

# Intrapreneurship: The Road Less Travelled

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## Abstract

Set in 2012, the case depicts the intricacy faced by Adarsh Surgicals Pvt. Ltd. (ASPL) with respect to Ramesh Gupta an employee who left Adarsh Surgicals Pvt. Ltd., a year ago where he had worked for nearly 14 years. The case deals with a situation, of the task of identifying the go-getters in the organisation who have the spark in them to not only ideate but see their ideas to fruition. They may not be scoring very high on intelligence, but they have within them the germ to lead, to envision a great future for the organisation, no matter what the odds are. As in this highly competitive world, it is important that business grows at all levels and in every direction. We therefore need “intrapreneurs” who are willing to take ownership of parts of the organisation, thus leading them to success. This facilitates the understanding of the competitive environment in which the all companies are operating at present. This case can be used for critically analyzing the evolution of concept Intrapreneurship, its operating model and how it is going to change the face of corporate world. The case can be analyzed from Entrepreneurship perspective, Business Ecosystem Model, and Strategic Management perspective.

**Keyword:** Entrepreneur, Intrapreneurship, Empowerment, Pharmaceutical, Innovation

## Introduction

Ramesh Gupta recently celebrated the first anniversary of his business. He has a business of supplying medicines and surgical instruments to various government and private hospitals, and to numerous medical shops running

in the capital city of New Delhi. His knowledge has grown over a period of time about the appropriate usability of the medicines. He also boasts of a distinguished ability of remembering the quantity and type of order a client places before him.

## Background

A year ago, Ramesh left Adarsh Surgicals Pvt. Ltd. (ASPL) where he had worked for nearly 14 years. He started working in ASPL merely as a delivery boy but was quick to climb up the ladder of the organisation. (Exhibit 1: Organisational Structure). ASPL, a private limited company was established in the year 1995 (Exhibit 2: Organisations mission and vision) by Virender and Surinder Sahni when the pharmaceutical facilities in the city were not adequate. There existed an extensive gap in the demand and the quality supply of medicines and surgical instruments. Many people were not ready to enter into this industry. Ramesh proved very lucky for ASPL and within 5 years the company had increased its turnover manifold. ASPL was making good profits. The owners of ASPL were happy that their philosophy, based on the following two basic principles, had worked:

- (a) ASPL offered state-of-the-art products. They never exercised any restraint on training of his employees to update their technical knowledge/ skills.
- (b) ASPL commanded the loyalty of their employees and had given these employees powers to decide and fulfil the training requirements of them in various technical fields.

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## Value and Belief System at ASPL

ASPL, a family-operated pharmaceutical and surgical instruments supplying business was started 18 years ago. Today the company is the third largest provider of surgical instruments in the region. With Income of over Rs.365.39 (in Lakhs) in 2012 (Exhibit 3: Income statement of ASPL for last five years), ASPL employs over 50 workers (including delivery boys). The company's employees play a vital role in every endeavour (Exhibit 4: Code of Conduct for employees). A flat organisational structure gives employees, working in a self-managed team, significant authority and autonomy. In addition selected individuals work on ways to enhance the relationship between ASPL and its suppliers. With diverse opportunities to affect the company, the teams demonstrate a fundamental commitment to customer satisfaction-even creating marketing opportunities that generate additional revenue. Over a period of time ASPL recognised that and nurtured a favourable environment that encouraged new ideas to blossom and foster creativity to flow unabated. Ramesh had witnessed each and every level of operation in the pharmaceutical and surgical instruments supplying business. As he moved up in ASPL so did his experience, knowledge ambitions and wants. He was quick to learn about the managerial aspects of this business. With the vast experience he had gained over the period of time, he had a better say and command within the organisation. Moreover his bosses were very supportive towards him and would give him a green signal for his endeavours. Thus being the senior most employee who was in good books of the owners, had a say in the matters he never felt the need to join any other organisation, though many better offers came by.

An annual tender of supplying surgical instruments of a reputed private hospital had to be renewed. Ramesh was on the panel with the owners to discuss the details of the tender. He suggested that the discount offered previously should be increased in order to renew the tender thus this would earn them better relations with the hospital. But the owners had plans to reduce the discount percent and increase the profitability of the business. They were also not very keen to renew the tender since the profit margins in the said tender were not very encouraging. But after many discussions, the owners gave in to the pressure from Ramesh and the tender was renewed successfully.

After a span of 3 months, the tender was terminated abruptly by the hospital on the grounds that the surgical instruments provided were of sub-standard quality and were overpriced. This caused the company a loss of Rs.1 Crore. The owners were not happy because in the first place they were not keen to renew the tender and now it had caused the company a huge loss.

