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# Internalisation of Markets and Internal Entrepreneurship: Competition or Co-operation?\*

Ulrich Brinkmann

This text deals with two of the most popular concepts of organizational marketization: “intrapreneurship“ (corporate entrepreneurship) and the “internalisation of markets“. Historical roots and their development are subject of discussion as well as their internal logics, their mutual complementarity, and potential contradictions. Normally both concepts comprise the staging of enlarged rooms for participation while at the same time couple employees to market risks they can hardly control. Furthermore the intrapreneur concept is highly contradictory and faces those affected with problems they can barely solve.

**Key words:** intrapreneurship (corporate entrepreneurship), internal markets, cooperation, competition, role conflicts

## 1. Shifting of market demarcations (SMD)

In the last two decades the “praise of the market” has become one of the dominant phenomena not only in economics but in general. Even more: the

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\* This text is a short and revised version of a chapter of my book (“Die unsichtbare Faust des Marktes. Betriebliche Kontrolle und Koordination im Finanzmarktkapitalismus”, Brinkmann 2011). I owe Janos Kovacs (IWM, Vienna) a lot of thanks since he inspired the first version of the argumentation and helped me to finance a fellowship at his institute in Vienna in the context of his EU-research (<http://www.dioscuriproject.net/>).

“logic of market capitalism” (Aglietta 2000; Dörre/Röttger 2003; Windolf 2005), this market-centred desembedding of the economic sphere seems to have become a hegemonic approach. This change finds its echo in real politics, too: More and more formerly market-free zones in society such as social welfare systems have become the target for commodification ambitions and privatisation processes, and even politics nowadays likes to define itself as a process of management. In keeping with the times, managers of enterprises themselves have discovered the “shifting of market demarcations” (SMD) as a modern instrument for the reorganisation of the enterprise and redistribution of responsibilities and “liberty”, too.

Though “market centring” often claims to be a quasi-teleological constraint, neither the relationship between market and non-market zones nor the direction of the future development between them is defined “naturally“. On the contrary: It is appropriate to describe these processes as *shifting of market demarcations* in order to get the protagonists and their strategies into the focus of research.

Nevertheless this change on the organisational level can only be understood in its complexity by taking into consideration the implications of changes in society. Politics in society, micropolitics in organisations and subject politics on the individual level, support each other by mutually exchanging fragments of ideology and argumentation logic. This universality is part of the system that makes market appellations so attractive. Subcontracting, freelancers, temp workers or limited contracts for work as well as incentive pay, “trust-based“ working hours, centre structures, internal markets or outsourcing: the potential opportunities for using the market as an instrument seem to have no limits.

This is how insecure areas arise in formerly “fordistically“ pacified zones, employees and their works councils suddenly find themselves in conflicts about demarcation problems which they thought they had overcome long ago. The SMD between organisation and environment, as well as within the organisations, nowadays seems to make the “border incident” a normal micropolitical incident. In the retinue of these radical changes more and more employees turn willy-nilly to cross-border commuters (Brinkmann 2004) or “Grenz-“Beschäftigte – a wordplay in German where the word “Grenze“ has

the meaning of “border“ as well as of “margin“ – the latter indicating that living near one of these new demarcations can turn you into a precarious margin(al)-employee.

Finally the rise of a new role model, the intrapreneur, i.e. the entrepreneur inside the enterprise, contributes to the general impression of a universal new approach. The concept of the intrapreneur is in the “eye of the storm“ of normative approach of the internalisation of markets; it represents its logical core on the individual level.

The intention of this description is not to raise the impression that its far-reaching hegemony means a hermetic seclusion of the market centred way of thinking. There are on all levels (society, organisation, individual) not only practices of support, but also of resistance – nurtured by “the alternative world views“, but also by experiences of estrangement and submission. These resistant protagonists take part in the SMD by, according to their interests, enforcing or fighting them; as empirical research tells us by using a variety of forms between legal co-determination and illegal sabotage or the like. Sketching the market topic like this draws it back from the common naturalising teleology to an area of the feasible. Political action on all levels regains a meaning and purpose.

This is how, from an agency theoretical point of view, behind the “anonymisation“ of control (Castells 1996), the acting protagonists become visible, and political action on the other hand regains the character of processes whose results are not determined. It is true that common conceptions like “marketisation“ describe current trends, but they underexpose the specific way this SMD politically gains or loses acceptance, and thus these conceptions represent the process too much as a one way street.

At first this text examines the topic of internalising markets before it gets to the core point, the discussion of intrapreneurship as a specific form of organisational marketising strategies.

## **2. Internal markets**

The pressure to change enterprises finds its echo in the intraorganisational processes, structures and benchmarks, too. The permanent search for the

specific contribution a single employee, department or even enterprise within a group adds to the creation of value of the entire organisation is a typical indicator for this pressure.

Within the last few years the central mechanisms for the coordination and control of a social interaction in working systems, work relations and trans-organisational relations (Sorge 1993) the market has considerably won the upper hand compared with “bureaucratic power“ or “associative forms“. If one trusts the renowned Harvard Business Review, the “Internal Markets“ concept is about to enter the Mount Olympus of management approaches (Hamel 2006: 80). The promises connected to this SMD are far reaching and full-bodied: “Internal markets bring all the advantages of free markets inside large organisations “, the authors of the first bestseller regarding this topic state (“Internal Markets: Bringing The Power of Free Enterprise Inside Your Organization “, Geranmayeh et al 1993: 4).

Inside the organisation the model responds mainly to two problems: on the one hand the shrinking control capacities of the corporate management in modern complex enterprises: with their output orientation, internal markets represent a control simplification for the management. On the other hand it offers an answer to the challenge of guaranteeing innovations inside the enterprise. That is why in the context of the intrapreneurship concepts based on Schumpeter’s entrepreneur idea (cf. below) the assumptions can be found that bureaucratic and matrix organisations are hardly able to ensure the necessary degree of innovation (Välikangas 2001); this claim leads to the postulation that a decentralisation of decisions, responsibility and risks is to be organised: “Like oil and water, innovation and bureaucracy just don’t mix“ (Ross 1987b: 23). The traditional thinking in a hierarchical vocabulary is therefore translated into entrepreneurial equivalents. Instead of departments and hierarchical assignments, one finds the notion of internal entrepreneurial activities. Thus the conception of internal markets represents the central logic for cost- and profit-centre structures, generally implying the partial delegation of managerial and entrepreneurial risk, and at the same time promising more freedom for the individual affected by the restructuring, as in the case of Hewlett Packard: “The financial controls are very tight, what is loose is

how (people) meet those goals”, (see Halal 1996: 36; similar with IBM cf. Glibmann/Peters 2001).

There is a controversial debate about the actual empirical spread of these phenomena; however, everyone agrees that the direction of the SMD is clear at present: “A growing number of companies are explicitly replacing bureaucratic internal resource allocation with internal markets“ (Ellig 2001: 227). Theoretically there are hardly any limits set to the construction of internal supplier customer relations. In different roles, even an individual can take several market roles inside an organisation. In principle, the conceptual basic assumption is that “all market functions can be replicated within organisations“ (Halal 1994a: 74<sup>1</sup>). Like a lot of other representatives of the approach Halal considers his own normative pre-considerations already an empirical reality, though: “Some hierarchy will always be needed, but the former management system in which decisions flowed from the top down is now history“ (Halal 1997: 18). This mis-identification of wish and reality is, as will be shown below, one of the central problems of his approach.

These considerations raise the question of the reasons for the current discursive dominance of positions like these. The wide spread of internal market concepts among enterprises nowadays is not a matter of chance. In the period of rise of the small and dynamic dot-com-start-ups the old-established market leaders changed their orientation with regards to hierarchy, too. Nevertheless this phase at the end of the 1990s already represented the third push, because at the beginning of the 1980s intraorganisational competition (as a base for an economic excellence) was discussed broadly in the course of the U.S. debate about the putative Japanese superiority (Peters/Waterman 1982) for the first time. These concepts then experienced a boost in the wake of the decline of the state socialism after 1989/1990.

