THE RELATIONSHIP BETWEEN CORPORATE
ENTREPRENEURSHIP TOWARDS ORGANIZATIONAL
PERFORMANCE

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Abstract - Nowadays, corporate entrepreneurship has been increasingly recognized as an important way to ensure the continuity and sustainability of the organization. This is important in creating the entrepreneurial culture of corporate entrepreneurship that is dynamic, flexible and competitive in order to cope with intense competition and challenging market. However, many organizations are not aware of when and how should an organization do any changes in order to develop and encourage corporate entrepreneurship. Moreover, corporate entrepreneurship often conflict with traditional management. Thus, this conceptual paper will be discussed about the definition of corporate entrepreneurship, corporate entrepreneurship model, relationship between corporate entrepreneurship towards organizational performance and recommendation. In this paper, the researchers just focus five (5) organizational internal factors (management support, rewards system, organizational structure, resource availability and work discretion) that can be supported the implementation of corporate entrepreneurship and thus can improve organization performance. The use of appropriate reward system and organic structure in organization may affect the implementation of corporate entrepreneurship activities. Besides that, the adoption of corporate entrepreneurship model for higher education in the public sector can help colleges and universities to build capacity and cope with a dynamic and challenging environment. Therefore, a holistic commitment to building the corporate entrepreneurship capability and organizational internal factors are needed to support the organization to become intrapreneur.

Keywords: Corporate Entrepreneurship; Organizational Performance; Intrapreneur

1. Introduction

Nowadays, corporate entrepreneurship has been increasingly recognized as an important way to ensure the continuity and sustainability of the organization. Corporate entrepreneurship has been used in many organizations as a major strategy for organizational renewal and improved performance. Corporate entrepreneurship is a process which helps organizations to capture opportunities and manage these factors of production in more efficient way. According to Kraus and Kauranen (2009), corporate entrepreneurship stands for a new management philosophy which promotes strategic agility, flexibility, continuous creativity to change administrative-oriented employees into intrapreneurs. Thus, the entrepreneurial process has applicability to all sizes organizations and these processes do not only refer to creation of new business ventures but also to develop of new products, services, technologies, managerial techniques and strategies as innovative activities.
Corporate entrepreneurship is a process that can facilitate efforts to innovate and can help firms cope with the competitive realities of world markets (Kuratko, 2014). This is in line with Lindsey (2001), the rapid and cost-effective innovation may be the only method by which enterprises in the 21st century and beyond will be able to remain competitive. It is supported by Mokaya (2012) that the firms need to establish competitive advantage through differentiation and continuous innovation, whether it is related to the creation of new products and services, production, organizational processes or business models. A corporate entrepreneur is a person who focuses on innovation and creativity and the ability to change a dream or an idea into a business in an organization.

However, many organizations are not aware of when and how should an organization do any changes in order to develop and encourage corporate entrepreneurship. The entrepreneurial culture can comes from the leader, it reflects their personal values and their vision, but it is made up of a lot of small items of details (Burns, 2013). Cultures can come about by chance, but if leaders want to plan for success, they need to plan to achieve the culture they want. Besides that, corporate entrepreneurship often conflict with traditional management. They have the same characteristics of a business entrepreneur such as confidence, enthusiasm and drive, but how they achieve their goals are different. The corporate entrepreneurs want to change, while the manager wants to make sure everything is in order and do not like changes.

Therefore, identifying and nurturing corporate entrepreneurship in organization is the right fit for intrapreneurs that will develop new products and new ideas, which will ultimately improve the organization performance. To create an intrapreneurial strategy, organizational should be aware that a corporation that promotes personal growth will attract the best people. It is supported by Morris et al. (2008) that corporate entrepreneurship refers to the willingness of an individual to embrace new opportunities and take responsibility for affecting creative change. This is important in creating the entrepreneurial culture of corporate entrepreneurship that is dynamic, flexible and competitive in order to cope with intense competition and challenging market. So, this conceptual paper will be discussed about the definition of corporate entrepreneurship, corporate entrepreneurship model, relationship between corporate entrepreneurship towards organizational performance and recommendation.

2. Literature Review

2.1 Definition of Corporate Entrepreneurship

Many researchers have been defined corporate entrepreneurship from several perspectives. Corporate entrepreneurship refers not only to the creation of new business ventures, but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures (Radmark, 2013). Corporate entrepreneurship is the process of exercising entrepreneurial skills and approaches by within a company (Mehta & Gupta, 2014). Apart from that, according to Duobiene (2013) and Moyaka (2012), corporate entrepreneurship referred to intrapreneurship that has been used in many organizations as a major strategy for organizational renewal and improved performance.
Corporate entrepreneurship is described as entrepreneurship within an organization which refers to emergent behavioral intentions and organizational behaviors that lead a deviation from the traditional forms of doing business (Antoncic & Hisrich, 2004). Corporate entrepreneurship involves a diverse set of activities such as innovation in products and processes; the development of internal and external corporate ventures; and the development of new business models, which require an array of roles, individual competencies and entrepreneurial behaviour inside an established organization (Hayton & Kelley, 2006; Morris & Kuratko, 2002). Thus, corporate entrepreneurship not only fosters innovation but also helps employees with good ideas to better channel the resources of an enterprise to develop more successful products, services or technologies.

