

## CULTURAL AND SOCIAL NORMS ON ENTREPRENEURSHIP IN LITHUANIA

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### ABSTRACT.

The present article is to examine effects of social and cultural norms on intrapreneurship. The research question is: how social and cultural norms affect intrapreneurship. First of all concepts of entrepreneurship and intrapreneurship are defined relying on a rich interpretation within the scientific literature. The classification and definitions of terms lead to the presentation of such concepts as internal and external entrepreneurship, followed by a table of Intrapreneurship indexes. To understand better the phenomenon of intrapreneurship and how it works, authors identify main differences and similarities between entrepreneurs and intrapreneurs, and only then factors influencing intrapreneurial activities via cultural and social norms are scrutinized, leading to the model of relations between preconditions for intrapreneurship and its created results. The scientific literature analysis contributes to a better understanding of the current situation regarding intrapreneurship and entrepreneurship in Lithuania and is the first of the series of researches carried on in Lithuania. It is not possible to correlate the present research results with the previous studies; however, the paper will serve as a solid theoretical and scientific background for the further studies on entrepreneurship and intrapreneurship in Lithuania. Thus, having the Global Entrepreneurship Monitor (GEM) methodology presented, the publication is enriched by a solid data from GEM, Lithuania (2011) on effects of social and cultural norms on intrapreneurship. The article is terminated by designing the conceptual model of symbiosis between social and cultural norms and intrapreneurship, which could be used in preparing further entrepreneurship-related publications.

## INTRODUCTION

Cultural and social norms evolve in parallel with the accelerating globalization, which makes more difficult for organizations to adapt to the changing environment. Intrapreneurship is one of the main challenges for organizations, strongly related to the necessity for adaptation. The study of the role of cultural and social norms on intrapreneurship is important because *'Intrapreneurship plays a vital role in a country's economic growth and is critical to the economic development of both individual countries' and world trade. Intrapreneurship is not only associated with modern business ideals, it has evolved over time into a dynamic element of both developed and developing economies'* (Preez, 2005, p. 8).

Intrapreneurship is defined as entrepreneurship within an existing organization. (Sathe 2003; Thornberry 2002; Ferreira 2002; Scheepers 2009; Gautam 1997; Ulijn, Menzel 2004; Maier, Zenovia 2011; Antoncic 2007; Ahmad *et al.* 2011, 2012; Nicolaidis, Kosta 2011; Bosma *et al.* 2010; Cohen 2002; Möllers 2008). In the context of innovation, intrapreneurship is analyzed as a process that creates benefits for the organization (Seshadri, Tripathy 2006; Manimala *et al.* 2006; Mitchell 2007), highlighting the competitive advantage (Nicolaidis *et al.* 2011; Jarna, Kaisu 2005). Merrill *et al.* (2008), based on Manimala (2006), claim that one of the main barriers to intrapreneurship is the fact that organizations often block innovations, and this result leads to the failure of organizations (Merrill *et al.* 2008). However, in order to promote intrapreneurship it is necessary to create preconditions that can be defined as dimensions of the environmental, behavioural, organizational factors for potential intrapreneurs. (Karimi *et al.* 2011; Van Der Meer 2011; Alipour *et al.* 2011). These organizational and behavioural factors affect as key elements acting as a catalyst for intrapreneurship activities. Alipour *et al.* (2011), according to Kumar (2008), state that organizational culture is a vital element, which includes valuable opinions, belief, behaviour and norms, which influence the success of an organization. (Alipour *et al.* 2011). Menzel (2008, p. 59) based on Bloor & Dawson (1994) *'Not only national culture plays an important role for intrapreneurship, but also the influence of professional culture and its interaction with national culture. Professionals entering an organization bring in a large repertoire of cultural knowledge gained*

The scientific literature elucidates that cultural and social norms, formed in society, make an influence on the efficiency of intrapreneurship. This article is based on the GEM (Global Entrepreneurship Monitor) methodology and prepared with reference to the entrepreneurship study (2011). The study reviews factors that form an influence the intrapreneurship performance. The present paper looks at intrapreneurial processes from two perspectives. The first one analyses motives that help to encourage employees to involve in the intrapreneurial performance, and the second one analyses effects of cultural and social norms on the organizational efficiency, that act as a barrier or a catalyst for entrepreneurs in order to develop an intrapreneurship activity.

