

# POSITIVISM AND INTRAPRENEURSHIP: AUSTRIAN ANALYSIS AND ALTERNATIVE

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*Abstract:* Positivism has been a major trend in Social Sciences, impacting intrapreneurship, a creative and disruptive activity that does not fit positivist modeling and planning. The present article tries to understand how Positivism affected intrapreneurship and presents an alternative based on the Austrian theory, using the three-part explanation methodology proposed by Hayek and later improved by Huerta de Soto. Intrapreneurship, conceptualized as innovation inside existing organizations, was affected by positivist quantitative objectivism, static dynamic, and social management. On the other hand, the Austrian theory, based on subjectivism and entrepreneurial alertness and judgment, gives a better theoretical approach to the subject – making possible its unchainment into the necessary corporate skills to develop an intrapreneurial environment: adaptability; decentralization of structures; strategic seen like a process and organizational culture seen as a result of social interactions inside the organization.

*Keywords:* Intrapreneurship; entrepreneurship; management.

*JEL Classification:* B53; M1; O31; O32.

*Resumen:* El positivismo ha sido una tendencia mayoritaria en las Ciencias Sociales, teniendo un impacto en la intraempresarialidad, que es una actividad creativa y disruptiva que no encaja en los modelos y planificación positivista. El presente artículo trata de entender cómo el Positivismo afecta a la intraempresarialidad y presenta una alternativa basada en la teoría austriaca, utilizando la metodología de explicación en tres partes propuesta por Hayek y posteriormente mejorada por Huerta de Soto. La intraempresarialidad, conceptualizada como innovación dentro de organizaciones existentes, fue afectada por el

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objetivismo cuantitativo positivista, dinámica estática, y gestión social. Por otro lado, la teoría austriaca, basada en el subjetivismo y agudeza y juicio empresarial, otorga una aproximación teórica más apropiada a la cuestión – haciendo posible su desencadenamiento hacia las habilidades corporativas necesarias para desarrollar un ambiente intraempresarial: adaptabilidad; descentralización de estructuras, estratégicas entendidas como un proceso, y de cultura organizacional entendidas como resultado de las interacciones sociales dentro de una organización.

*Palabras clave:* Intraempresarialidad; empresarialidad; gestión.

*Clasificación JEL:* B53; M1; O31; O32.

## I INTRODUCTION

Since its conception in the XIX century, Positivism has been a major trend in the Social Sciences. In this sense, positivists, more than considering it a methodological approach, see it as science itself – the only methodology that can improve scientific knowledge. We see this kind of perception in different academic works, such as in the economic essay “The Methodology of Positive Economics”, from the American economist Milton Friedman, or even in the name of the modern management theory, which its founder, the American engineer Frederick W. Taylor, called “Scientific Management”.

So, although Positivism’s effects on social sciences are well known in economics, for example (see Hayek, 1955; Huerta de Soto, 1982; etc.), in other social sciences, it persists as an unbreakable and irreplaceable idol. Frederick Taylor’s “Scientific Management” clearly adopted a positivist methodology, having empiricism, one of Positivism’s major assumptions, as its base.

Inside management, Positivism’s effects are seen in different ways, because management itself is a broader field of research: naturally, some subjects have more influence than others, and there are subjects that “suffer” more from this positivist influence

– and between the last we find intrapreneurship, as a creative and disruptive activity that does not fit in the positivist modeling planning design.

Given this context, the present article tries to understand how Positivism affected intrapreneurship and the intrapreneurial process and present an alternative based on the Austrian theory, which values subjectivity in the market process. In this sense, this article is relevant because we can improve Austrian comprehension about management, adding substantial knowledge to a field until now underexplored in the Austrian theory: intrapreneurship.

Methodologically, we will adopt Hayek's proposition in his book *The Fatal Conceit*, later improved by Huerta de Soto (Huerta de Soto, 2004, 108; Branda and Silva, 2015). This methodology consists of a three-part explanation: theoretical, ethical, and historical-interpretative, chained later through assumptions, historical experience, and the logical-deductive interpretation.

## II

### POSITIVISM AND INTRAPRENEURSHIP

#### 1. Intrapreneurship and the intrapreneurial process

Intrapreneurship is a well-known term, used in different ways by different authors. Regularly, the term is used in a more general way, implying that intrapreneurship is entrepreneurship in existing organizations, referring to new creations *and* innovative activities. In essence, it is innovation inside organizations, either on ventures, processes, or systems (Antoncic and Hisrich, 2003; Pinchot and Pellman, 1999, 1), made by employees inside organizations, creating business value, making possible a better insertion of the companies in the market.