Numerous pieces of evidence for this assumption can be found, but not always as explicit as in the case of Halal: “Major corporations comprise economic systems that are as large and complex as national economies, yet they are commonly viewed as ‘firms’ to be managed by executives who

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<sup>1</sup> Since Halal is one of the most quoted authors with regards to the internal markets approach he will be prominently quoted in the following.

move resources about like a portfolio of investments, form global strategies, restructure the organisation, and set financial targets. How does this differ from of the central planning that failed in the Communist bloc? Why would such control be bad for a national economy but good for a corporate economy? Can any fixed structure remain useful for long in a world of constant changes?“ (Halal 1996: 31)

Generally the basic idea is to outline the triumph of the market in the East European societies, then to transfer the argument to large (and in the further course also to smaller) enterprises and finally return from the organisation back to the society level again, for which authors like Halal develop a market utopia (see below for details): “Transforming organisations into market systems is formidable because it involves a profound social upheaval; it could be thought of as ‘Corporate Perestroika’, somewhat like the struggle facing the post socialistic bloc“ (Halal 1996: 48). The consequences of such a reorganisation are not played down: “Many will think this challenge is too enormous, but that is exactly what we once thought about the prospect of changing the Soviet Union. The shift to market organisations seems likely to roll on because internal markets offer the same powerful advantages that inspired the overthrow of Communism: opportunities for personal achievement, liberation from authority, accountability for performance, entrepreneurial initiative, creative innovation, high quality and service, ease of handling complexity, fast reaction time, and flexibility for change“ (Halal 1996: 49). The liberty promise (in the sense as a liberation from bureaucratic compulsions) is ubiquitous: “It is important to allow all units the freedom to conduct business transactions both inside and outside the firm. Without that freedom, managers are subject to the monopoly and bureaucracy of central controls, in much the same way the Soviets over-controlled their economy“ (Halal 1994 a: 73).

Two more trends strengthen the internal markets-position in the discourses: internal markets fit very well (in)to the long-term trend (with short interruptions) towards decentralisation of enterprises in post-war fordism (multi multidivisional form, Chandler 1995 (1962)). The intrapreneur becomes a signum of this development because in society a generalisation of entrepreneurial attitudes (Prisching 2000; Bill/Bjerke/Johansson 2010) can be

noticed. At the same time imitation processes take place which discursively and structurally transport internal markets and intrapreneurship (Di-Maggio/Powell 1983).

If one summarises these numerous promises, arguments at three different levels of personal self-realisation, increase of organisational efficiency and progress in society can be found (for simplification purposes going back to Halal's oeuvre):

- “shift to democracy”, “after a long history of authoritarian control“ (1997: 18)
- “free up the skills, creativity, an vision of ordinary people“ (1998b: 23)
- overcoming of “top-down disadvantages of hierarchy“ (1999)
- self-determination: “gaining control over their operations“ (1997: 18)
- reduction of complexity (1999)
- overcoming of managerial control problems: “In a world of escalating complexity and empowered people, leadership must cultivate the art of helping others to share the responsibilities of management“ (1998a: 13)
- “to advance social progress“ (1999).

The “innovation question“ functions as a hinge between the internal markets debate and the intrapreneurship concepts. In principle these approaches can be outlined separately, too: intrapreneurship does not presuppose necessarily internalised markets and vice versa. But in the scientific literature on intrapreneurship no contribution can be found that does not refer the idea of internal entrepreneurs to the concept of internal markets. To express it in the terminology of the SMD: the intrapreneur is *the* role model of commodified work and thus is the counter concept to the de-commodified fordist “normal worker“. As such he represents the end of the process of SMD into the organisation when the demarcations reach the individuals now representing market entities themselves. The intrapreneur is still an employed member of the enterprise; this differentiates him from the freelancer without organisational membership. Conceptually intrapreneurship is therefore discussed as a special case of the internal-market debate: while internal markets transfer



risks and responsibilities to new protagonists the idea of the entrepreneur inside the organisation goes one step beyond: he is made responsible for the innovation demands. At the same time this change modifies the understanding of market itself, since it requires a new mixture of intraorganisational competition and co-operation.

### **3. Intrapreneurship**

There are diverse theoretical overlappings and thus possibilities for a mutual connection between the two approaches. Internal market supporters stress the perspective that during the re-conceptualisation of organisational processes and structures the role definitions of the former “position owners“ also transform significantly: “Whereas it made sense to treat people as employees in a hierarchy, an internal market system requires people to assume the role of entrepreneurs“ (Halal 1994a: 80). Halal and other exponents of the concept see the last and finite fulfilment of the market internalisation in the realisation of an “intraprise“ structure to gain all the advantages of the market principle: “accountability for results, entrepreneurial freedom, incentives for achievement, rapid response time, customer focus, and creativity“ (Halal 1999).

On the other hand, authors like Pinchot emphatically emphasise that “so far no human institution has been discovered to organise complex phenomena as efficiently as the market“ (Pinchot 1988: 359). Gifford Pinchot is generally regarded as the founder of the intrapreneurship-idea and its first central advocate. Even the forming of the notion is attributed to him: “I call them ‘intrapreneurs’ – my abbreviation of ‘intracorporate entrepreneur’“ (Pinchot 1988: 10). Alternative notions like “internal corporate venture“ (Burgelman/Sayles 1987) or “corporate entrepreneurship“ (Gautam/Verma 1997; for an overview cf. Sharma/Chrisman 1999) could not gain high acceptance either in the consulting or in the scientific community. Instead of delivering a differentiated definition at the beginning, we turn to specific facets of this concept in the following.

The concept of Intrapreneurship is not an exclusive phenomenon of the Anglo-Saxon variants of capitalism; this can be proved if one carries out an enquiry in the relevant print media databases (like lexisnexis or the like).

Hundreds of entries can be found in all important German papers with an increasing trend. Moreover in the current Bertelsmann studies on corporate culture and leadership style intrapreneurs (“Unternehmer im Unternehmen”) have recently made it into the top ten “central elements of successful corporate cultures“ (see Bertelsmann Stiftung 2003). Finally this concept has entered many enterprises within the last few years. Intrapreneurs, “the dreamers who do“ (Pinchot), seem to be the substance the dreams of many managers and owners are made of today. In empirical studies we find particularly in small and medium-sized enterprises the more or less explicit wish for employees to “follow the model of the company’s founder/owner”, generally stated by the owners themselves or by the managers in charge. The owners’ desire to make the employees a copy of themselves is, in a historical perspective, not the latest news. The main character in Upton Sinclair’s literary biography of Henry Ford (1983 (1937): 48) already demands: “He knew his aim: He wanted to change people’s habits. It wanted to make them persons like himself. Rational, honest and hard-working persons like himself“. One can doubt whether the paternalistic Henry Ford could have accepted the idea of an intrapreneur in his own company, though. Probably he would have disliked the degree of potential empowerment connected to this idea for example by the assignment of decision-rights to employees.

Thus the implicit basic idea of intrapreneurship is to combine the best of the two worlds of innovative entrepreneurship and dependent occupation. Why is that? Art Fry, the inventor of the yellow post-it-notes, presumably represents the basic myth of all intrapreneurs. 3M as an enterprise profited from the fact that this employee did not set up his own start-up with his innovative idea, but remained inside the enterprise despite initially numerous hurdles. For a too long period it was primarily isolated cases like this, that served as a proof in literature (Fry 1988), this is why this text now turns to the theoretical implications of the approach.

Now the question is to be answered what the specific advantages with intrapreneurship for organisations are: advantages that reach beyond the concept of internal markets outlined above.

Almost all arguments are related to the problem of the “labyrinth of bureaucratic systems“ (Pinchot 1988: 29) and its inherent innovation problems

(Sørensen 2007). In the metaphorical consultants' language the actual survival of every enterprise depends on the efficiency of the organisational innovation motors: "Face it: Out there in some garage, an entrepreneur is forging a bullet with your company's name on it. You've got one option: you have to shoot first" (Hamel 1999: 72). "Intrapreneurs will be the decisive tools", as Pinchot (1988: 11) makes the point, "for whether your enterprise is successful or not. The loss of an entrepreneuring talent will be costly because it means more than the loss of a capable engineer or marketing expert. Intrapreneurs are the integrators combining the abilities of the technicians and marketing people by developing new products, methods and services. Without them the innovation will fall by the wayside or it will move in the snail's pace of bureaucratic processes". Following this view intrapreneurs act as a rejuvenation cure for the organisation. Thus the "War for Talent" (McKinsey study of 1997; as a book: Michaels et al 2001), the struggle for those innovative employees like knowledge workers is the core of farsighted Human Resource Managers. Their arsenal has to be extended by the "weapon" of intrapreneurship now: "Enterprises that do not manage to keep their best and most innovative employees inside the firm will be confronted with the inactive ones. Without realising it this enterprise very soon is crowded with "deac bodies" (Pinchot 1988: 36)

These efforts are even more urgent if one relies on Schumpeter's idea that firms cannot assume that the main innovations (the putting through of "new combinations" cf. Schumpeter 1997 (1911): chapter. 2 III) will be made by organisation members but grow outside the traditional organizational boundaries. "It is not usual that the new combinations are realised by the same people who are busy with keeping those conventional production processes going that might be replaced with the new innovative ones. Instead the new idea and the new norm or the firms representing it generally do not replace the former ones but are set up next to these since the old ones tend not to be able to go the necessary step beyond. To give an example: in general it was not the postmasters who founded the railways." This way the attempt of owners to get back to the roots of their success therefore always reminds one of trying to square the circle. Against this view the advocates of the intrapre-

neurship conception just emphasize the advantages of intra-organisational innovation.