## THE CONCEPT OF EXTERNAL AND INTERNAL ENTREPRENEURSHIP

Relying on Thornberry (2003), Mitchell (2007) points out that entrepreneurship is 'a primary action' or a catalyst, which is based on innovations and usually makes an effect on radical changes, setting up subsidiaries or creating new companies. This action is described as an 'external effect', while the concept of intrapreneurship encompasses the entrepreneurial behaviour within the organization. Intrapreneurship can be understood as an 'internal effect' which in the organizational environment is seen as a set of required skills. In addition, the corporate entrepreneurship (Sathe 2003; Thornberry 2002; Ferreira 2002; Scheepers 2009), internal corporate entrepreneurship (Gautam 1997), internal entrepreneurship, intrapreneurship (Ulijn, Menzel 2004; Maier, Zenovia 2011; Antoncic 2007; Ahmad *et al.* 2011, 2012; Nicolaidis, Kosta 2011; Bosma *et al.* 2010) and (internal) corporate venturing (Cohen *et al.* 2002; Möllers 2008) are similar concepts of entrepreneurship within the organization.

Hill (2003), based on De Coning (1992) emphasizes that in the today's business world the term of intrapreneurship is becoming the key element in defining capabilities of organizations in the pursuance of some activities, emphasizing new and innovative services or products. Intrapreneurship can include non-profit organizations, corporations, hospitals, schools and universities. It should be noted that the way to a successful intrapreneurship is not only hazardous, but also hard. Developing the spirit of intrapreneurship in the organization covers exchanges of organizational culture through setting goals, feedback systems and implementation of results-oriented reward systems. Seshadri, Tripathy (2006, p. 20) note that '*Cost reduction and/or improved customer focus tend to be the primary objectives of*

the level of an individual intrapreneur, the trigger for innovation challenge oneself beyond the obvious. Intrapreneurs seeking to reinvent a company in order to increase efficiency may do so by removing 'unproductive layers' of bureaucratic hierarchy, harnessing the power of technology, proper delegation of authority and power or find other ways to improve efficiency and effectiveness'.

According to Mitchell (2007), promotion of intrapreneurship in the organization is the essential factor in both large and small organizations, despite the fact whether it is a newly established company or not. While highlighting one of the key advantages of intrapreneurship a competitive advantage for the organizations while creating innovations should be underlined. The author claims that organizations tending to promote intrapreneurship should set up systems in order to encourage, facilitate and support processes of intrapreneurship and create opportunities for the development of intrapreneurs' skills. Referring to Alipour *et al.* (2011) and Mitchell's ideas (2007) can supplement that the aim of intrapreneurship is to create a new company within organization, creating the added-value for the economy and improving the organizational performance. Thus, intrapreneurship is as a vital element of economic and organizational growth generating competitive advantages (Nicolaidis, Kosta 2011). *'Intrapreneurship acts as a path to pervasive innovation and is a driver to make business diversify and remain aggressive. When uncertainty and risk from the environment are the major threats for entrepreneurs, for intrapreneurs they can be advantages'* (Ping-Yi, Huai-Zhi, 2009, p. 150).

It emphasizes that enterprises have to find a way to measure the level of intrapreneurship and to promote it accordingly (Dejardin 2000). Hill (2000) states that intrapreneurship can be measured using the following six indexes such as Task Innovation, Intrapreneurial Employees, Structural Flexibility, Incentive Policies, Intrapreneurial Leadership and Intrapreneurial Culture Indexes (Annex 1).