When we talk about intrapreneurship, it is crucial to understand that there are different levels of entrepreneurship inside organizations – they can be more or less entrepreneurial; the pure forms, 100% and 0% intrapreneurial, are just abstractions to understand reality (Antoncic and Hisrich, 2003).

To develop an intrapreneurial environment inside organizations, top management must encourage experimentation; more than that, it must support intrapreneurial activity and reward the energy and efforts expended in intrapreneurial creation.

Inside companies, we find five crucial roles that drive innovation and intrapreneurship: a) idea people: everyone is creative, and part of the management job is to encourage a creative environment, as well as to select the best ideas to implement; b) intrapreneurs: who turn ideas into realities inside an organization; c) intrapreneurial team: people recruited by the intrapreneur to work in the idea implementation – we must highlight that teamwork is a critical aspect; d) sponsors: people who support ideas inside the organization, helping and coaching intrapreneurs to garner the needed resources; e) climate makers: people who create the intrapreneurial climate, making intrapreneurial creation possible and letting intrapreneurs act – they do not interfere as the sponsors (Pinchot and Pellman, 1999, 16).

To make intrapreneurship possible, we need to find the intrapreneurs behind every innovation – and the persistence and imagination of the intrapreneur is the success of any new idea because it requires courage and vision (Pinchot and Pellman, 1999). Pinchot and Pellman (1999) described eight essential points to train and develop the intrapreneurs: a) they need help to find the courage to succeed; b) they need honest, future-oriented feedback; c) companies need to stimulate self-selection: people who do not believe in the project must leave it; d) intrapreneurs need protection; e) companies need to see the deeper values that drive people's actions, going beyond rational profit maximization; f) companies need to analyze team dynamics; g) companies need to be grateful to the intrapreneurial volunteers; h) intrapreneurs need strong sponsorship.

## **2. Positivism effects on intrapreneurship**

After we understood the concept of intrapreneurship, we must highlight how Positivism disturbed innovation inside organizations, as we will present below.

### 2.1. *The quantitative objectivism*

In all social sciences, there is a growing trend of applying math and statistics not just to understand reality and determine laws, but also to predict the future with certainty. Social scientists do not understand the difference between the social and the natural sciences – in social sciences is impossible to discover general laws from empirical experiments, because in the field of human action, statistics are history and just describe what happened in the past, as a result of actions of a concrete number of people, not acquiring the status of a general rule or law (Huerta de Soto, 1982).

To treat unique and not perfectly repeatable events (Huerta de Soto, 1982), management science cannot put all cases in different baskets, trying to obtain the best rule for management from the examples. It needs to understand human action in its wider sense, enabling the manager to read the scenario and its possibilities.

When financial predictions and models of the companies are taken to evaluate the value of an investment, analysts try to forecast, with a higher or lower grade of certainty, what is going to happen. When they do that, they are trying to quantify the company's capacity to generate cash flow and future benefits, even in bad scenarios.

One of the biggest problems with the econometric quantitative approach to financial management is that most of its attributes, related to the physical sciences, forget the characteristic uncertainty of human action. Being the world as it is, it is impossible to determine exactly what will happen in the markets, precisely because the construction of the future depends on a subjective and tacit kind of entrepreneurial knowledge.

As a result, most companies have become paranoid over metrics, trying to measure everything and forecast with 100% certainty what will happen in the future. This measurement and controlling paranoia influence the development of the intrapreneurial environment, because it serves as a guide for developing the managerial systems and procedures adopted by companies. The traditional corporation has a systematized nature with lines of authority, instructions, mandates, and control mechanisms that disturb the new venture creation (Hisrich, 1990).

About the relationship between these formalized procedures and intrapreneurship, Pinchot and Pellman (1993) describe that, for at least one century, companies have been formalizing every function in business – movement based on Taylor’s work, trying to appoint the best way to perform every job. The same authors argue that this kind of procedure has affected innovation.

However, managers need to understand that it is more effective in routine activities than in innovation. The intrapreneurship process is a less controlled process inside organizations: the uncertainty of its returns is higher precisely because of innovation and discoveries, as well as the creation and destruction of older procedures and values of the company.