Exponents of the concept do not only refer to classical arguments like the use of professional research and development capacities, existing technology, experienced marketing and financial resources but they stress “softer“ argumentation lines, too, that point to a consciousness that many of them are lacking in other contexts. Primarily these soft arguments aim at those comparative advantages offered by established trust relations for team-cooperation (Meifert 2003). The founding of trust for extra-organisational exchange relations is usually costly and time expensive.

The other frequent argument is that innovation usually requires a temporal and local shelter, within which the intrapreneur must be enabled to develop a seedling into a strong plant. The point here is that in the end transaction (that is control-) costs should be avoided that a possible distrust relation would cause. This is why Pinchot expects (1988: chapt. 4) the necessary form of trustful communication only *inside* the organisation making sure that trade secrets are kept as well as dangers of idea theft or sabotage are minimised.

What are on the other hand the promises for these employees who are now responsible for innovative progress?

Due to famous theoretical positions in economic theory (e.g. von Hayek 1976), the switch to market control as the central structuring principle induces a rationalisation of socio-economic relations, and reduces the dependence of person-related relationships. Some authors describe this change as a “de-feudalisation“ of the management-employee relations (e.g. Reiss 2000) as well as as an increase of freedom for the employees: “Units are converted into intraprises by accepting controls on performance in return for freedom of operations“ (Halal 1996: 36).

Thus one can assume that significant parts of the employees hold the concepts of intrapreneurship in high esteem, because of the turn back of taylorist work organisation and the parallel creation of “zones of controlled autonomy“ (Dörre 2001) since their desire for “performance optimisation“ (Pongratz/Voß 2002: 140-149) and their “contribution orientation“ (Kotthoff 1997) might be fulfilled under the new circumstances. This is the wish for “normative subjectivation“ early identified by Baethge (1991) which now re-

appears in the current debate on subjectivation (in line with Foucault's approach) as "postulating subjectivity" (Kleemann 2002). Especially the "high-flyers" prefer the rise of their autonomy in the new working contexts (Brinkmann 2011: chapter 6). In addition recent empirical studies point out that the introduction of management by objectives as part of strategies of SMD into the organisation for the first even empowered *low* qualified employees since it protected them against arbitrary unreasonable demands of supervisors.

Resuming there are different promises for potential intrapreneurs:

- a rationalisation of firm-internal social relations;
- the top-down-delegation of autonomy and responsibility;
- the fulfilment of subjective postulations and ambitions with regards to work;
- breaking down bureaucratic blockades and creation of an innovative and dynamic work context;
- an improvement of "adequate and fairer pay".

But which are the enterprises where intrapreneurship can be installed? The first advocates of the idea (e.g. Burgelman 1983) still assumed, possibly under the impression of the debates about "manager capitalism", that it would be necessary to turn over Schumpeter's logic according to which successful entrepreneurs with a growing enterprise size become managers: employees in large-scale enterprises should become internal entrepreneurs to speed up the ailing innovation process again. As time went on, however, this concept was also transferred to smaller enterprises (among others see Zahra/Pearce 1994). In empirical studies we nowadays find emphatic management supporters of concept in almost all enterprise size classes (see Benthin/Brinkmann 2008). In small and medium-sized enterprises (SMEs) both managers and owners themselves proclaim the age of the intrapreneur. Empirical evidence shows that it is less often the industrial sector or the size of the enterprise than the preference structure or the managerial leadership style that helps to push the concept through. Precondition is an openness for management fashions, as well as a readiness to delegate certain competences.

With owners of SMEs, some further prerequisites are given: in this size class we find less hierarchical levels to slow down the forceful realisation of the concept. And the opposite logic is true, too: "Intrapreneurs can be first-class allies for owner-managers of growing small businesses" (Carrier 1996: 7). But: Corporate culture research stresses the importance to establish the myth of a founding "hero" for the cohesion of an organisation. Every newly appearing intrapreneur now represents a rival "hero" and a legend of his own competing with the original enterprise founder: "Great intrapreneurs should end up the heroes and heroines of the company" (Southon/West 2005: 25). This can become a major problem if the founder entrepreneur is not willing to accept this. The research in intrapreneurship deals with this conflict, too, by stating that the owner can be "the main brake or, conversely, the main catalyst in the emergence of intrapreneurship within the firm" (Carrier 1996: 16).

According to its supporters, the concept is not only universal with regards to enterprise size classes, but also to almost all positions (hierarchically and functionally). Potential intrapreneurs can be found in all employee groups, from top management to the shop floor (Geisler 1993; Reitz 1998; Pongracic 2009). Nevertheless the roots of this optimistic view remain vague. Pinchot himself assumes that it requires special protagonists, who can gain acceptance inside the enterprises. So he seriously advises the personnel departments: "It is a particularly good idea to hire farm kids. They seem to make good intrapreneurs. I guess farm kids grow up with a kind of a can-do attitude and it never occurs to them that there is anything they aren't supposed to do. If the hay is on the ground, the bailer is broken and it is going to rain in six hours, you don't worry that you don't have a degree in bailer mechanics. Somehow farmers learn to get the job done."

#### **4. Paradoxes and inconsistencies**

In 1994 Halal stated in an article for the Academy of Management Executive: "Surveying the evolution of structure over the past decades, the movement from hierarchy to enterprise comprises one of the most profound changes in management thought." He may have been right on this matter. This following statement is found two paragraphs further: "In a decade or less the notion of

hierarchy may seem as archaic as the medieval belief in the divine right of kings“ (78). With regards to this claim he is obviously wrong. The SMD is not a one-way street as indicated above; it does not proceed neither straightly nor in a terrific speed. Demarcations can be moved back or the shifting itself might face significant opposition. This is due to the acting of organisational protagonists but also to the inner contradictions of the concept itself.

In the following, this article will try to answer three bundles of questions: (a) What are the subjective preconditions for an intrapreneur? (b) How is he/she supposed to be embedded into the organisation? (c) What kind of social utopia emerges from this?

#### ***4.1 The intrapreneur as a protagonist***

So far an intrapreneurship master plan can not be found: neither in the organisational practice, nor on a conceptual level in the literature. The intrapreneur is confronted with a considerable role uncertainty arising from the amorphous design of functions and competences, as well as from the often only implicit discussion of the prerequisites for an intrapreneur. The headline could be: “Your intrapreneur, the unknown being“. He represents a mixture of “saint“ and “knight“ (Reitz 1998) or of “pirate“ and “player“ (Peters 1992) and the corresponding comments can be found on a continuum from enthusiastic support to deep disapproving.

The assumption that the reference to the concept of the *entrepreneur* is rather fragmentary and very selective can be confirmed quickly. There are a number of hardly solvable inconsistencies between conceptional implications and organisational implementation.

#### *Voluntary or forced intrapreneur?*

The classical and many modern approaches of entrepreneur research have in common that they explicitly make clear that entrepreneurship is usually based on the will and the ability to come to rational conclusions in economic decision-making processes (Casson 2001; Chell 2008; Scheiner 2009), and additionally that only a volunteer can accept this role. In management literature this voluntary acceptance is attributed to the “high-flyers“ and to the

knowledge workers (Drucker 1998; Markus et al. 2000) but it is rather questionable if this assumption fits to employees in less exponent positions or if this is the case in situations of economic crisis (see Faust et al. 2000).

Voluntariness, far-reaching competences and characteristic motives are indicators that entrepreneurs represent a rare species be it inside or outside an organisation. Therefore in the following, we look at the influential definition by Schumpeter and its reflection in the intrapreneurship concept. What makes the entrepreneur run according to Schumpeter?

