsible for all that happened to them, such as financial independence, and also highlighted the challenge of making the business happen, bringing professional growth with autonomy and independence:

Professional growth with my own business, to be directly responsible for everything that happens with it, financial independence and especially the challenge to make this whole think work. (E1)

Literally, have my own business, to be able to dictate my own rules and growing pathway and certainly face the challenge of having the opportunity to win or take a step forward. (E2)

E3 mentioned the willingness to take risks and face challenges:

(...) I began very early to put together my company. So, I was born in it. I have never worked anywhere else. (...) For me, it was always the right choice, what I pursued. I keep following this path, the same way as before (...) I never had questions like "I will leave it and I will do something else." No. Even because the business faces various problems on this pathway and we are motivated by the challenge of overcoming these risks and difficulties (...) (E3)

E4 depicts the motivation to have the business itself was the possibility of not having profit limits, can be free to put their ideas, make their own decisions and have control over your life.

(...) What made me change my mind to leave my job and start my business was the possibility to earn more, so I could take care of my life, I would have freedom to put my ideas to work, to make my own decisions. That was one of the major cause I have left the job for the right to take some risks for my business. (E4).

E5 finally said he did not want to be tied down to only one company. He would just like to keep have his own business and thus to have more chances to fight for an increasing income instead of a fixed salary.

There we would get stuck, we'll have to come at nine in the morning and leave at six in the evening, but we do not want it. We would have a frozen salary that could not be that interesting (...) not that the job was bad, but if

we still have a salary, it would stuck there, doing their duties which for us would be interesting ... open the possibilities, to do several other things, to change the environment, to change the routine and be able to earn much more than get stuck, stopped there. (E5)

Analyzing the answers, it was noted that respondents were not satisfied in just intrapreneuring within the organization. They preferred to take advantage of opportunities to pursue other career possibilities in this case, the creation of own business. In this sense, studies Hashimoto (2006), McClelland (1972), Fillion (1999) and Baron (2013) were fundamental to understand the motivations of the respondents. These individuals say they are seeking professional relevance and the satisfaction of their needs for power and control. The quest for autonomy and independence seem to indicate a desire to retain control not only of their earnings, but also of decisions that have implications for the professional boldness.

In addition to the entrepreneurs' initiative, the influence of the working environment was important in the decision of respondents. This finding is in line with Wiklund (1998) findings for whom the entrepreneurial behaviors, individual and corporative, can be very similar, as evidenced in the statements:

(...) We need to have the will, within ourselves at least, and beyond that... depending on the company's environment, how it encourages people to be entrepreneurial, or mirrors that entrepreneurial company. I think it shakes that entrepreneur that was sleeping inside yourself. (E4)

Roger [director at Forma Turismo] helped us with advisory. Then he said, "There will come a moment when it's cool for you to have someone to answer the phone and to do things you can not stop doing." You needed to make a business card... to develop a small website or anything like that and we could not, nor me neither Neto, to stop to do that, because we do everything, we record it, we edit it, we present the program, we write the script, we make the production... So we need someone else, but we did not have money to pay for that, we could not take ours to pay for someone else (E5).

I met Roger in the gym, where he was teaching, I was one of his students and due to the circumstances, he ended up hiring me to

do the website of his company, Forma Turismo, fifteen years ago. So, at that moment I was alone, setting up a business in my home room... (E3)

Interacting with an entrepreneur, the founder of Forma Turismo, seems to have strongly influenced the respondents' decisions, contributing with their decision to create their own businesses.

It is not possible to measure the influence of the environment, but it is possible to consider that the environment can be considered among the reasons for these employees to leave the company and start their own businesses. These success examples, together with the support of the original company founder, seem to have favored the investment on other employees' entrepreneurial initiatives.

## 5 Conclusion

Considering the reflective pathways that lead to the understanding of the reasons why intrapreneurs decide to start their own businesses, we tried to come out with possible answers about ways to retain intrapreneurial talents in the organization, nevertheless raising three specific objectives for this discussion: 1) Understanding the characteristics of the entrepreneurial oriented organizations; 2) Understanding the motivations that lead employees to initiate their own businesses; and 3) Identify the elements that contribute to the formation of an entrepreneurial attitude.

The first specific objective was attended only to validate the chosen company as an object of study because the findings did not show anything very different from what the literature has presented in previous studies. With regard to the second specific goal, it is true that the respondents worked as employees at Forma Turismo where they identified opportunities for their own businesses. They presented their ideas to the company, which has entailed the creation of new businesses. It was noted that, in addition to the intrapreneurs own initiative, another element was fundamental to encourage their entrepreneurial attitude. This element refers to the influence of the business environment, including the opportunity to interact directly with the founder of Forma Turismo. He would have operated not only as an entrepreneurial

inspiration, but also directly supported the decision of the intrapreneurs in the creation of their businesses, sometimes assuming the role of expert advisor.

