

A Social Intrapreneurship Impact Study: How Social Intrapreneurship Affects Firm Performance Measured by Financial Performance and Social Impact

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ABSTRACT

The paper offers an empirical study on the economic and social impacts of Social Intrapreneurship. As companies continue to find new strategies to open their markets, increase their performance, and achieve sustainability, Social Intrapreneurship has offered the promise of offering social impact while gaining financial performance to build sustainable business growth in new untapped markets. This research offers empirical evidence of the impact of Social Intrapreneurship towards Firm Performance, measured by perceived Financial Performance and Social Impact. Primary data was collected through a questionnaire, and the results analyzed using SmartPLS 3 (Ringle et al., 2015). The study seeks novelty in developing a measurement tool for Social Intrapreneurship and a combined measure for Firm Performance which covers both economic and social value. It also offers empirical analysis showing Social Intrapreneurship explaining up to 63.9% of the variance in Firm Performance. The study contributes to practice by encouraging companies to pursue Social Intrapreneurship as they can expect an increase in firm performance from both financial and social impact.

Keywords

Social Intrapreneurship, Firm Performance, Financial Performance, Social Impact

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Introduction

More and more businesses are expected to contribute to both economic and social impact. One of the expected outcomes of the social intrapreneurship is the creation of shared value through the ability to identify opportunities for both financial and social impact (Porter & Kramer, 2011). This view is shared with many others which see society and business as interdependent where any social engagement done by a business is expected to result in social impact and financial performance (Grayson et al., 2014). Social intrapreneurship can also be defined as social entrepreneurship in an established organization (Mair & Martí, 2006). It became popular after a report by Elkington (2008) that referred to social intrapreneurs as the best employees a company could have. Furthermore, Alipour et al. (2011) suggested that the way learning organizations achieve performance is through intrapreneurship.

Another term used for social intrapreneurship, corporate social entrepreneurship, has been given an academic definition that puts focus on delivering profit and social change by leveraging external and internal resources (Hadad & Cantaragiu, 2017). Bellostas et al. (2016) pointed out that targeting social value would enable companies to obtain economic value. However, Agafonow (2013) argued that social enterprises target social outcome while only satisficing economic value. Previous studies have researched the impact of social entrepreneurship (Bellostas et al., 2016; Dwivedi & Weerawardena, 2018; Weerawardena & Sullivan Mort, 2006) and intrapreneurship (Antoncic, 2007; Rivera, 2017; Zahra, 1995). However, Kolk et al. (2014) pointed out that most social innovation impact studies do not cover profit-oriented companies. Meanwhile, Venn and Berg

(2013) found that literature on social intrapreneurship lacks empirical studies. Therefore, this study is an attempt to fill that void offering an empirical study on the impact of social intrapreneurship towards firm performance based on quantitative analysis measuring firm performance through perceived financial performance and perceived social impact.

This study focuses on the Indonesian E-commerce industry which is expected to contribute to the economic and social development of Indonesia. The digital economy, in general, is highly anticipated as one of the major industries to play a dual impact role. Not only to help increase GDP and foreign investment but also to help develop the well-being of society as a whole. It is believed that the digital economy can increase SME revenues by up to 80%, increase employment rates by 150%, and make businesses 17 times more likely to be innovative (Deloitte, 2015). More specifically, E-commerce is proven to be a powerful accelerator for economic development (Popescu, 2015) as various studies have shown a positive correlation between e-commerce and economic development in various countries (Anvari & Norouzi, 2016; Couture et al., 2018; Makhosheva et al., 2015).

Materials And Methods

Error! Reference source not found. shows the conceptual framework where Social Intrapreneurship is reflected by items from seven dimensions and is hypothesized to positively affect Firm Performance, which is reflected by items from two dimensions. This study is based on a conceptual framework that connects Social Intrapreneurship to Firm Performance from two aspects: financial

performance and social impact. Therefore, the hypothesis proposed is:

H1: Social Intrapreneurship is positively related to Firm Performance

The survey questionnaire was developed by combining measurements on Social Entrepreneurship and Intrapreneurship. It took the Intrapreneurship dimensions of New Business Venturing, Self-Renewal, Innovativeness, Risk Taking and Proactiveness from Antoncic (2007) and added the Social Entrepreneurship dimensions of Social Opportunity Recognition and Social Value Judgement Capacity from Mort et al. (2003). The result was a forty-two-item measurement for Social Intrapreneurship. The measurement for Firm Performance was developed by taking five items to indicate financial performance taken from measurement items which have been widely adopted by previous research (Bello et al., 2016; Kim et al., 2011; Venkatraman & Ramanujam, 1986) and taking three items to measure perceived social impact adopted from Bellé (2014) and (Grant, 2008). The result was a questionnaire with fifty questions to measure the two latent variables.