2.2 Organizational Performance

Organizational performance is an indicator of the level of achievement that can be achieved and reflects the success of the manager or entrepreneur. It is an important outcome for inclusion because it may show the senior leaders that entrepreneurial behaviors lead to increased organizational performance (Wood et al. 2014). Generally, organization performance can be measured through two approaches, (i) financial and (ii) non-financial. Financial performance can be evaluated from the company’s financial rations. This profit level is expressed in several ratios such as return on assets, return on equity, and return on sales (Fitzsimmons et al. 2005). Based on Steffens et al. (2009), company growth and profitability are relevant measurement of organizational performance in the domain of corporate entrepreneurship.

However, there are many aspects of business that cannot be evaluated with financial performance. Non-financial performance will be used for organization to know how far the human aspect. Non-financial performance can be measured on employee satisfaction, customer satisfaction and innovation performance. The study findings of Ahmad et al. (2012) indicated that intrapreneurial behavior is positively related to job satisfaction. This reflects that the working environment is essential for growing intrapreneurial culture that can generate growth and sustainability of the organization in the long term.

2.3 Models of Corporate Entrepreneurship

Corporate entrepreneurship models emphasize the collaboration between entrepreneurial personality and organizational environment. Some models of corporate entrepreneurship are presented below. Figure 1 shows the model of public sector corporate entrepreneurship by Kearney et al. (2007) that can be applied to public sector organizations. This model presents the dimensions of public sector organization (structure/formalization, decision-making/control, rewards/ motivation, culture, risk taking and proactiveness) and external environment (political, complexity munificence and change) that can influence the organization to employ the corporate entrepreneurial task.
Figure 1: Model of Public Sector Corporate Entrepreneurship (2007)
(Source: Kearney et al., 2007)

Figure 2 is about a strategic management model of corporate entrepreneurship by Guth and Ginsberg (1990). Based on this model, there are two phenomena; (i) new business within existing organization and (ii) transformation of organization through renewal. This model identifies the environment, strategic leadership and organization form, while the outcomes of corporate entrepreneurship are (i) innovation/venturing and strategic renewal, and (ii) organizational performance.

Figure 2: Strategic Management Model of Corporate Entrepreneurship (1990)
(Source: Guth and Ginsberg, 1990)

Figure 3 shows the corporate entrepreneurship model of Barrett and Weinstein (1998). This model is about relationship between corporate entrepreneurship, market orientation, flexibility and firm performance. It is important to elucidate the organizational mission strategy.
2.4 The Relationship between Corporate Entrepreneurship towards Organization Performance

Previous researches indicated that corporate entrepreneurship environment has positive influence on corporate entrepreneurship (Chen et al., 2005; Kaya, 2006; Scheepers et al., 2008; Ahmad et al., 2012). Figure 4 is a conceptual framework that shows the relationship between corporate entrepreneurship towards organizational performance. In this paper, the researchers just focus five (5) organizational internal factors (management support, rewards system, organizational structure, resource availability and work discretion) that can be supported the implementation of corporate entrepreneurship and thus can improve business performance.

![Diagram showing the relationship between Corporate Entrepreneurship and Business Performance]

**Figure 3: Corporate Entrepreneurship Model of Barrett and Weinstein (1998)**
(Source: Barrett and Weinstein, 1998)

**Figure 4: Conceptual Framework of Relationship between Corporate Entrepreneurship towards Organizational Performance**

Management support is related to top management's support of organization that initiatives to facilitate and encourage entrepreneurial activity. According to Hisrich et al. (2008), this support including championing innovative ideas and also providing the necessary resources. Wood et al.
(2014) investigated the perceptions of corporate entrepreneurship and subsequent outcomes associated with these perceptions. Of the 337 members in the participating organizations, 113 completed the questionnaire. From data collected, the findings showed that management support, system reward, organizational structure and risk taking were positively related to corporate entrepreneurship and thus, increase the organizational performance (level of satisfaction).

Lekmat and Selvarajah (2008) examined the corporate entrepreneurship activity of senior managers in 400 auto-parts manufacturing companies randomly chosen from the Thailand Automotive Industry directory 2006-2007. Financial performance was measured against the sample on areas related to profitability, cash flow, sales growth and market share. The study measures the relationship between corporate entrepreneurship and firm performance in terms of the growth and profitability of the sample firms. The findings showed that corporate entrepreneurship has significant influence on firm performance in terms of financial aspects.