If management adopts an objective view about the organizational process, forgetting that the market is always uncertain and that companies constantly deal with risk, even with regular and well-known activities, trying to quantify and objectify everything, this behavior will inhibit intrapreneurship, since it is a “disruptive” process.

## *2.2. The efficiency seen in a static aspect*

One of the most significant results of the positivist influences in management science is the adoption of the mechanical physics assumptions of the XIX Century – not just its methodological basis, but also other definitions and concepts. It is no surprise that, when we talk about the benefit of an investment, we talk about capital-output or depreciation of company assets. All these terms are borrowed from physics, and despite being useful there, they have a static nature that does not consider the dynamic nature of human action.

In this sense, the concept of efficiency is one of the most representatives – adopting a strictly static character that brings to the social process the same concepts used to measure the efficiency of an engine. Huerta de Soto (2009, p. 5) argues that “the reductionist conception of static efficiency also had a great impact on the business organization from the beginning of the twentieth century when Taylorism emerged.”

One of the central problems of the static understanding of efficiency is that “the static conception of economics reduces the principle of economic efficiency to a simple technical issue of maximization, which in any case could be resolved by a mere computer into which someone would enter the data always presumed known in the models of static efficiency” (Huerta de Soto, 2009, 8)

This static concept of efficiency misunderstands the role of human choice in the market process – forgetting that men have an innate capacity to create new scenarios that cannot be modeled. Models in which all decisions are made without mistakes do not correspond with reality. More than that, they imply that decisions are already ready to be made, within a utopian context of perfect knowledge (Kirzner 1997a, 23).

This influence has a unique effect on corporate financial management: given its mathematical nature, it has a stronger link with the physical sciences – in opposition to other managerial departments, as marketing or human resources. Moreover, the models impact the investment evaluation: the desire and will to quantify and forecast the future have a strong influence on the market analysis, moving the organizational decisions away from the real market. Unfortunately, human decisions are always individual and subjective – so, impossible to be replied.

When a company publishes its quarterly balance, it opens the history of its quarter to investors. However, if we use just that data to make decisions, we forget that other individuals also make decisions with their (and their competitors) balances. So, a decision took with a perfect accounting might not be the best market strategy. A better one requires a contrast between financial history (balance sheets) and future perspectives. In this sense, Mises (1998, 214) already stated that “we must, therefore, distinguish between economic calculation as it is practiced by businessmen planning future transactions and those computations of business facts which serve other purposes.”

This static understanding hindered the characterization of innovation as a critical aspect in every successful company. It implied that investment in R&D was expensive because models could not measure the results of such initiative. After all, it is impossible to precisely measure future conditions, as the future is built by decentralized decisions.

Most companies are filled with accountants and engineers, worried more about discipline, alignment, and control – these are virtues, but cannot be the dominant virtues in the companies of the future. Any company wanting to survive will need to match efficiency<sup>1</sup> and creativity (Hamel, 2000, 26).

### 2.3. *The manager as a social engineer*

Evidently, Taylor's Scientific Management assumptions and analysis were changed to answer its inefficiency in understanding the problems related to organizational management. However, much of its erroneous concepts directly influenced the development of today's management function: management still describes the manager as a social technician.

Management does not comprehend organizations and human action inside them. Based on an inductivist and empiricist approach based on practical examples, trying to build an *a posteriori* theory, it forgets that first we need to understand human action and how men cooperate to achieve their objectives.

Many thinkers have criticized the erroneous assumptions of the Scientific and Classical Management theories, but their criticisms were not enough. Management theories still hold management as the science of shaping the best technician capable of maximizing returns and lead the company, being the manager some kind of omniscient being.

This approach forgets that efficiency, in an everchanging world of subjective valuations and means, is a market process of dynamic construction of better market coordination. In this context, the manager is not a social engineer that, by controlling all knowledge, can direct men as machines to achieve his objectives – as if the employees did not have free will, and it was not necessary to understand human action.

In this sense, while the engineer deals with “known quantities” and the particular circumstances in which he is involved (Hayek

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<sup>1</sup> Efficiency here is used in a neoclassical static way by the author.



1955, 95), his work is not the same as that of a social scientist analyzing social facts to understand their nature. It is impossible to replicate the same conditions, given the different nature of the social and natural worlds.

Besides the fact that management is directly linked with the optimization of resources, it deals with the fact that means are not given by Nature – they are created in the market process. So, the manager is never only an engineer that just decides the use of given resources – he deals with other people who also have their own subjective wants.