On the third specific objective, it was noted that the development of a certain personal profile can contribute to the creation of an entrepreneurial attitude. Individuals who tend to freely organize their own work agenda and who prefer to explore possibilities of unlimited earning are more easily bent to become entrepreneurs. Individuals of this type, in favor of a life guided by these elements, consider feasible to deal with the hypothesis of some financial instability, with a more intense level of work and more responsibility, which means, at the end, very similar to the consequences that normally arise from the individual entrepreneurial venture.

This fact justifies the high alignment among the respondents' answers about the motivations that led them to set up their own businesses. The search for personal satisfaction of their desires for power and control, the search for autonomy and independence are part of the same values of Roger, the entrepreneur behind Forma Turismo, representing strong evidence of the influence of Roger on the decisions of its employees to become entrepreneurs. In addition, the organization's environment was an important factor for these former employees to succeed in their businesses. The organizational environment, if not awakened, at least fostered the respondents' entrepreneurial spirit. The company in question is itself generating new businesses from their most talented employees' entrepreneurial initiatives.

Note, in this particular case, that the organization not necessarily requires the retention of their entrepreneurial talents, as recommended by Pinchot (1987) and other scholars. While EO is an organizational way to foster innovations and significant changes in its operations and processes, it is also the way found by some companies, such as Forma Turismo, to expand their operations by, in one hand, maintaining its core business in a manageable size, and on other hand, creating a network of interconnected and interdependent businesses through their former employees who become owners of businesses that compound this network.

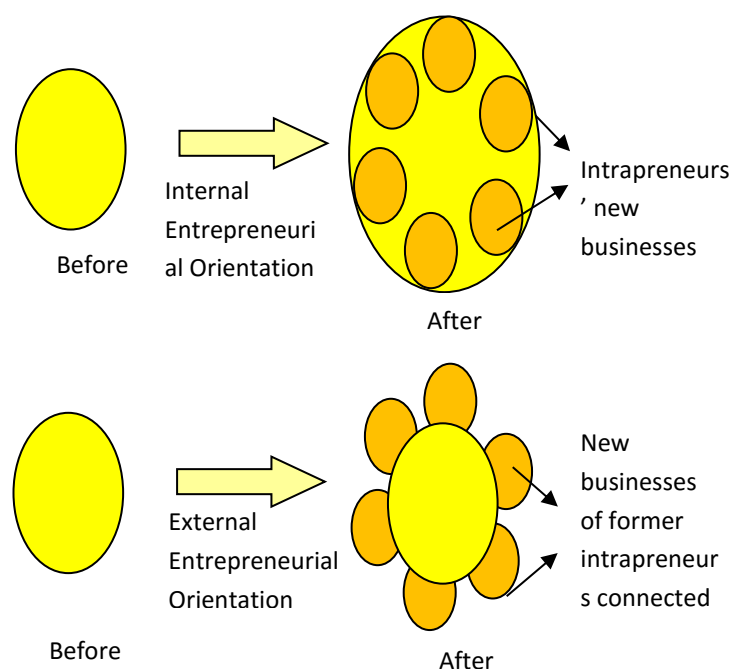
As contributions to the academic community, we propose a terminology to differentiate these two constructs, keeping what



the literature calls Entrepreneurial Orientation as Internal Entrepreneurial Orientation and using this case we identified in this study as an example of External Entrepreneurial Orientation.

Figure 1 provides a visual illustration that shows the differences between these two constructs in which the Internal Entrepreneurial Orientation would be the generation of innovations and improvements within the boundaries of the organization, in which the organization grows through the actions of intrapreneurs and the External Entrepreneurial Orientation, representing the generation of new businesses through their intrapreneurs who become independent entrepreneurs, but as part of the same parent organization's business network.

**Figure 1.** Internal and External Entrepreneurial Orientation



Although this model is not much empirically studied, Guth & Ginsberg (1990) have explored new organizational settings as a way to deploy the Entrepreneurial Orientation. The model of External Entrepreneurial Orientation suggested here can be a viable way for organizations to innovate in the creation of new businesses to grow without necessarily growing in terms of organizational structure. The network of companies created by employees with entrepreneurial skills ensures that new businesses can be born, grow and prosper with their own lives, developing their own markets, but always linked to the parent company that plays a customer or investor roles. The businesses

generated by these companies are directly or indirectly linked to the parent company.

This organizational model allows the company to maintain its flexibility and agility while growing and, at the same time, provides to their most talented intrapreneurs the chance to develop their careers as entrepreneurs. The parent company would not lose these employees, but at the same time, would not exert control over them. The process of development of new intrapreneurs requires a close relation with the entrepreneur. The entrepreneurs share with these employees their knowledge, their values and their technical and practices that guarantees the formation of an integrated and consistent culture within this companies network.

On a small scale, we see this same model for replication in franchising, in which the master franchisee focuses its employees as future franchisees of the network, with the assurance that these new franchisees are imbued with the same purpose and entrepreneurial values.

It is known, however, that this research provides above all other elements to create conceptual models that can contribute to the generation of knowledge of this organizational configuration. We suggest how future research to be further studied empirically and that the theoretical foundations are developed and exploited to consolidate this model.

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