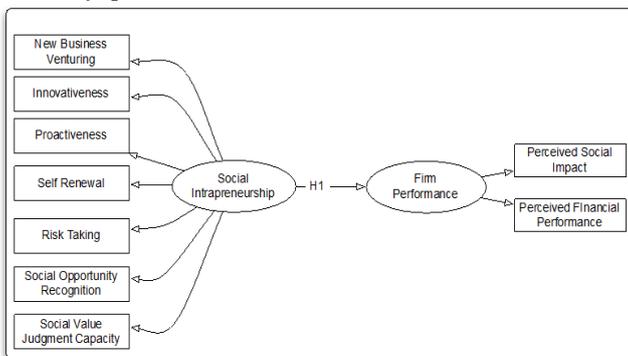


Figure 1. The Conceptual Framework

The questionnaire was developed in English first, then translated into Bahasa Indonesia. Before releasing the questionnaire, the fifty items in both languages were checked for face validity and ease of answering by consulting three respondents from the e-commerce industry (Judd et al., 1991; Sekaran & Bougie, 2013). This resulted in a shorter questionnaire of thirty-three questions. The research used electronic data collection as previous research had proved this method would offer response rates as high or even higher than traditional mail methods (Baruch & Holtom, 2008). The final questionnaire was inputted into an online survey tool. The unit of analysis was companies, and the population of the survey was e-commerce companies which were members of the Indonesian E-Commerce Association (idEA) based on the membership directory in June 2014. Simple random sampling was used to choose samples from the directory with a target to achieve at least thirty-three respondents to achieve a statistical power of 80% for detecting R2 values of at least 0.5, with a 5% probability of error (Hair et al., 2014). The survey links and a cover letter guaranteeing anonymity were emailed to the top management of the selected samples. After following up twice, the survey returned forty-one responses which were higher than the thirty-three needed to achieve statistical significance. All forty-one responses were used as samples for further analysis using SmartPLS software (Ringle et al., 2015).

Results And Discussion

To analyze the results, first, the indicators with loading factors below 0.7 were analyzed to see if their removal would impact the Average Variance Extracted (AVE) and composite reliability of each variable. The first step of the analysis was to analyze the impact of removing indicators with loading factors lower than 0.7 towards AVE and composite reliability. Based on this reliability test three indicators were removed from the original thirty-three, resulting in a model that consisted of indicators with loading factors above 0.6. Therefore, the reflective measurement models reached indicator reliability for exploratory research (Hair et al., 2014). **Error! Reference source not found.** below lists the thirty indicators used in the final model with their loading factor for each corresponding latent variable.

Taking a closer look at the loading factors of the indicators of Firm performance, the indicators that measure Financial Performance all had loading factors below 0.8, while all the indicators measuring Social Impact had loading factors above 0.85. Therefore, the impact of Social Intrapreneurship towards firm performance seems to be higher towards the social aspect than the financial aspect.

Table 1 Loading Factors of Reflective Outer Model

	Indicator's Short Description	FP*	SI*
FPPFP01	Financials outstanding in 3 yrs.	0.659	
FPPFP02	Financials better than competitors in 3 yrs.	0.731	
FPPFP03	Sales Growth outstanding in 3 yrs.	0.631	
FPPFP04	Profitability better than competitors in 3 yrs.	0.713	
FPPFP05	Sales Growth better than competitors in 3 yrs.	0.768	
FPPSI01	Conscious about positive impact on society	0.862	
FPPSI02	Very aware how benefiting society	0.878	
FPPSI03	Feel there is positive impact on society	0.857	
SInBV01	New business via existing products		0.729
SInIn01	Prod. dev. Emphasis		0.785
SInIn05	Many new products		0.740
SInIn06	New IP emphasis		0.692
SInIn09	Tech. Innovation emphases		0.812
SInIn11	Revenue from new products		0.636
SInIn13	New product innovativeness		0.769
SInIn14	Tech. innovation above marketing		0.737
SInIn15	Creates custom process vs. best practice		0.646
SInJC01	Decisions support social mission		0.673
SInJC02	Decision balance between social and profit		0.650
SInOR02	Social opportunity seeking		0.701
SInOR03	Higher priority for social opportunity		0.702
SInPa01	Product ideas ahead of competitors		0.856
SInPa02	Leader in market, making others follow		0.764
SInPa03	Often first to market		0.740
SInRT01	Quick to seize opportunities		0.815
SInRT02	Quick to invest in solutions		0.777
SInRT03	Prefers high-risk, high return		0.817
SInRT04	Bold actions needed to perform		0.751
SInSR04	Organization restructuring for innovation		0.638
SInSR06	Business unit autonomy for innovation		0.677