The term “social engineer” has been used a lot. There are many criticisms about how positivists define “social scientists” – professionals prepared to employ empirical studies to improve the *outputs*. The comparison between manager to engineer in the positivist approach is perfectly adequate. For *mainstream* management theory, the manager functions as someone who, by his complete knowledge, designs and directs all productive activities, imposing the best routines to his employees.

This is the classical positivist position that took control of the social sciences in the XX Century, including modern management. Hayek says (1955, 16), “no single word of equal expressiveness suggests itself, however, and we shall have to be content to describe this so characteristic of 19th and 20th century though as the ‘engineering type of mind’”.

With the formalization of this pattern, organizations left a small space for their employees’ creative entrepreneurial action – seeing them almost as “operational robots.” As Mintzberg (1994, 537) said, “perhaps the clearest theme in the planning literature is its obsession with control—of decisions and strategies, of the present and the future, of thoughts and actions, of workers and managers, of markets and customers.”

In top-down planning, “the ideal was that of a top decision-maker in possession of a clear and transparent corporate objective function, armed with all relevant data, and working out the optimal course of action for the company for a future whose uncertainty could be handled through scenarios and contingency planning” (Foss, Klein and McCaffrey 2019, 45).

Bureaucratic structures bring high costs, with employees less satisfied and less committed to the company’s long-term goals

– i.e., less productivity in the job. In this sense, “the planning literature expresses clearly the need to make strategy explicit. However, the more clearly articulated the strategy, the greater the resistance to its change — due to the development of both psychological and organizational momentum” (Mintzberg 1994, 472).

### III

## THE AUSTRIAN MANAGEMENT THEORY

After we understood what intrapreneurship is and how Positivism affected it, we can provide another theoretical basis to the subject. In this sense, we use the Austrian theory to understand intrapreneurship and the intrapreneurial process.

### 1. Entrepreneurship

We can structure three perspectives to understand it: a) the occupational approach, which sees entrepreneurship as auto-employment; b) the structural approach, in which the firm or industry is the focus of analysis; c) the function approach, which sees it as a process. The classic contributions made by Schumpeter, Mises, Knight, and Kirzner consider entrepreneurship as a function (Klein, 2008).

But, what is entrepreneurship? Entrepreneurship can be understood as human action itself (Huerta de Soto, 2010, 15); entrepreneurship is the essentially creative nature of the acting man, and what makes it possible to discover and appreciate opportunities to achieve a goal or profit (Huerta de Soto, 2010, 19). Shane and Venkataraman (2000) go in the same direction, defining entrepreneurship as the discovery and exploitation of profit opportunities. For us, the term “discovery” does not mean to uncover what already exists, but to discover *ex nihilo* opportunities, in the same meaning as “create” (Ravier, 2020; Kirzner, 2009; Espinosa, Wang and Zhu, 2021).

For the existence and exercise of entrepreneurship, Dulbecco and Garrouste (1999) appoint that knowledge must be uneven; that is, we must change from an objectivist management to a subjectivist one that respects the action of the real man. Entrepreneurship

depends on objective factors, such as resource availability, technology, consumer preferences, and institutions, all of which are part of the entrepreneurial imagination and determinants of entrepreneurial success (Foss and Klein, 2017).

If we are talking about entrepreneurship, we are talking about the entrepreneur, responsible for all investment decisions. He judges and decides the future of organizations, coordinating their processes (Klein, 2008). But this characteristic of judging and deciding cannot satisfactorily explain the existence of entrepreneurs.

Dulbecco and Garrouste (1999) demonstrate that cognitive leadership is needed to be a successful entrepreneur. Besides, the entrepreneur can intervene to coordinate different individual plans, making his role dual: a) using this judgment, he needs to decide what needs to be done with the market information; b) he is responsible for the organization of the firm, creating different structures to generate one consistent collective action. Mark Casson (2005) and other authors appoint that the entrepreneur also has an important role as information manager, which explains the personality of the successful entrepreneur. For the author, how the entrepreneur disseminates information and motivates his staff is crucial for his success.

## 2. Alertness and judgment

In the Austrian theory, which sees entrepreneurship as a function, there are two different approaches that complement each other in explaining the entrepreneurial actions: the alertness approach and the judgment approach.

