

# Chapter 85

## Managing Intrapreneurial Employees in Internationalized Services: Challenges and Opportunities

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### **ABSTRACT**

*One of the most relevant sources of innovation for services is related to bottom-up informal processes that might originate anywhere in the organization, resulting from the autonomous behavior of individuals – i.e. intrapreneurial behavior. On the one hand, intrapreneurial behavior is particularly relevant for service firms because of the strategic importance of employee-client interactions. On the other hand, there is growing recognition in the literature as to the potential role played by a multinational workforce in innovation and organizational learning. The author's goal with this chapter is to provide the reader with insights on how strategic human resources management policies and practices are essential to provide the necessary environment for intrapreneurial behavior to emerge in service firms, and how these policies and practices have to take into account the circumstances of a multinational workforce.*

### **INTRODUCTION**

Services account for 44% of world employment, 2/3 of world GDP<sup>1</sup> and the growing importance of services for world trade is undeniable. In a globalized business environment, the development and diffusion of innovation have emerged as key strategic challenge (Gammelgaard & Pedersen, 2004). The international environment provides new opportunities and new challenges for service firms from developed economies, and developing countries see service exports and innovation as a potential source of dynamism for their economies, as well. However, until recently most research in innovation was mostly concerned with innovation in manufacturing firms, mostly technological innovations, and studies have demonstrated that there are differences between service and manufacturing industries regarding innova-

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tion (e.g. Song, Di Benedetto, & Zhao, 1999). Moreover, past research in the area of the relationships between innovation and international performance is mainly centered on the sectors of high technology or manufacturing - frequently neglecting service sectors (Castellaci, 2008), as is the research on international markets (Autio, 2005). With the exception of a small number of studies, most research that examines the issue of the internationalization of firms in the service sector has based their analysis on large service firms (Miozzo & Grimshaw, 2008). However, the complexities of international business are no longer restricted to multinational enterprises (MNEs) but are also of concern for small to medium sized enterprises (Brewster & Scullion, 1997).

It is now commonly accepted that firms depend on entrepreneurial activities to survive and thrive in today's global competitive markets. In economies and sectors characterized by consumers' ever-changing needs and desires, the most successful companies are those who learn continuously and react rapidly, speeding-up their capacity to generate new business ideas and innovation. Innovation has many sources. One of the most relevant sources of innovation for services is related to bottom-up informal processes that might originate anywhere in the organization resulting from the autonomous behavior of individuals. This intrapreneurial behavior happens when employees go beyond their job descriptions providing valuable help to innovate some aspect of their firms. On the one hand, intrapreneurial behavior is particularly relevant for service firms because of the strategic importance of employee-client interactions. On the other hand, there is growing recognition in the literature as to the potential role played by a multinational workforce in innovation and organizational learning. Therefore, services are dependent upon employees' behaviors and willingness to initiate or participate in activities that extend the firm in new directions. This is especially relevant for those companies facing global competition. In fact, the demands of global integration (Rosenzweig, 2006) and local responsiveness to fit the host country (Bjorkman et al., 2008; Farndale et al., 2010) have highlighted the need to develop human resources as a source of competitive advantage.

Our goal with this chapter is to provide the reader with insights on how strategic human resources management (SHRM) policies and practices are essential to provide the necessary environment for intrapreneurial behavior to emerge in internationalized service firms, and how these SHRM practices have to take into account the circumstances of a multinational workforce. This question is particular relevant for travel and tourism industries but also for other service sectors that face global markets (transportation, banking, insurance, education, technical services, and others).

In the first and second sections, we will discuss the importance of innovation for internationalized service firms and how intrapreneurial behavior might be a relevant source of innovation for those firms. In the third section, the issue of international human resources management is discussed. In the fourth section, an integrative model of how SHRM practices in internationalized service firms are associated to intrapreneurial behavior is presented. The chapter closes with main conclusions.

## **INNOVATION IN INTERNATIONALIZED SERVICE FIRMS**

Perhaps the most profound business phenomenon of the 20th century was the internationalization of different types of firms (Sapienza et al., 2006). Motivations for internationalization usually include obtaining economies of scale and scope, increasing market power, gaining knowledge enhancements leading to stronger capabilities and innovation, and exploiting entrepreneurial opportunities (Lu & Beamish, 2001; Vermeulen & Barkema, 2001).

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