"The innovator is driven by elements that rise in his chest which make him want to do something extraordinary. This development requires a new and a different effort of will because it has to overstep the conventional daily work and the sorrows related to it and to struggle for a conception and drawing up of a new combination. Moreover the innovator has to persuade himself that this is a real possibility and not only a dream or a fooling around. This mental freedom requires a surplus of energy exceeding the demands of the daily routine and it is a specific and rare phenomenon" (Schumpeter 1997 (1911): 125; translation by the author ). So Schumpeter's entrepreneur is a visionary few and far between who sees the new in the daily routine and strives to make it come true. This whole concept is inevitably based on a voluntary constellation – you can hardly force somebody to carry out this role: "The typical entrepreneur does not wonder whether any effort he undergoes promises a sufficient 'pleasure surplus'. He hardly cares about hedonistic fruits of his deeds. He cannot but work restlessly, and he has problems in enjoying the well-earned rest or goods" (Schumpeter 1997 (1911): 137). The "ordinary fordist worker" actually embodies the opposite to this model. He (or she) legitimately asks for the "pleasure surplus" of the alienating job, his drive is not to live for his work but vice versa. His economic behaviour is based on a fundamentally different motive structure than the one of the prototypical entrepreneur. Once again Schumpeter: "There are the dream and the will to found a private empire mostly but not necessarily even a dynasty. (...) Moreover there is the will to fight, to be successful and to win; and finally there is a third motive, the pleasure in creating something new" (Schumpeter 1997 (1911): 138).



Almost eight decades later we find identical phrases to describe the intrapreneur in Pinchot's texts (Pinchot 1988: 76): "The characteristic features of the intrapreneur's personality are understandable as soon as one notices the inner pressure in a man driven by a strong vision and an irrepressible impulse to act. Such a person only comes to rest when his vision is manifested in the world as he had foreseen it. This pressure explains not only the energy of the intrapreneurs but also their intolerance towards orders. He is open for information and ideas, but his actions are determined by his own inner imperatives. His engagement and dedication, as well as the will to finish even ordinary work if necessary, can be explained by the impulse to make his vision come true so that the intraprise is successful".

By sharp contrast to this the typical tertiary (professional) socialisation in post-war fordism tried to make sure that the employees were exposed to the market *as little* as possible. Entrepreneurial risk remained with the owners or their managers, on the other hand the scopes of action, participation rights and as well as their "intolerance towards orders" were clearly limited. The fordist work organisation preferred routine rather than creative solutions. A major part of the employees therefore not only misses the necessary prerequisites but also the desire for being an intrapreneur. Schumpeter's assertion made shortly before of the rise of fordism might still be correct nowadays: "Where the limits of routine comes to an end, many people cannot go on" (Schumpeter 1997 (1911): 118). The prerequisites do not only lie in the person, but also in the problematic interaction between person and organisational/social environment. This is not a new discovery, since Schumpeter (1997 (1911): 126) described it a century ago as the "resistance by the social context confronting everybody who wants to push something new, especially in economics". The autobiographical notes by intrapreneurs like Art Fry, clearly illustrate that since then not a lot has changed with regards to the typical obstructionism in organisational micropolitics. Duncan states it politely: "Creative people are, to be honest, a pain in the neck" (1988: 17). At least partially the research on intrapreneurship has taken note of this phenomenon, this is why Jennings et al. (1994) or Carrier (1996) refer to the various developmental, socio-economic and personality related prerequisites.

Due to the subjective prerequisites, the interim résumé at this point must be, intrapreneurship matters only to a small minority.

*Internal entrepreneur and manager of the self*

If in the course of SMD employees are requested to adopt an entrepreneurial attitude this is the consequent fulfilment of Schumpeter's entrepreneur-postulate "to develop a mentality towards economic behaviour" (1928:477. The results of an ongoing internalisation of these demands have been described in the sociological debate about the "subjectising (Subjektivierung) of work" (Moldaschl/Voß 2002). Following Foucault these approaches focus the change of work control, namely the substitution of outside- by self-control. Thus the re-commodification of labour can lead to a (subject-) internal entrepreneurship (McKinlay/Starkey 1998) presupposing a specific ability of self-technology (Foucault 1993). The shifting of market demarcations here fulfils its logic by making the individual himself an object of pure market logic. Bröckling et al (2000) have sketched this process in the context of the debate about Foucault's concept of the governmentality (Foucault 2000); they called it the "management of the self" as a model of neoliberal subjectivity.

Voß/Pongratz (1998) noted the same trend in their analysis "workforce-entrepreneur" (Arbeitskraftunternehmer) who will substitute the predominant de-commodified "ordinary fordist worker" by enforcing his "employability" through an extended self-control and self rationalisation (Pongratz/Voß 2000). Thus market-driven work of intrapreneurs on the one hand typifies management's attempt to increase productivity, by raising the treasure of subjective creativity potentials which were neither desired nor accessible in fordist relationships before. On the other hand, many employees find this postulate an unreasonable demand and difficult to resist because it is staged as an unchangeable constraint. SMD to them appears very often as an in- and extensification of work gathering more and more slides of their *lebenswelt* (Pickshaus et al. 2001). Since they are restricted to questions on the functionality of the individuals in their role segment, concepts of intrapreneurship (and this is an important difference to the "workforce-entrepreneur" approaches) generally do not focus on the interdependence between, in Haber-

mas' words: system and lebenswelt. At short notice this perspective might look useful but in the long run particularly "the management of the self" might be more than usual employees can cope with and thus undermine sustainable economising.

### *Self-realisation by participation?*

Though there are reasonable doubts if the intrapreneur represents a practical form of entrepreneuring he might personify a specific case of "delegated participation" (Greifenstein et al. 1993) in organisations where the institutionalised participation is rather weak. The concept of intrapreneurship might probably be effectual with regards to employees where it claims to be supporting the employees' participation requests since one of its roots lies in the critique of incapacitation and alienation by fordist work organisation and corporate structures.

The question whether internal entrepreneurship has to be understood as a compensation, rather than a result of weak participation remains unanswered by empirical research so far. Anyway in both cases it represents a competing principle of participation, since the intrapreneur partially leaves the traditional role of an employee and thus the coverage of the codified participation. Even if this happens on a voluntary basis, a clear element of uncertainty is connected anyway, as the research on the relationship of participation granted voluntarily and legal participation rights has pointed out in the last decades (Brinkmann/Speidel 2006). It is unclear in which way the intrapreneur will fit into the existing systems of industrial relations. In enterprises structured according to matrix determinants, the classic forms of a collective representation of interests, already the German model turned out to be less effective (Schmierl 1999). The white spots of participation spread even more in the market centred organisation: Is the works council e.g. responsibly for intrapreneurs or not?

It requires a look at the cultural compatibility to answer the question about the participatory substance of intrapreneurship. In the Anglo-Saxon capitalism forms of direct participation are more common than in the Rhenanian variant. This is why the self-realisation offer for intrapreneurs is facing

completely different preconditions. One look at Pinchots (1988) starting signal for the “Intrapreneuring”-debate makes this clear. The English book subtitle states “Why You Don’t Have to Leave the Corporation to Become an Entrepreneur”; it obviously appeals to the potential protagonist, presupposing that he is already thinking of exiting the enterprise and trying to keep him from doing so. The German translation makes the difference and offers the reversed viewpoint: “Intrapreneuring. Mitarbeiter als Unternehmer“ (Intrapreneuring. Employees as entrepreneurs). This reversal happens for a good reason: till now, a broad bottom-up movement of intrapreneurs has not been seen in Germany; this rather remains a management or consultant’s wish.

In the Anglo-Saxon as well as in the Rhenanian variant intrapreneurs require far-reaching competences and rights intervening in the existing organisational power structure. This can be observed most clearly with regards to property rights. According to Schumpeter, entrepreneurs do not necessarily have to own private property of production means; without any rights of disposal about means of production the realisation “of new combinations“ might, however, hardly be practicable. If we interpret economic goods as bundles of rights we can identify four categories in compliance with the common property right analysis (see Wieland 1997: 37ff.):

1. the right to use/exploit goods (*ius usus*)
2. the right to form and substance of goods (*ius abusus*)
3. the right to use the outputs originating from goods (*ius usus fructus*)
4. the right to transfer the goods and all rights attached to it (*ius successiois*).

The concept of intrapreneurship demands this bundle of property rights to be undone, so that the incentive and disposal structure which is connected with private property of means of production is transferred to other protagonists like intrapreneurs without the original owners losing their ultimate control. Thus a new protagonist joins the already existing competition between owners and managers who complicates the relation network. “The ideal arrangement is to treat each unit as a small, separate company, free to manage its own operations and resources. It is important to allow all units the freedom to conduct business transactions both inside and outside the firm“ (Halal 1996:

36): the normative subtext of this process can be described as a democratisation promise, a “move to democracy” (Halal 1997) or an “extension of democracy” (Halal 1996: 55 ff.).