Israel Kirzner first introduced the alertness approach. In this conception, entrepreneurship implies an entrepreneurial alertness, i.e., a constant vigilance that allows for the discovery and comprehension of what is happening around him (Huerta de Soto, 2010, 20). On the other hand, Peter Klein and Nicolai Foss, among others, adopt the judgmental approach, saying that what defines an entrepreneur is the exercise of the judgmental decisions made under conditions of uncertainty (Klein, 2008).

These two approaches combined best characterize entrepreneurship: entrepreneurs are alert to discover *ex nihilo* (so, create) entrepreneurial opportunities, judging not just the best opportunities but also the best means available to profit from them under a state of uncertainty. Besides the misconception that these approaches compete against each other, they are complementary to understand entrepreneurial action.

However, the fact that entrepreneurs are responsible for the ultimate judgment decisions on their investments does not mean that all decisions must happen through their hands: the company's employees also can be alert and can judge. To execute his plans, the entrepreneur can delegate part of the implementation process to his employees, however he sees fit. So, employees can exercise their judgment over these delegated activities – a derived judgment coming directly from the employer's original judgment. (Foss, Foss, and Klein, 2006)

The judgment delegation through all organization levels is one key aspect of decision taking: it starts with the delegation of functions to the top managers, spreading to different levels in which employees can judge. However, even with autonomy, the derived judgment always comes from the original one, precisely because asset ownership implies that the entrepreneurs have the right to define contractual relations. More than that, it implies the right to establish the organizational structure preferred by the entrepreneur (Foss and Klein, 2017).

### 3. Organizations

Through time, men developed structures to perform market activities better, helping to improve productivity and creation. One of them was the organization, aka enterprise or company, a fundamental concept to understand entrepreneurship.

Comparing organizations and institutions, Hayek defined organizations as orders created deliberately, with three basic characteristics: a) they are simpler than spontaneous institutional orders; b) the organization is a concrete entity that we can perceive through recognition; c) deliberated orders are characterized by serving someone or some particular objectives (Martinez Meseguer, 2009, 197).

So, organizations are structures created by someone to achieve particular objectives.

In this sense, the enterprise is one “organizational island” that emerges spontaneously to the extent that the entrepreneurs see it as the appropriate mean to achieve their objectives – and the firms require a minimal organization and planning, based on management mandates (Huerta de Soto, 2010, 117).

To enrich this conception, we must highlight the capabilities concept, proposed by Dulbecco and Garrouste (1999): for them, organizations are a set of skills, knowledge, and experiences available to the company, allowing it to develop a series of activities, representing both tangible and intangible assets and created through time in a resource combination process.

Compared to institutions, we can see three major differences: a) organizational rules are not abstract, because they guide the action in a specific direction; b) rules are not tacit, but explicit, because they must guide the actions of all company agents; c) they are specific to the positions that the agents occupy in the organizations (Ioannides, 1999). It is important to note that, even though organizations and institutions have conceptional differences, they are not excludent: indeed, there are institutional rules inside organizations (Ioannides, 1999), even in themes as organizational culture – because management based just in commands inhibits the best development of the entrepreneurial knowledge used inside organizations (Hayek, 1993, 48).

#### IV

### AUSTRIAN THEORY AND INTRAPRENEURSHIP

#### 1. **Intrapreneurship, alertness, and judgment**

In the Austrian judgment approach, employees exercise the derived judgment – derived from the original judgment made by the capital-owner entrepreneur, responsible for the ultimate decision. After all, he/she is the one that faces the risk of losing his/her resources and capital. In this sense, we must appoint that is the exercise of the derived judgment to intrapreneurial creation that

best defines what intrapreneurship is. Intrapreneurs are not just the creators of new ventures, but also the innovators, so we give intrapreneurship a broader sense.

Similarly, an intrapreneurial organization requires, in the first place, encouragement by top-managers: without support, employees cannot create new ventures and exercise intrapreneurship. When we presented the five organizational roles in intrapreneurship, we highlighted the relationship between the intrapreneur and his team – it is composed of the people the intrapreneur recruits to implement new ventures. Here we see the different hierarchical judgment levels in intrapreneurship: they are the ones who receive, as a result of their work, the derived judgment from the higher levels to coordinate and exercise the ultimate decisions about these ventures. The intrapreneurial team members exercise their second-level derived judgment, that come directly from the first-level derived judgment of the intrapreneur, to solve any tasks or take any decisions.