Meanwhile, Ramesh who had learned so much about the pharmaceutical and surgical instruments supplying business developed an interest of starting up his own venture. He knew all about the suppliers and the potential markets of the pharmaceutical and surgical instruments. Thus, it was not a very difficult challenge for him to start his own venture.

When Ramesh received the information about the termination of the tender, he suspected that it was done intentionally by the owners to prove him wrong. And the owners wanted to discuss with Ramesh as to what went wrong during the 3 months of the tender. During the meeting, there was an argument between the owners and Ramesh, and consequently he left ASPL.

## The Road Ahead

Soon after quitting ASPL, Ramesh started his own business of supplying pharmaceutical and surgical instruments to various government and private hospitals, and to numerous medical shops. As nothing tastes better than success and ironically there's no magic formula to it so, in order to make his vision a reality he took some of his colleagues from ASPL who were his close friends into confidence and employed them. Thus, the owners of ASPL on one hand had lost one of the best members of their organisation who had nurtured the company over a long period of time and on the other hand were left to face a difficult situation regarding the controlling of organisation.

## Questions for Discussion

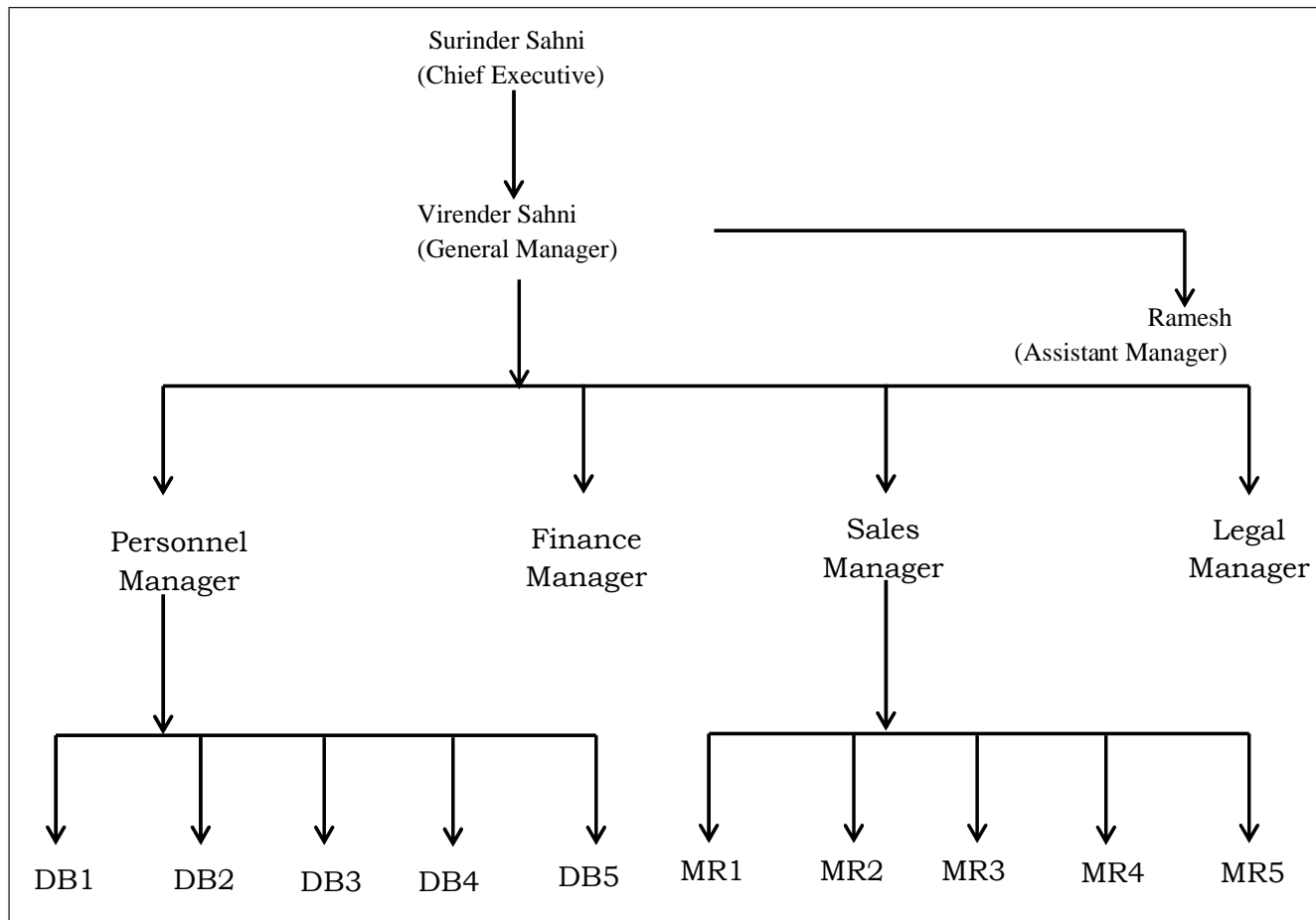
1. Does Intrapreneurship pose a challenge for the management?
2. Are Intrapreneurs a new breed of entrepreneurs? Comment.
3. What strategies should the management adopt to develop and retain the human talent of the organisation?