In accordance with Schumpeter the nature of the entrepreneur is the “recognition and realisation of new possibilities in the economic sphere”, the dynamic entrepreneur fulfils the following tasks:

- “1. The production and selling of new products or new qualities of products,
2. The introduction of new production methods,
3. The creation of new organisations of the industry (trusts e.g.),
4. The discovery of new markets,
5. The discovery of new sources of supply” (Schumpeter 1928: 483).

This list clarifies that all aspects of the property rights must be seized as well by the entrepreneur as by the intrapreneur. This covers product and process innovation as well as work organisation, access to resources, the decision about supply and sales or questions concerning the organisational structure. Generally, however, one cannot assume that these rights assignment is granted in the necessary dimension, even if the desire for intrapreneurs is virtually omnipresent in the enterprise. For example in the annual meeting of employees a member of the executive board of a large German bank, who was confronted with the employees’ desires for an expansion of corresponding rights according to the intrapreneur concept, answered: “This is not a democratic event here, the executive board decides what is done, and who does not accept it can leave the enterprise.” In SMEs one can find similar reactions, for example the managing director of a producer of environmental technology, an advocate of the idea of “Unternehmer im Unternehmen” when asked about the actual degree of delegation of decision-making rights, responded metaphorically that in the end “of course the coachman” decides which way to go. To keep it in mind: In the case of the bank the employees had not at all demanded a democratisation of their enterprise, and in the second case it was not all about depriving the management of power. The suggestions fell far behind the emphatic democracy promises of the internal markets advocates. Nevertheless it is characteristic that the employees are cut

down to size with regards to such central questions about the regulation of disposal rights. One could take up Halal's dictum of organisational change that instead of the "East European", many enterprises rather chose the "Chinese" variant of restructuring: *perestroika grata, glasnost non grata*. Often, the basic attitude of many managers regarding the delegation of participation rights can already be read from their dealing with the elected works councils: if participation lacks a corresponding culture, the granting of participation rights rather represents a precarious norm which at any time can be withdrawn again.

One has to conclude that the competences of Schumpeter's dynamic entrepreneur for realising "new combinations" are much further-reaching than are generally granted to the intrapreneurs.

#### ***4.2 The intrapreneur and the enterprise***

##### *Amorphous roles in the "kamikaze capitalism"*

In these difficulties of the amorphous role definitions of intrapreneurship lie all sorts of role uncertainties, perhaps typical of a phenomenon in which "the best of two worlds" should be combined. First of all an inter-role-conflict as an employee-employer-conflict is created. This can be exemplified by discussing Pinchot's (1988: 43) "first commandment" for intrapreneurs. "Come to work each day willing to be fired". This drastic instruction represents nothing but the rule to assess one's own contribution to the enterprise output and to promote the own dismissal in case of too little value-adding or too low innovation level. This points out that these protagonists are confronted with absolutely incompatible role demands. The mixing of the two roles of the loyal employee and the innovative entrepreneur in the chimera of the intrapreneurs underestimates that the different functions and often antagonistic interests produce a diffuse and contradictory role model. The embedding of the intrapreneurship approach in the context of the internal markets debate clarifies again if one looks at the solution supplied by Halal for analogous situations: "For instance, a market organisation can help make downsizing, reengineering, and other forms of restructuring more successful. Just as any external business can manage its affairs better without government interfer-

ence, these approaches are likely to work best if they originate voluntarily from autonomous units that are accountable for serving their clients. Managers who treat units as internal enterprises will almost invariably improve operations beyond their expectations. (...) In place of forced downsizing, then, this bottom-up approach produces self-initiated rightsizing throughout the organisation- ‘self-sizing’“ (Halal 1996: 46)

Self-dismissal, euphemistically described as “self-sizing”, is a logical conclusion from the assumption that intrapreneurs have voluntarily slipped into their roles, and thus are alone responsible for their actions. At the same time this argument eases the burden of managers who are confronted with the need to justify dismissals since it either stresses the “given fact“ that a unity could not stand up against market pressures or since “marginal employees“ (“Grenzbeschäftigte“ in the double meaning as explained above) in this “kamikaze capitalism“ have already executed their “self-sizing“.

### *Staged markets and the distribution of risk*

Consulting a different theory tradition we face another problem: Most of the known intrapreneur concepts can hardly be brought in line with Knight’s (1985 (1921)) model of the risk-seeking entrepreneur. He argues that the prerequisite for the entrepreneurial activity is a specific risk inclination of the protagonists. Insecure entrepreneurial pay in this logic represents the bonus for the take-over of the risk connected to economic activities. This is only not applied to the classic entrepreneur, but also to the intrapreneur since: “These employees have much in common with entrepreneurs and their venturesomeness. They accept personal risks to carry out a new idea” (Pinchot 1988: 100).

Research therefore has to make the process of transforming risk-averted employees into risk-seeking intrapreneurs a subject of discussion. As an acting protagonist the intrapreneur receives resources and competences, either from the principal or his agents (management), to act like a genuine entrepreneur and like an employee at the same time. “The old employment relationship in which people were paid for holding a position is yielding to a new relationship in which people are given an opportunity to use their talents, with all the freedom, self-control, risks, and rewards associated with being an

entrepreneur“ (Halal 1994b: 13). In the theoretical tradition of Knight the question arises which relation is between pay and risk in such an amorphous constellation, to keep the potential intrapreneur inside the firm (thus: to limit his risk) and at the same time to guarantee the ideal of realising a proper handling of the property rights. The question “Should I Stay or Should I go?“ frequently known with the typical knowledge workers (cf.: Brinkmann 2003) re-appears here. Are intrapreneurs due to their features possibly representatives of an exit-culture? Why should they get involved in organisational pressures if the large profit lures outside? Part of these pressures are organisational risks like structural barriers, coagulated power structures or resistance to changes. “The risk-reward trade-off for internal entrepreneurs is long on risk and short on reward. Why should employees risk a bruising battle with the defenders of the status quo when the potential payoff is so meagre?“ (Hamel 1999: 77).

If one refrains from the question which risk employees are willing to accept if they are not voluntary entrepreneurs and instead focuses the relation of pay and risk which, much stronger than on external markets, is dependent on power-related organisational relations, in the end one stumbles on concepts like “intracapital“ or “intracapital banks“ (Pinchot 2001). These are supposed to stage a working market context and thus escort the making of intrapreneurship. Their aim is the prevention of a “welfare loss“ of the entire organisation caused by a potential opportunistic behaviour of intrapreneurs overstraining “public goods“ or producing organisational “external effects“. The possible project of an intrapreneur is therefore judged by an intracapital-bank. Pinchot (1988: 74) depicts an example of an enterprise where the intrapreneurs’ venturesomeness is tested by the question: “Would you take out a second mortgage on your idea?“ The substitution of “performance- by the success principle“ stressed by Deutschmann (2001: 68) as an objective of the workforce employee has obviously a particularly strong effect on the intrapreneur’s role. Pinchot draws the conclusion that the intrapreneur could meet 10% of the costs of the project (until 20% of his pay) in case of a success, a great share (90%) of the outcome should be used again as intracapital. This method tries to keep the accumulation process ongoing, but represents a restriction of the decision rights of the intrapreneurs, too.



In the end, all considerations about adequate payment forms for intrapreneurs only reflect the rather vague ideas about their motive structure (as shown above). Schumpeter's remark that the entrepreneur enjoys his restless work, and that he does not live to take pleasure in the achieved, thus offers a logic which proves to be an old-fashioned and bulky principle in the context of the SMD. Carrier (1996: 12) notes that intrapreneurs strive for the classic material aims: promotion, access to capital shares, innovation boni, "higher income than elsewhere". Duncan (1988: 19), however, suspect in a Schumpeterian manner that advances like these do not interest them: "Intrapreneurs rarely have the interest or temperaments required for line and staff management positions. (...) Intrapreneurs need freedom to create, not more responsibility in managing old ideas". And Shays (1984: 20) finally points out that there are also in-house barriers for an unusual payment (forms) for internal entrepreneurs: "Most large companies don't like to see innovators earn amounts substantially more than salaried managers, even if the innovators are directly responsible for substantial incremental revenues." A monetary incentive system which *eo ipso* adapts on external markets must therefore first be simulated inside the organisation, and then of course it represents a match-ball for micropolitical power struggles reflecting the different (power) positions. Moreover till now, it is hardly recognisable, though, that with SMD and with the re-distribution of risks, a corresponding change of the bonus distribution comes along. Till now, problematic management actions have rarely produced salary cuts, and just as rarely have output-related bonuses for employees (except for stock option programmes) succeeded (cf. Priewe 2001: 119).