The climate makers can be the entrepreneurs or the company owners that “release” the ability to create an intrapreneurial environment – they allow people to take risks and deal with the uncertainty related to their creative and leadership capacity. So, we can see a relationship between the intrapreneurial organizational level and the top-managers original judgment. In the first point, top-management must decide the relevance of the new venture’s creation if they want to develop an intrapreneurial culture.

By noting that intrapreneurial culture is not *ex nihilo*, we can understand that regular management procedures, based on positivistic influences and formalization patterns, trying to make every organizational movement predicted and objective cannot encourage intrapreneurship – precisely because they only focus on measuring erroneous incentives and short-term financial data, not new ventures creation.

## **2. The subjectivist Austrian approach and the intrapreneurial development**

After understanding how the Austrian theory fits better into the intrapreneurial research, it is possible to present the knowledge

about intrapreneurship, its essential corporate characteristics that generate an intrapreneurial environment.

### 2.1. *Market movements and corporative "behavior"*

Implementing intrapreneurship must be seen by the organization as a learning activity resulting from the intrapreneurial projects and experiences refined through time to understand how the company can best implement an intrapreneurial process, depending on the scenarios and skills available to it.

Intrapreneurship can be seen, in a sense, as a predisposition to organizational learning – reinforcing the role of changes in intrapreneurship: organizations must improve their intrapreneurship learning from past intrapreneurial activities (Antoncic and Hisrich, 2003). And to learn, organizations must be adaptive, extracting information and knowledge from the market process.

Talking about creation and intrapreneurship in the market process, companies cannot be sure about their success. Organizational adaptability and learning arise as two crucial and indispensable skills – because companies can find the unexpected: the serendipies.

So, companies must be alert to understand the intrapreneurial process and maximize their returns from them, either from the expected profits from the new ventures, the use of its creations to other purposes or even to resignify the path to success in the entrepreneurial process, refining the intrapreneurial procedures and methodologies. In other words, to the success of intrapreneurship, the market needs to be seen as a process.

The Austrian approach sees the market as a process – and not a condition of given circumstances. In this sense, in a world of dynamic efficiency, adaptability is a key factor to long-term success. Continued success in the market is impossible if companies do not see adaptability as a strategic skill. If they cannot adapt, they will not withstand changes in the economic environment.

The future is built; it does not just happen. It is not just a predictable situation that we can model, but a result of market interactions and exchanges, in which subjectivism is an innate

characteristic. To make an entrepreneurial analysis of future opportunities, the future can be projected but not modeled and controlled by anyone.

In *Human Action*, Ludwig von Mises perceives adaptability as an essential skill in the markets when he says that, in a free market economy, entrepreneurs need to adapt themselves to the choices of consumers. This is because the businessmen are “servants of the consumers”, needing to adjust his behavior to their demands (Mises, 1998, 241).

Nowadays, with improving consumer’s possibilities, companies that sustain a static analysis of the scenarios while taking decisions have a higher probability of frustrating their expectations. Uncertainty is always present, resulting from the development of open markets. Thereby, adaptation arises as an essential attribute: it is impossible to build a successful company without adaptability – and history gives us many examples of its role.

When someone invests in a company, he does not have a perfect view of the future – he only tries to predict the future wills of consumers. In this entrepreneurial environment that undergoes a permanent process of coordination, it is the consumer who defines the fate of companies, and he changes his necessities and wills over time. In the market process, men re-ordinate their wills and means – and this change has two origins: a) the individual sees *ex-post* that his elected wills/means are not preferable, so he changes his wills; b) the individual, after the satisfaction of his needs, changes his desires to other means or possibilities.

The Coke case is a good example: it was created in Atlanta, Georgia, in 1886 by the pharmacist John Stith Pemberton as syrup. Nowadays, sold as a trendy soft drink, we can see how something created as a medication had a huge acceptance utterly different than that imagined by its creator. It is precisely the company’s adaptability to consumers’ desires that made Coke a phenomenon and a multimillionaire company.

Adaptability is also important for internal organizational processes, i.e., the management structure. As the asset attributes are created and discovered over time, the arrangements that direct its use result from experimentation (Foss, Foss, Klein and Klein, 2007).