- Does promoting intrapreneurship means promoting the competitiveness of business? Justify with proper reasoning.
- Why is the organisations success entwined with the attitude of those employees who become highly in-

dispensible for any organisation?

**Note:** The original name of the organisation and the characters has been changed on the request of the management to keep it confidential.

**Exhibit 1: Organisational Structure of ASPL**



# DB = Delivery Boy.

# MR = Marketing Representative.

**Exhibit 2: Organisation Mission and Vision Statement**

**Mission:** To become the world’s leading company in supply of surgical instruments.

**Vision:** Be the most preferred organisation for all its stakeholders.

Be responsible corporate citizen with unwavering commitment to environmental protection and conservation.

Delight the customers with quality services by setting new trends through innovation and technology.

**Exhibit 3: Income Statement of ASPL (Figures in Rs. Lakhs)**

Years	2012	2011	2010	2009	2008
Income	365.39	309.19	276.34	253.05	250.23
Net sales	359.19	306.15	275.14	252.55	249.52
Other income	2.08	3.04	1.2	0.5	0.71
Non-recurring income	4.12				
Expenditure	333.66	287.32	259.49	237.68	232.34
Consumption of raw materials	71.72	68.98	50.41	47.19	47.79

(Contd.)

Years	2012	2011	2010	2009	2008
Personnel cost	39.95	35	32.38	31.45	29.11
Other expenses	221.99	183.34	176.7	159.04	155.44
PBDIT	31.73	21.87	16.85	15.37	17.89
Interest	4.72	5.68	5.03	3.78	2.71
PBDT	27.01	16.19	11.82	11.59	15.18
Depreciation	7.3	7.81	5.37	4.75	4.09
PBT	19.71	8.38	6.45	6.84	11.09
Tax	5.22	2.83	2.35	2.54	3.00
Deferred tax	0.42	1.9	0.84	1.15	
PAT	14.49	5.55	4.1	4.3	8.09

#### Exhibit 4: ASPL Code of Conduct

1. All employees shall share the required official information available with them with all other employees who need it.
2. It is essential that no employee takes any action to create circumstances which will lead to his getting credit for the work done by another person/employee.
3. No employee shall gain financial benefits through various improper means.
4. All communications with the suppliers, who have been found to have bribe, would be banned.
5. ASPL recognises that employees may be required to attend to personal problems during office hours. However, all employees must try and keep such outings from work to the minimum.
6. Employees shall always talk positively about ASPL to outsiders.
7. All employees are forbidden to derive benefits from any information about ASPL, which constitutes inside information.

#### Teaching Plan, Discussion Areas and Analysis

The main areas that the classroom case discussion will revolve around are:

- The task of identifying the go-getters in the organisation who have the spark in them to not only ideate but see their ideas to fruition. They may not be scoring very high on intelligence, but they have

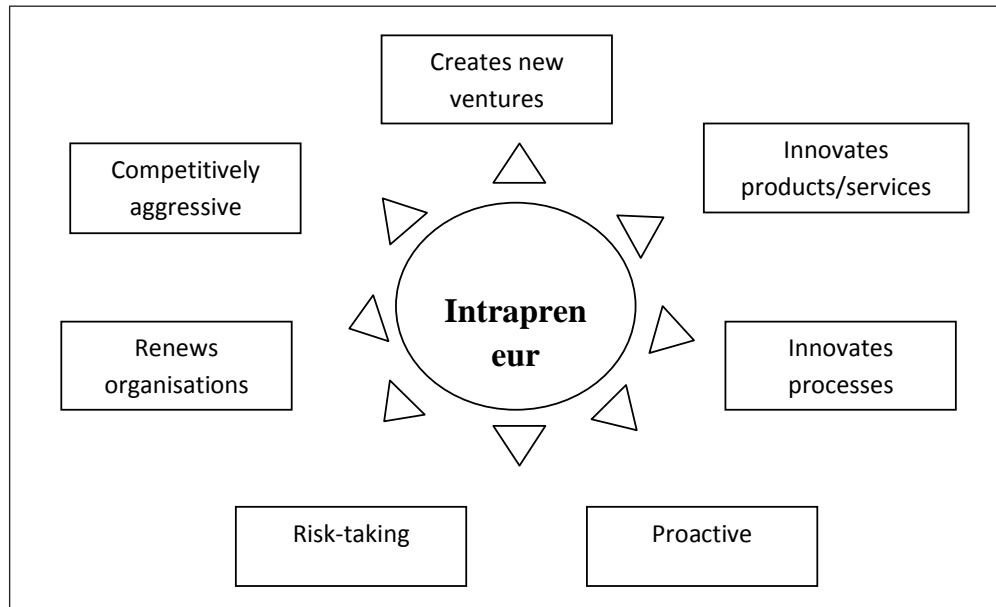
within them the germ to lead, to envision a great future for the organisation, no matter what the odds are.