*FP = Firm Performance; SI = Social Intrapreneurship

As shown in Table 2, the Average Variance Extracted (AVE) of each variable is above 0.5, showing that the constructs reached convergent validity. Meanwhile, Cronbach's Alpha and Composite Reliability are also higher than the 0.708 thresholds, showing construct reliability (Hair et al., 2014). The Fornell-Larcker criterion shown in Table 3 does not show discriminant validity as the square roots of AVE are lower than the respective highest correlation with other constructs. However, Table 4 shows that the HTMT ratio between Social Intrapreneurship and Firm Performance is lower than 0.85, showing discriminant validity using a new and superior discriminant validity criteria (Henseler et al., 2014).

Table 2 Validity and Reliability Estimates

	Cronbach's Alpha	Composite Reliability	AVE
Firm Performance	0.907	0.940	0.919
Social Intrapreneurship	0.959	0.964	0.962

Table 1 Fornell-Larcker Criterion

	Firm Performance	Social Intrapreneurship
Firm Performance	0.767	
Social Intrapreneurship	0.800	0.735

Table 2 Heterotrait-Monotrait Ratio (HTMT)

	Firm Performance	Social Intrapreneurship
Firm Performance		
Social Intrapreneurship	0.763	

Table 3 R Squares

	R Square	R Square Adjusted
Firm Performance	0.639	0.630

Table 5 above shows that the R2 value of the Firm Performance construct is 0.639, which means that 63.9% of the variance in Firm Performance is explained by Social Intrapreneurship (Hair et al., 2014). Meanwhile, the path coefficient of 0.800 in Figure 2 below shows that Social Intrapreneurship has a strong effect on Firm Performance.