## 2.2. *Analyzing the organizational structures through the intellectual division of labor*

To develop an intrapreneurial environment, companies need to be open and decentralized. Companies' resources must be readily available to their employees. Multidisciplinary work must be encouraged in an open approach that is the antithesis of the *mainstream* corporate structure and theory. Intrapreneurship requires a specific decentralized view about the organizational structure – a consequence of what Mises called the intellectual division of labor. Instead of a hierarchical structure, with all the problems that follow it, an intrapreneurial climate requires one flat structure with networking and group work. Work relationships are close, and the objectives are achieved through an atmosphere of trust (Hisrich, 1990).

Management theorists sometimes forget the dynamic, efficient side of autonomy: central organized systems are not less efficient in static terms, but also in dynamic terms, because knowledge is always dispersed, no matter the improvement of Big Data and other information systems. There is much confusion related to coordination – people analyze planning in a binomial way: either it is made centralized, or it is not planning, as if the multiple interactions would not generate spontaneous coordination. For them, the execution of activities needs central coordination to organize individual activities, which could not be more wrong because each human action has one *ex-ante* measurement of the best means available to achieve the desired ends.

In the Austrian theory, structures have been treated differently for a long time. Even Mises stated that the profit motive is enough incentive to rule their actions – and there is no necessity to restrict their liberty with rules and mandates, because if they are efficient, these kinds of practices are superfluous. If they are inefficient, these practices will not turn them into inefficient workers (Mises, 1998, 306).

On the implementation of decentralized structures, Foss *et al.* (2007) outline that their primary benefits are the more effective use of entrepreneurial knowledge. On the other hand, the major cost is the lower efficiency of the central information. More than that, the

author argues that, as employees always exercise only derived judgment, the tradeoff in this kind of structure is between knowledge and judgment.

About the relationship between decentralization and team integration, we can appoint that a horizontal structure encourages communication and cooperation between different areas of the company – making one group understand the others, creating social networks, and dissolving the functional barriers that disturb the communication inside companies (Ostroff, 1999, 15).

Regarding the entrepreneur's role in decentralized companies, contrary to common sense, the entrepreneur is not irrelevant – he is the one that tries to perceive the best way to achieve success in the market process. Without the entrepreneur and command positions, perhaps companies could typically perform their regular activities. However, to challenge the future and create a continuous process of innovation and creation, the entrepreneur is essential – he is the one that decides to make the necessary investments to generate future profits.

Regarding employee behavior in decentralized companies, two kinds of entrepreneurship arise from the employees: the destructive and the productive. The destructive refers to the efforts made by employees to discover new attributes that reduce firm value; the productive is the one that creates and discovers new attributes that increase firm value (Foss *et al.*, 2007).

So, in decentralized enterprises, the entrepreneur has a big and crucial function. As stated by Per Bylund (2016, 34), “productivity increases with specialization, especially when supported by the development of aiding capital goods, but the increased heterogeneity in the employment of labor and development of capital requires improved coordination as the individual factors of production become more limitedly compatible.”

### 2.3. *The strategy under the Austrian School*

Foss, Klein, and McCaffrey (2019, 47) mark that “[the] strategy process research remains a relatively small area. Partly, this may be because it lacks a clear underpinning. Most strategy research remains

based, one way or the other, on some mainstream economic model. As the Austrians have always emphasized, such models are timeless equilibrium models that do not explicitly treat process”.

As a consequence of the hierarchical controlled-based management procedures, we saw the emergence of a static, formalized, and modeled strategy concept: *strategic planning* – a trend consolidated in the sixties, which advocated a static analysis and formulation to build an ideal organization.

About this formalization, we can say that “formalization here would seem to mean three things, [...] (a) to decompose, (b) to articulate, and especially (c) to rationalize the processes by which decisions are made and integrated in organizations” (Mintzberg 1994, 65). Formalization also is incompatible with unexpected *ex nihilo* discoveries: the serendipies. It is impossible to precisely model this kind of discovery because men cannot even understand the serendipity discoveries before they present themselves to our perception.

So, the erroneous attempt to preview the future with certainty, as it was just something to happen that managers can control, negatively influences all organizational activities. Companies spend more time trying to preview and predict what will happen and forget to develop adaptative and learning arrangements that enable the company to maximize returns in any scenario.

Influenced by a neoclassical necessity to predict, that sees men as parts of a machine called market, analysts and managers spend a big chunk of their time modeling the future, appointing different scenarios to create a false sense of control over markets. These are permanently destroyed by reality, so complex and unpredictable. Besides that, even with all the evolutions in the study of corporate strategy, with higher adoption of dynamic assumptions and background adjustments, there is not much space for the dynamic management of the strategy.