- Empowerment is the process of enhancing the capacity of individual or groups to make choices and to transform those choices into desired actions and outcomes.
- Where the seasoned minds by virtue of their incisive business sense have valuable nuggets of learning's to offer, the intrapreneurs given their agility of thought and readiness to take risk, together form a formidable force.
- In this highly competitive world, it is important that business grows at all levels and in every direction. We therefore need "intrapreneurs" who are willing to take ownership of parts of the organisation, thus leading them to success.
- We define an "entrepreneur" as one who relinquishes what is safe and secure to set out to make his/ her dreams come true. However, not all with an entrepreneurial mindset choose this path. There are some who choose to be 'intrapreneurs'. They conform to become a part of an organisation by making its success their own responsibility. Such employees are highly sought after. Organisations aim at having several such intrapreneurs under their own roof.
- Employees will be more accountable and responsible for their actions and we wouldn't need bureaucratic controls to manage day-to-day operations.

#### Suggested Hints for Solutions to Questions

Intrapreneurship is defined as entrepreneurship within an already existing organisation (Pinchot, 1985). It is also referred to as corporate entrepreneurship. A typical example would be that of Dr. Pawan Goenka, who designed and developed the immensely successful Scorpio model for Mahindra and Mahindra (M & M) and redefined the way new car design and development was done. So with the effective utilization of the characteristics of an intrapreneur as mentioned in Figure 1, Intrapreneurship will not become challenge for the management.

**Figure 1: Characteristics of an Intrapreneur**



A number of talented persons from the corporate world not only in the United States but also in other parts of the world are leaving their jobs to start their own ventures. Many such entrepreneurs have become exceedingly successful in their ventures and, what is more, they are posing a threat (serious competition) to the companies they worked for a few years ago. Gifford Pinchot wrote his famous book *Intrapreneuring* in 1985, and used the term ‘intrapreneurs’ to describe the persons who resigned their well-paid executive positions to launch their own ventures. Pinchot suggested in his work that the well-established firms should learn to make use of prevailing entrepreneurial talents to avoid stagnation and decline. Table 1 presents a comparison among entrepreneur and an intrapreneur.

**Table 1: Comparison between Entrepreneurs and Intrapreneurs**

	<i>Entrepreneurs</i>	<i>Intrapreneurs</i>
Primary Motives	Independence, opportunity to create, and make money	Independence and ability to advance in the corporate organisation, rewards.
Time Orientation	Survival and achieving 5 to 10 year growth of business	Between entrepreneurial and traditional managers, depending on urgency to meet self-imposed and corporate timetable.

	<i>Entrepreneurs</i>	<i>Intrapreneurs</i>
Activity	Direct involvement	Direct involvement more than delegation.
Risk	Moderate risk taker	Moderate risk taker
Status	Not concerned about status symbol	Not concerned about traditional status symbols, desires independence
Failure and mistakes	Deals with mistakes and failures	Attempts to hide risky projects from view until ready
Decisions	Follows dream with decisions	Able to get others to agree to help achieve dream
Who serves	Self and customers	Self, customers and sponsors
Family history	Entrepreneurial small business, professional, or farm background	Entrepreneurial small business, professional, or farm background
Relationship with others	Transactions and deal making as basic relationship	Transactions within hierarchy

\*Source: Robert D. Hisrich and Michael P. Peters, *Entrepreneurship*, Tata Mc Graw Hill, p.48.

1. Empowerment is the process of enhancing the capacity of individual or groups to make choices and to transform those choices into desired actions and outcomes and through this the management can retain the human talent of the organisation.

2. We define an “entrepreneur” as one who relinquishes what is safe and secure to set out to make his/ her dreams come true. However, not all with an entrepreneurial mindset choose this path. There are some who choose to be ‘intrapreneurs’. They conform to become a part of an organisation by making its success their own responsibility. Such employees are highly sought after. Organisations aim at having several such intrapreneurs under their own roof.

Perhaps, few companies are practising the intrapreneur concept, like IBM, the computer giant adopted the concept of Independent Business Units (I.B.U) by encouraging its own employees to promote industrial units. Similarly, General Motors launched Saturn Corporation as an entrepreneurial subsidiary, headed by some of its executive aimed at promoting new ways of making, selling, and servicing cars. Many American companies like Dupont, AT&T, Texas instruments Data General are also promoting intrpreneurs in their own way.

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