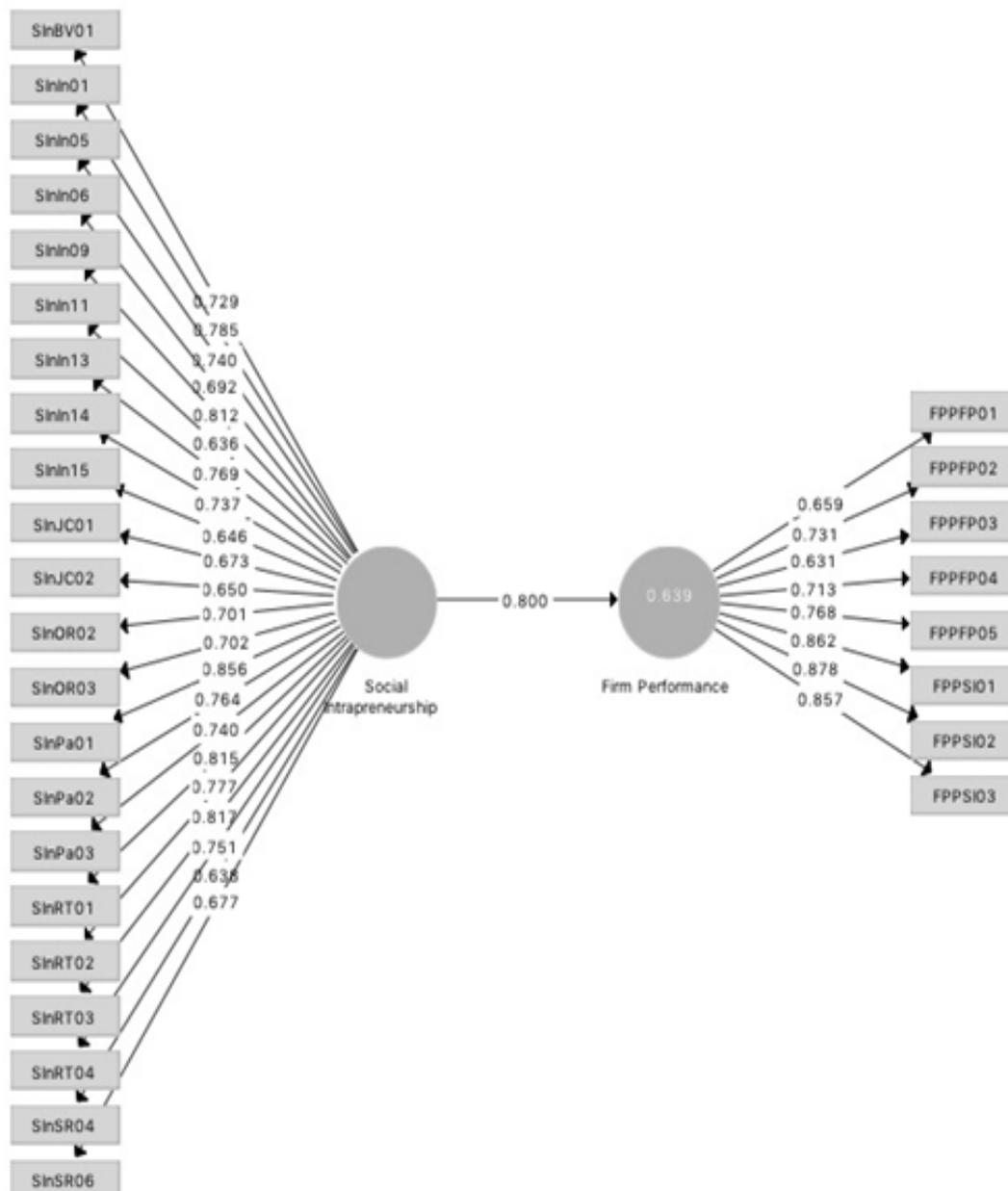


Figure 2. Impact of Social Intrapreneurship on Firm Performance

The final step of the analysis was to run bootstrapping on SmartPLS to analyze the path coefficient's standard deviation, t-value, and p-values. Table 6 below shows the results which form the structural model analysis. The t-value of the path between Social Intrapreneurship and Firm Performance is higher than 2.57 at 19.095, while its p-value is lower than 0.01 at 0.000, making the path coefficient very significant. Therefore, based on the results of this study, H1 (Social Intrapreneurship is positively related to Firm Performance) is highly accepted.

Table 4 Bootstrap Results

	Original Sample Mean	Standard Deviation	T Statistics	P Values	
Social Intrapreneurship_ -> Firm Performance	0.800	0.816	0.042	19.095 *	0.000 **

significant at *t > 2.57; ** p < 0.01

The results of this study have confirmed that similar to intrapreneurship (Antoncic, 2007), social intrapreneurship has a positive effect on firm performance. It also shows that apart from offering organizational benefits such as organizational growth (Rivera, 2017), there is a path from social intrapreneurship to firm performance. The study offers empiric analysis that shows it is possible for for-profit companies to create shared value (Porter & Kramer, 2011), similar to how Bellostas et al. (2016) showed how it was possible to obtain social value economic value from activities by Social Enterprise. But most importantly, this study has filled the gap left by previous studies in finding the impact of social intrapreneurship towards firm performance.

Conclusions

This study has contributed to theory in three ways. Firstly by successfully operationalizing social intrapreneurship with a 22 item measurement based on intrapreneurship (Antoncic, 2007) and social entrepreneurship (Mort et al., 2003). Secondly, it has operationalized firm performance using dimensions of financial performance and social impact. Thirdly, and most importantly, it has contributed to theory by conducting quantitative analysis that supports the hypothesis that social intrapreneurship affects firm performance. This final theoretical contribution supports a recommendation for businesses to see social intrapreneurship as a strategic option in pursuing firm performance with both financial and social dimensions. Therefore, the study contributes to practice as it supports the adoption of social intrapreneurship in organizations to build firm performance.

This study has its limitations as it did not measure other potentially important variables in firm performance, such as the environment, Information Technology, and other resources. Its results may also only be generalizable to the Indonesian E-commerce industry which was used as its sample population. Future research may consider adding

more independent variables, more industries, more countries, and also using covariance-based SEM to test the theory with a larger sample. Future research may also be aimed at studying how big of an impact social intrapreneurship could have to firm performance as compared to other variables that impact firm performance, allowing to put the study into context to see how important social intrapreneurship is. Seeing that the firm performance indicators for social impact had higher loading factors than those measuring financial performance, it may also be interesting to see the connection between Social Impact and Financial Performance

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