Alipour *et al.* (2011) claim that intrapreneurship associates with the organizational perfection and the need to assess the intrapreneurship, which depends on the individuals' work and their personal characteristics, organizational structure, policies, leadership and culture. These factors act as barriers or catalysts to intrapreneurship processes. Hill (2003) introduces the construct of all indexes which help to measure a level of intrapreneurship. The construct of task indexes means that *'a successful organization demonstrates a high rate of introductions of new products, services and innovations or different ways of tackling problems at the individual and organizational level, in terms of the identification, development and exploitation of new opportunities'* (Hill 2003, p. 56). The intrapreneurial employee index analyses the number of

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the innovative individuals and have the willingness to organizational structure encompasses an enterprise which tries to achieve an appropriate level of hierarchy within an organization. An advantageous organizational policy means 'an organization that offers employees opportunities, the encouragement, motivation, and incentives to experiment with new ideas without having the fear of being punished as a result of possible failure. The organizational leadership refers to the environment, is visionary and flexible, encourages the teamwork, and an intrapreneurial philosophy' (Hill 2003, p. 56). Hill (2003) claims that the culture in the organization acts via the interdependence, low power distance, low uncertainty avoidance.

Thus, intrapreneurship and entrepreneurship are important factors because they act as factors driving the organization and economy. For this reason, it is necessary to understand the differences between the entrepreneur and intrapreneur in the context of entrepreneurship and intrapreneurship (Figure 1).

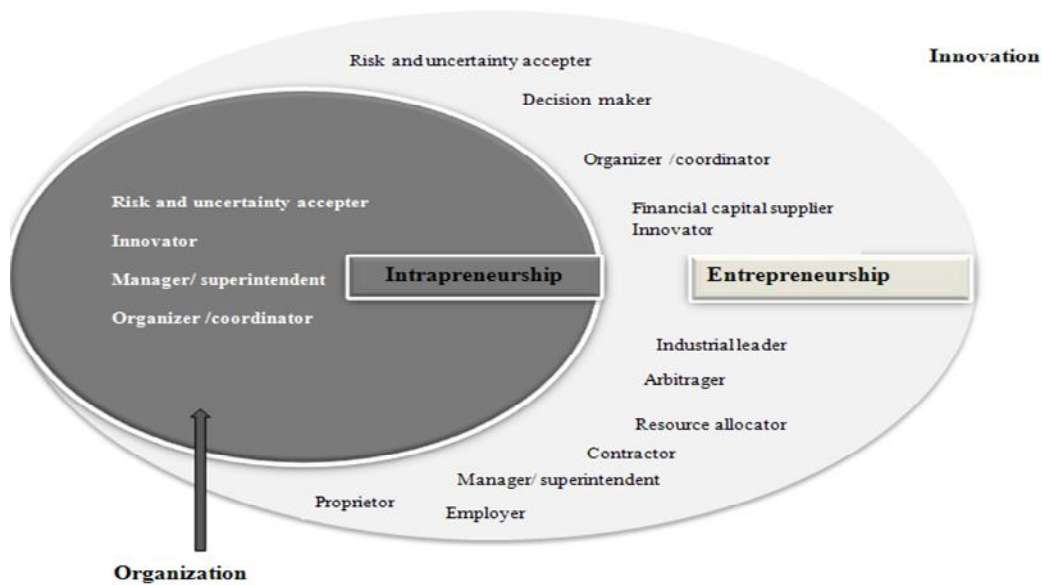


Figure 19. Differences between entrepreneurs and intrapreneurs in the context of entrepreneurship and intrapreneurship

Source: prepared by authors, based on: Ping-Yi, C., Huai-Zhi, S., 2009, p. 153.

Assessing characteristics of entrepreneurs and intrapreneurs four features out of twelve are the same as risk and uncertainty acceptor, innovator, organizer/coordinator and manager/superintendent. Maier, Zenovia (2011, p. 974), referring to Antoncic & Hisrich (2003), indicate 'that while intrapreneurs make risky decisions by using resources of a company, entrepreneurs make risky decisions using their own resources'. Based on Antoncic's and Hisrich's (2003) and Davis' (1999) arguments, ensured that 'entrepreneurs prefer to develop a tacit