Whilst board executives and managers, due to stock option plans, even profit from cases of economic losses (e.g. by windfall profits; see critique of the German corporate governance commission), intrapreneurs on the other hand have to expect that they are made responsible for losses or failed projects due to their weaker and less protected position, even if they could not influence the causes like in cases of unfortunate market developments.

It is this power based *staging* of an intra-organisational market, that represents the delicate subject related to Pinchot's (1988: 43) eighth commandment for intrapreneurs: "It is easier to ask for forgiveness than for permis-

sion“. This commandment postulates to start innovations and to be initiative instead of waiting for hierarchical instructions. This seems to be an argument aiming primarily at successful cases. The intrapreneur makes himself clearly dependent on the goodwill of his supervisors if he carries out suggestions like these: “The corporation and the intrapreneur must look at the contract more as a moral than a legal commitment. Intrapreneuring is founded on confidence and trust“ (Duncan et al 1988: 20). Instead for the intrapreneur it seems due to the basic problem of the unclear success chances of every project advisable to protect himself early in case of the failure, best by having an influence on the rules of the micropolitical game. The more precisely the status of an internal entrepreneur is defined in an enterprise the less resources he will have to invest into the creation of internal legitimacy. The legitimisation of special clearances can relieve the intrapreneur and protect him from unexpected management reactions in case of his failure which is conceded in the literature, too: “Top-Management with its pious pronouncements and protestations encouraging risk taking, even if it fails, sometimes has the unfortunate propensity of blackballing those who do try and do fail“ (Prasad 1993: 38).

There is no doubt. In case of his succeeding or when there is a large “demand“ for intrapreneurs, their power positions improve equally. There is however a well-founded suspicion that in case of a deterioration of the economic framework conditions a fast change will occur. The bursting of the dot.com bubble spotlighted this: The highly qualified employees changed their preferences drastically in the course of the year 2000. In the February edition the management magazine “Chief Executive“ still predicted an “intrapreneur exodus“ to the New Economy (Gottenberg/Stuart 2000), and at the end of the year in view of the approaching recession one could note a “longing for the guaranteed salary“ in the large enterprises by the same group (Der Spiegel, 51/2000).

If once committed to his specific “market relations“ the intrapreneur is limited in his exit-possibilities, and this differentiates him from the classic entrepreneur. There is only one demander for his supply making him strongly dependent on his goodwill: “The marketplace for ideas is a monopoly: there’s only one buyer. There’s only one place to pitch a new idea-up the chain of

command: and all it takes is one *nyet* to kill that idea.“ On external markets the situation for innovators is totally different: “The hope is that if one says no, another will say yes“ (Hamel 1999: 77). The renunciation of the formal freedom to choose (as a central component of market concepts) therefore represents a considerable rise of risk for the intrapreneur: tied to it he is completely at the organisation’s mercy.

### *Intrapreneurs between power and market*

On the part of economics the only “half-hearted“ market-centred restructuring of organisations has occasionally been criticised. Hodgson (2001: chap. 17) for example complains about the “staged“ character of internal markets. As empirical evidence shows the same can be claimed for intrapreneurship, too. One reason for this might be management’s or owners’ worry who see the new protagonist falling completely through the usual control grids, because from an intrapreneur’s perspective both groups almost turn into outsiders in relation to his projects. Often, the control of internal by external protagonists turns out to be a chimera (as we have shown with regards to the control of managers by external protagonists like funds Dörre/Brinkmann 2005; Windolf 2008). The construction of new insiders like intrapreneurs, due to information asymmetry, follows the same logic scaring those who are in charge of control since “due to information asymmetries the intrapreneur knows typically more about the potential of the venture than the relevant resource allocators“ (Czernich 2003: 2). Therefore it can be observed that hierarchical and market-centred control modes do not interchange but work simultaneously. From a management perspective this absolutely makes sense since only those power resources that are “nurtured“ by a hierarchical arrangement ensure a continuing direct control over the employees and thus help to avoid the “control dilemma“ (Tullius 2001) appearing with the SMD.

Therefore one has to analyse carefully, whether the top-down transfer of power by the management and rise of control competences claimed for the employees can actually be verified empirically in each case. With regards to the fulfilment of new participation promises this has already been questioned above. One starting-point for the explanation is the model idea of the “mar-

ket“ sketched before. The disappearance of the classical power pyramid is too much identified with a disappearance of power as such. “From this view, the organisation is no longer a pyramid of power but a web of changing business relationships held together by clusters of internal enterprise: as in any market“ (Halal 1996: 37). However, markets provide a form “action control“ and a “financial sanction mechanism“ (Heinemann 1976: 55) representing far more than an a-historical medium for pricing, and an arbitrarily installable place for the exchanging of goods. Markets are based on specific cultural and historical institutions and norms, rules and procedures, routines and structures (e.g. with regard to the intensity of the competition) which often get lost in a de-historicising market ontology.

Therefore one would like to object Halal’s quotation: “as in any market“ there is a lot more besides a rational logic of exchange, just like the power (relying on external, non-market resources) of a management or the owner to prescribe the rules of the game. Part of this is the continued existence of a hierarchy during the establishing or staging of an internal market.

Thus a number of the advocates of the intrapreneurship conception abstracts too strongly from the interests of the organisational protagonists involved. Not all managers agree with the changing role “from boss to mentor“ (Shays/de Chambeau 1984: 20) not all of them actually strive for the best mix of control and freedom for the *organisation* demanded by Halal (1999): “Wise executives will try varying degrees of control and freedom to find that mix that best suits their organisations“. Against the mystification of the “new freedom“ one could put forward an ironic quotation, noted by Ortmann (1988: 20) in a different context but with a view of the persistency of intra-organisational power relations: “On the other hand the water still flows downhill”.

One further point should be mentioned here: markets do not represent power-free social situations, and no one can assume that decisions in internal markets are taken exclusively with reference to market indicators, either. Furthermore internal markets comprise only a part of all organisational interactions and contrary to different claims “rational market criteria“ often are not the central motives behind economic action. Poppo (1995: 1847) sketches some of her results: “Suppliers choose not to trade in the internal

market to avoid contentious haggling over profits or unfair trades“. This is not a completely new finding: Eccles/White (1988) had already pointed out that it is not only the price influencing the rationality of decisions, even if interactions are realised on markets: in profit centres for instance the protagonists chose the more expensive supplier just to avoid internal transactions. The following paragraphs exemplify that the selection criteria of transaction partners can be relevant for intrapreneurs, too.

### *Competition or co-operation?*

Of course, even classical hierarchically enterprises were facing intra-organizational competition relations. These were not the central structuring basic concept, though. This changes in the process of the ongoing SMD in(to) the organisation now. The trust argument explained above points out that even with market centred operational relations, a high trust level promotes better preconditions for multi-period transactions/games (Brinkmann/Meifert 2003) which is also true for intrapreneurs who are dependent on highly cooperative forms of operational relations, since they are the ones who are expected to establish those “new combinations“ between different operational units due to their ability for innovation: “Intrapreneurs also use social capital to build support for their projects and gain legitimacy within the organisation. This social capital is usually embedded in trust.“ (Zahra et al 1999: 183; Wolcott/Lippitz 2010).

The search for the intrapreneur-“teamworker“ (Reitz 1998) who, due to his innovative power, exceeds the traditional intraorganisational demarcations (“demarcation crossing made easy”, Pinchot 1988: 276), is therefore understandable, but is in contrast to Schumpeter’s objectives of the entrepreneur: “His motives are quite egotistical,– even in the meaning of ‘increased egoism’, inconsiderateness. He is lacking tradition and relations; he gets things moving by breaking all ties“ (Schumpeter 1997 (1911): 134). His “ability for single-handed efforts“ (130) is a feature that supporters of the intrapreneurship refer to. They emphasize the specific basic attitudes of the “lone fighter“ (Pinchot) who does not seem to feel a sense of belonging in co-operation relations. How else could one understand the intrapreneurship

commandments 2, 3 and 6 set up by Pinchot: “(2) Avoid all orders which can stop your dream. (3) Do anything necessary for the realisation of your aim, no matter what your actual task description looks. (6) Try to stay underground as long as possible, too early publicity could mobilise the immune system of the enterprise“. Those who act faithfully according to these maxims do suspect (perhaps for good reasons) an obstruction of his idea behind every bush. On the other hand, however, trust theory teaches that strongly opportunistic acting destroys trust and co-operation relations (Brinkmann/Seifert 2001).