Given higher uncertainty, intrapreneurship is strongly affected by this planning addiction. Suppose we are talking about future conditions of new ventures. In that case, we are talking about speculations about its returns, and a static approach about the future just disincentive the employees to take risks and deal with uncertainty, acting intrapreneurial.

Companies must adopt a strategic view about the future, but always understand the limited possibilities that analysts have to forecast. Compared with economic predictions, we can also say that companies can make “pattern predictions” and try to understand the market path to the future, using this kind of information to adapt themselves and create new solutions. However, it is impossible to predict within an objective sense what is going to happen. Moreover, to understand markets and achieve the best results, companies must use the entrepreneurial alertness we already explained. In this sense, it is precisely the use of this subjective skill that shapes how the organizations will insert themselves in the market.

#### *2.4. The relevance of organizational culture*

Organizational culture and environment have a major role in intrapreneurship, because “few intrapreneurs today are soloists. Most work in intrapreneurial teams. The best teams are cross-functional or cross-disciplinary, bringing together several quite different viewpoints and professions in the service of a common cause” (Pinchot and Pellmann, 1999, 3).

Without the appreciation of intrapreneurship as a key value to company development, it is impossible to develop it. If we see organizational culture as a dynamic social process, we must highlight that different players must agree that everybody needs the freedom to develop the best organizational culture to stimulate intrapreneurial creation.

The organizational culture is the result of voluntary interactions. It is never a result of someone’s design because the costs are high since hiring and training are costly. It is always a two-handed route: the interests of employees and employers combine to achieve results in a win-win relation.

When a man acts in the market, he tries to best conjugate the available means to achieve his objectives. To enter a market or elaborate a strategy, the entrepreneur does not think about the ideal conditions but tries to make predictions with the information he has. An entrepreneur does not draw the structure of his company

based just on ideal employees that he would hire, but on what kind of employees he can hire to achieve his business objectives. He shapes himself to the conditions and not the contrary: his influence only goes so far. Besides, there are different levels of power.

We cannot forget the entrepreneurial role in management through the exercise of judgment. Organizations, as states Ioannides (1999), are based on authority and commands; it is the organization members' behavior directed by rules. However, if we see the market as a process, we understand that the interactions between the rules imposed by the authority and the employees create, through time, entrepreneurial rules that help coordinate management organizational processes (Ioannides, 1999). So, the organizational order or culture is not just a result of the entrepreneurial authority, but also of the interaction between it and the other organization members in a complex social process.

Companies are the combination of different individual efforts to achieve determined objectives – satisfying all the parts involved in the process. Further than one being the owner and the rest mere employees, they need to combine efforts to achieve their proposed results. The emergence of interdependence is crucial in intra-organizational and extra-organizational business management; the production chains became much more specialized, with a continuous process of labor division. Today, all the most complex industries are part of an extensive production chain of superior goods, combined to satisfy the final consumers.

To achieve success in creating value, organizations need to solve collective-action problems, and the collective actions are at the center of the corporate governance because an organization requires the combination of assets, capabilities, and resources of its stakeholders, with a formation of coordination to create value (Klein et al., 2017).

## V

### CONCLUDING REMARKS

Positivism is a major methodological trend in the social sciences, impacting mainly the study subjects that deal with human creation

and subjectivism, among them intrapreneurship. So, the goal of this article was to analyze how Positivism influenced intrapreneurship, proposing an Austrian alternative to the theme.

As we saw, Positivism rejected the subjectivism intrinsic to all human actions, generating some effects: a quantitative objectivist mania; a static view about efficiency; and positioned the manager as a social engineer. On the other hand, with a subjectivist individualist comprehension about entrepreneurship and organizations, the Austrian School has an approach that fits better in the topic researched because it recognizes the subjectivity and the essential creative nature of human actions, understanding the combination between alertness and judgment as the essence of the entrepreneurial activity – and in that, the employees also have the capacity to judge.

More than that, with our methodological unchaiment we could perceive essential corporate skills to develop an intrapreneurial environment: a) adaptability to market changes; b) decentralization to potencialize the derived alertness and judgment of the employees; c) to see strategy as a process and not as a planning, making possible creations and discoveries; d) to notice that the organizational culture is not a result of someone's desire, but yes a result of a social process that happens inside the organization.

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