In the end the extolled work in this “underground“ represents a specific version of protection within unstable transaction relations. Intrapreneurship thus aggravates the problem of a potential neglect of the co-operation aspects existing anyway in competition relations, because intrapreneurs almost inevitably reproduce those information asymmetries with the acceptance of a responsibility for the resources used. Principal-agent theory has explained that information asymmetries can cause a misinterpretation of pros and contras by market participants, or a misuse of such imbalances leading to the discrimination of one of the parties.

So Akerlofs (1970) “lemons“ problem re-appears here in a varied version, indicating the danger for the necessary trust level. The founding of transaction cost-minimising trust is not uncomplicated in competitive contexts. One can doubt with North (1992) whether with the new costs (for information procurement, control, signalling and screening) a favoured market solution actually represents a more efficient solution and thus would not increase the transaction costs instead. This constellation gets particularly “explosive“ considering that the potential intrapreneurs who are expected to build coalitions in the organisations actually forge coalitions with this attitude: with regards towards a management that is possibly sceptical due to insecure prospects of intrapreneur projects and their own shrinking control capacities, and that has to experience at the same time that its own position is endangered by the freedom granted intrapreneurs who can be expected to be unwilling to subordinate themselves as traditional employees did.

Empirical research gives some hints and cases (for example in the context of setting up lean production, see Dörre 2002), when a suspicious manage-

ment dumped far more powerful constellations than the project of an intrapreneur. Their resistance towards a hierarchical subordination therefore was one of the first doubts expressed in the debate on internal entrepreneurship: “This reaction to authority is the very style of entrepreneurship and makes this person a weak link in the chain of command in the corporate hierarchy of authority“ (Ross 1987: 25).

With regards to their “former“ colleagues intrapreneurs might get unpopular, too: As creative destructors they break “through the automatism of a balanced circulation“ (Schumpeter 1997 (1911): 112) and

- a) represent a threat to positional and functional traditions if they, as announced by theory for example begin to do a market research on their own or if they
- b) use scarce resources in direct competition to other employees.

Thus Pinchot gives the advice to the management (on his homepage) to trust the intrapreneurs and to give them all support of a material and personnel kind they demand: “Since resources are not infinite, managers may have to take these things away from other people who are not intrapreneurs.“ In this situation, intrapreneurs might invest a high part of their time and resources in complicated internal exchange processes to escape isolation or even boycott by other employees (Prasad 1993).

### *Market-centred disintegration and cultural reintegration?*

The process of shifting the market demarcations into or within organisations produces different dis-integrative and centrifugal tendencies. At the same the integrative effect of a common organisational goal sinks, if the specific sub-entities of the enterprise gradually follow their own logics. Again this is not a completely new phenomenon, but in the past this was not an intended effect of managerial decisions.

However, in how far can this fluid phenomenon of autonomous units called “enterprise“ or “organisation“ be distinguished from a “normal“ market place? Since Coase (1937) the question about “market or organisation“ is answered by institutional economics in this way: the transactions

necessary for the construction of goods take place in an enterprise, and not on the market, if the sum of the production and transaction costs is lower in the enterprise than on the market. Therefore internal markets represent a logical break in this wide-spread organisational theory. So one can fully agree with Ellig (2001: 230) in this consideration: "If administrative direction minimises transaction costs, there seems little justification for wholesale replication of market institutions inside the boundaries of the firm. On the other hand, if introduction of prizes can improve upon administrative resource allocation, then downsizing seems more appropriate than internal markets." Among the advocates of the intrapreneurship conception this dichotomist logic undergoes a shift towards an *as-well-as-maxim*, since they do neither want to do without the advantages of the market nor without the organisational form "enterprise". Virtually they therefore might answer the famous question "Make *or* Make" with the motto "Make *and* buy!"

What does this mean with regards to the phenomenon of organisational disintegration? The loosening of former obligations to the common goal often takes place in two typical steps: At first there is the creation of market-centred entities, like centre structures, that are still focused on a predefined direction but already following own logics since they have to fulfil performance duties. Intrapreneurship represents a step forward. It is the explicit programme to leave traditional processes and products behind in the context of creative destruction and to pursue one's own goals.

One can learn a lot about the advantages of market centred organisations (like innovation and adaptation speed), but can find very little about the problem of patching up enterprises that are drifting apart. As a rule, there are generally two argumentative strings: First there is the classic faith in the invisible hand of the market occasionally modernized by insertions of chaos theory: "To use a phrase from chaos theory, the central advantage of an internal market system is that it 'creates spontaneous order out of chaos'" (Halal 1996: 49). One can object that this is rather a market balance and less an organisational order. Thus the attempt to found an intra-organisational cohesion is expected somewhere else: Great hopes focus on a connecting and obligatory common norm set within the enterprise: the corporate culture.



Certainly, the worry over organisational cohesion was part of the debate about internal entrepreneurship from the beginning (Fisher 1984), but the more it became clear that entrepreneurial activities within the enterprise consist not least in breaking traditional norms and that intrapreneurial freedoms more than everything else means to remove many classic organisational ties, the louder the call for an integrative corporate culture as (Prasad 1993) as centripetal power was.

As Halal puts it: “Social norms support the enterprising infrastructure. (...) an internal market must be augmented by an entrepreneurial culture that stresses individual initiative, change, and mutual support“ (Halal 1994a: 76). “Emancipated from bureaucratic barriers” the new intrapreneur thus shall be put in new controllable bonds. In this way the disintegrative conception of an enterprise consisting of internal markets is backed up by the integrating concept of “Vergemeinschaftung“ in a common “Culture club“ (Ellig 2001: 235) to stop a possible costly opportunism: “As a set of constraints both internal and external to agents, corporate culture reduces static transactions costs by reducing opportunism. Opportunities for opportunism may arise, but agents refrain from taking advantage of them because engaging in opportunistic behaviour imposes psychic disutility, is punished by social sanction or is perceived to be inconsistent with their long-term best interests. (...) Corporate culture reduces these (dynamic transaction) costs by giving people in the same organisation a similar set of mental models and visions“ (ibid.). The protagonists of the SMD remind one of Goethe’s sorcerer’s apprentice, causing great trouble since he could not get rid of the spirits he himself had called before. Like the brooms there the Intrapreneurs can no longer be controlled, either. And instead of the “master“ one tries to control them now by using the integrative power of a common normative background: “Prepare the organisation by shaping a culture that fosters enterprise“ (Halal 1994a: 81). In this theoretical tradition corporate culture as a restrictive frame work clearly represents an important distinction between internal and external markets. Though, and here critique starts, these ideologies of “Vergemeinschaftung“ must virtually abstract from traditional and newly-arising antagonisms of interests. Thus the most important task of management is seen in the creation of a “corporate community“ to limit the problematic effects of

markets. On the one hand one can wonder about the under-complex way problems induced by markets are described (just like the relation between self-interest and “common“ interests). On the other hand this corporate culture concept takes a path which was already described as a functionalist dead end (Brinkmann 2002).

*Two different speeds: intrapreneurs and the shareholder value capitalism*

Finally clear dis-functionalities of the intrapreneurship concept come to light if one discusses them in the context of the common shareholder orientation.

As shown above, an advantage of internal markets for the management is seen in the simplification of control, by an output orientation underlying cost calculations to the internal units as clear as possible. This advantage is lost in intrapreneuring since the output, the result of the open process of creative destruction is necessarily insecure, after all the missing possibility to plan innovation was a central starting point of the approach. And investments by intrapreneurs are just different from “normal“ investments, since they do not represent simple prolongations of old ways (Czernich 2003). “Are some units suffering losses? A market would let them fail because they do not produce value“. Halal’s (1994a: 79) claim is therefore full of prerequisite, and doubts about the actual possibility of calculating the “value adding“ of a profit centre or the costs of decentralisation are part of the debate from the beginning (e.g. Eccles/White 1988). Due to the uncertain contribution to the increase in value of an enterprise and due to its high ambiguity (one should consider the ambiguous and unclear start of such a project) intrapreneurship seems so to be an obvious alien element in the shareholder concept.

Moreover shareholder value’s short term orientation is a fundamental contradiction to intrapreneurship whose investments can pay off only in long terms since the development of a new product, a new technology or a new market is always a long-term project: In some cases it can last for several years until an innovation can be commercialised effectively if at all.

This short term perspective might lead to other results with risk-conscious intrapreneurs than with employees/workers; due to the personal responsibility and/or participation they are particularly susceptible to an intimidation of

resource withdrawal or in the metaphorical language of the consultants: “Nervous money makes the innovations expensive and inefficient. It keeps the intraprise from performing well and will lead to its failure“ (Pinchot 1988: 270; for a critique: Dörre 2002: part 4: 2.2). The speed of shareholder capitalism, and the intrapreneurs’ dependence on external decisions, represent another high-risk context: the high frequency of changes in the management. The loss of a supporter can mean a fast end to the project: at least sustainable working is always endangered. “Too often a manager who promotes them leaves the intrapreneurs already before the project bears fruit“ Pinchot (1988: 272) puts it. Since the publication of his book this facet of the problem has intensified considerably, his plea for a “long-term thinking“ (ibid.) therefore sounds rather helpless from a today’s perspective. There is even a more unfavourable phenomenon: the larger the enterprises and the stronger they are dependent on the capital market, the stronger they are exposed to a shareholder orientation and the imperatives of financialisation, both representing short term orientations. This means: particularly those enterprises that, due to their bureaucratic structure, hope for revival by intrapreneurs, offer rather bad prerequisites for their work.

### ***4.3 An intrapreneurship-society?***

If one returns to the origins of the approach of internal markets and intrapreneurs, one recalls that the central assertion was to transfer a process from the society level (perestroika) into the organisation: “Markets can be chaotic, but they are spreading around the globe because they excel over the other alternative, central planning, whether in communist governments or capitalist corporations. *In both nations and organisations, planned economies are too cumbersome to cope with a complex new era, while free enterprise, either internal or external, offers an economic philosophy able to produce adaptive change rapidly and efficiently*“ (Halal 1996: 34). In a reversed direction some authors develop a societal “utopia“ starting from an organisation level.

After the market approach was first used in a rather defensive manner, this changed in the course of the debate since “this is the philosophical foundation that gave birth to the United States and that has been bringing down dictator-

ship after dictatorship in recent years“ (Halal 1997: 18). A societal ideal suddenly arises from a simple restructuring concept for trimming organisational economic units to be more innovative and efficient. The central term of this reassignment is an equation of society and organisation: “It is useful to compare organisational economies with national economies because the same principle applies“ (Halal 1994a: 78).

In Pinchot’s (1988: 365) view intrapreneurs advance from protagonists of an organisational perestroika to protagonists of hope and liberty for the whole society, though his texts give only some hints: “At a much smaller level the enterprises are also confronted with all these questions. Till now, they were organised if they wanted to answer them with the structure of a socialist state. The enterprise owns the means of production and takes care of the employees. (...) So the work of the intrapreneurs is not only a method to increase the standard of innovation and productivity in organisations although of course this is also the case. It is more important that it is a way of organising large-scale enterprises so that the individual can make full of joy a contribution to the life of society again“ (ibid.).

In his later publications Halal has developed the basic idea further: “While the ‘80s focused on the need to free economies from government control, now the crucial need is to redefine the role of business vis-à-vis society“ (2002: 272). Now he advertises this market centred, “democratic enterprise“ with its intrapreneurs as a foil for the entire society: “If corporations further develop this quasi-democratic form of governance, business could be transformed into an institution designed to serve both capital and society“(Halal/Taylor 2002: 270).

This upgrading of entrepreneurial freedom as a constitutive societal principle, and its mistaking for democracy, is a direct result of the false estimation of market-centred association and a fatal undervaluation of several extra-economic factors of “Vergesellschaftung“. It would require an additional text to get in more details. Here it can be noted that it is certainly not a functional concept for societies not least because it has already proved to be a dysfunctional at the organisation level.

## 5. Summary

This text discusses the concept of the internal entrepreneur as a special case of the marketisation of organisations or rather and more precisely: of the organisational SMD (shifting of market demarcations) which has become more and more popular in the last two decades. As a consequence of the breakdown of the planned economies in 1989-91 market and entrepreneurship experienced a strong revival. In the following decades these concept were transferred to intra-corporate contexts as “internal markets“ and – which was in the focus of this text: “intrapreneurship“.

The supporters of intrapreneurship offer far-reaching promises, raising high expectations towards solutions to efficiency problems, reduction of costs and improvement innovations. The employees affected are promised more justice, improved self-realization as an intrapreneur, a better self-determination and organisational participation in the “corporate community“ of the “democratic enterprise“ (Halal 1996: Chapter 3).

Models are often symbolic constructions, and particularly the half-life period of management models within the last few years has proved to be short (Deutschmann 1997: 57). Thus one could expect the intrapreneur to fade from the scene after a while, especially if one considers that his longer-term orientation considerably differs from the short term thinking of the shareholder approach. Nevertheless the accurate fit to SMD might produce a relative stability, though. It might prolong his persistency considerably if the intrapreneur actually turns out to become a new role model. However this would presuppose certain compromises (one should consider the slow development of the fordist “normal worker“ as a former role model) that could stand at the end of a long micropolitical conflict about the rules of the game of intrapreneurship.

However, in view of the internal inconsistencies and incompatibilities of the concept discussed above a postfordist compromise with the intrapreneur in its centre still seems improbable. Scepticism prevails, because the promises of democracy, participation and freedom are closely connected to the question concerning the voluntariness of intrapreneurship, and concerning its

operational arranging, especially the distribution of incentives and risks. Today, it often seems as if, with the market demarcations, primarily the risks are shifted, too. While formerly the organisation membership was provided with far-reaching rights the zone of precariousness now reaches deep into the organisations (Brinkmann et al. 2006; see the first chapter by Dörre in Dörre/Lessenich/Rosa 2009). Thus if intrapreneurship only serves to load the employees with risks and output-responsibility (and this danger is obvious) the concept might have no great future since it can hardly gain hegemonic support by the respective employees.

In general the reference to the entrepreneurship model within intrapreneurship concepts is rather contradictory: often it is neither a voluntary entrepreneurial involvement; the information provided, let alone the competences and resources granted do not at all correspond to the high risk and responsibility assignment (within the organisation and also toward oneself) that occasionally comes up to the one of managers. The same can be noted with regards to the payment according to bonus systems. Against this backdrop intrapreneurship might imply potential conflict and develop intra-organisational opposition; if one considers its hidden if not subversive character: its managerial advocates will have to put up with the claims that might be stirred up with their promises: granting intrapreneurs the necessary freedom *not only verbally but also de facto*.

The amorphous role definition of the dominant protagonists is one of the key problems of the approach discussed. It confronts him/her with incompatible and virtually indissoluble role demands. Problems in the balancing of co-operation and competition which make the model sway from demanding the lone fighter and the team worker at the same time remain unresolved, too. This leads to the difficulty: whether and how a social context consisting of intrapreneurs can provide cohesion and commitment in the long run, or in other words: which relation of inclusion and exclusion will be striven for? Can stability at all be attained under the conditions of permanent intra-organisational demarcation violations? In any case these problems are not soluble with a cursory corporate culture initiative to found cohesion since its instrumental character will hardly be overseen.

Altogether, the approach reveals a selective understanding of market underestimating the intrapreneur's involvement in micropolitics and the relevance of ongoing conflicts of antagonistic interests. Still the question remains unanswered: Why should conflicts of interest not arise newly and at a new level after a market centred reorganisation?

Therefore fantasies of "Vergemeinschaftung" as an organisational model must be regarded critically. Moreover: They prove to be completely unsuitable if "enlarged" from the corporate level to the society as a whole, manifesting only a limited (neoliberal) understanding of democracy and ignoring the massive failure and scepticism of market-centred restructuring of society as in post-1989 Eastern Europe or during the current financial crisis (see Brinkmann/Pickshaus/Satzer 2011). Thus one could rather suspect the opposite: At least for some occupational groups Sennett's (2002; 2006) fears that the ubiquitous flexibility demand threatens to lead to a social disintegration with corresponding consequences for a democratic participation already seem to have become true, no matter if one defines the protagonists as intrapreneurs or still as flexible employees.

A generalisation of the approach, however, might possibly lead to a politicisation in a sense of resistance: Lehndorff (2002: 46) could be right if he suspects that stimulus for a political/societal questioning of the postfordist production model might come into being not from the organisational level, but from its interweaving with the whole society.

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