According to Robbins et al. (2010), an organizational structure is important because it defines how jobs are formally divided, grouped and coordinated. An entrepreneurial organization needs to structure itself in a way that maximizes the exploitation of new opportunities. Morris et al. (2008) state that hierarchical levels in traditional structures which assign responsibility for entrepreneurial activities to managers, without delegating adequate amounts of authority, also represent constraints on entrepreneurship behaviour. Moreover, Clark (2010) recommends that organisations need to review existing policies and programmes to support and facilitate entrepreneurial and innovative growth. Therefore, the top management desires in supporting the implementation of corporate entrepreneurship is the best thing to maximize the outcomes of corporate entrepreneurship.

Chen et al., (2005) said that the board of directors and management system consistently and positively associated with the development of corporate entrepreneurship within the organization. They added that top management support refers to the extent to which managers encourage employees to believe that innovation is a part of everyone in the company. According to Hisrich et al. (2008), the organization should establish a strong supportive structure which allows management to behave in flexible and innovative entrepreneurial activities in the developing of corporate organization. Supporting organizational structure is designed according to the work flow setting, communication, and relationships of authority within the organization which will indicate the administrative mechanism used to evaluate, select and implement ideas or innovative ideas offered (Hisrich et al., 2008). Thus, the organizations should avoid standard operating procedures for all major parts of the work and need to reduce reliance on narrow job descriptions and performance standards of rigidly (Hornsby et al., 2002).

Based on findings by Demirci (2013), there was a positive correlation between semi formalization and entrepreneurship. He suggests that a lack of clearly defined tasks and objectives can result in role ambiguity, whereby employees seek out support and direction rather than focusing efforts on creativity and process innovation and improvements. The management should be in a state to drive and align the organizational behavior to their strategic objectives. Moreover, the traditional hierarchy-driven organizational models make it difficult to foster corporate entrepreneurship in an organization. This is in line with Burn (2013) that a
bureaucratic structure is constrained for entrepreneurial behavior in an organization. So, the employees who have limited autonomy would be the potentially to negatively affect the performance in the organization (Demirci, 2013).

According to Hisrich and Kearney (2012), resources availability is defined as the time provided to design an appropriate workload to ensure that employees have the time needed to pursue innovation and structuring their work. Availability of time can be measured with the workload is not too heavy (design methods of work), the right amount of time and workload. It is supported by Hisrich et al. (2008) that implementation of corporate entrepreneurship should be underpinned by resources availability including time in order to facilitate the implementation of the experiment or research to produce innovative goods and services. They added that employees are entitled to see the availability of resources for innovation activities in order to encourage them to experiment and take risks.

Based on De Jong and Wennekers (2008), resources availability is one of the important factors that could encourage corporate entrepreneurship or intrapreneurship. Time and physical resources are necessary to facilitate the individuals in the organization to engage in innovative activities. Organizations need to consider the rational distribution of work so as to enable the employee to work with others on a long-term problem solving. In an entrepreneurial work environment, employees are allowed to do creative and experiment to the extent of their work time (Scheepers et al., 2008). This is supported by Hough and Scheepers (2008), when organizations loosen restrictions, employees are encouraged to produce innovative things. Thus, organizations must moderate the workload of people, avoid putting time constraints on all aspects of a person’s job and allow people to work with others on long-term problem solving.

Besides that, reward system is a system used in order to motivate employees to engage in innovative behavior that will support the realization of corporate entrepreneurship activities. This is parallel with Bhardwaj et al. (2011), monetary awards should still remain a part of the reward system to prevent the most productive and influential innovators from leaving the organization. Hisrich et al., (2008) said an effective reward system is the one that encourages entrepreneurial activity by considering the goals, feedback, emphasis on responsibility and results-based incentives. According to Morris & Kuratko (2002), rewards take on many different forms such as financial, status and power, career and personal development, as well as the psychological motivators; self-actualization, esteem and social rewards such as friendships and a sense of belonging. These reward system can include both extrinsic and intrinsic rewards. Intrinsic motivation refers to doing something because it is inherently interesting or enjoyable and extrinsic motivation refers to doing something because it leads to a separable outcome (Ryan & Deci, 2000).

Work discretion (freedom to work) is the granting of autonomy to the employees in the work. Work discretion (freedom to work) refers to the extent to which autonomy is given to the entrepreneurial efforts. According to Kuratko (2014), workers have discretion to the extent that they are able to make decisions about performing their own work in the way they believe is most effective. In an entrepreneurial environment, employees are allowed to make their own decisions about the work process of each and rarely get criticized for errors that occur in the process of innovation (Hornsby et al., 2002). Based on findings of Rutherford and Holt (2007) showed that
the autonomy or freedom given to make a decision can trigger innovation in organizations. Thus, in introducing intrapreneurial behaviour, organizations need to give freedom to their employees to make decisions about its working process and avoidance of criticism when things go wrong in the innovation process is done (Kuratko, 2014).

3. Discussion & Recommendation

Based on previous studies, many researchers have stated that corporate entrepreneurship can improved the overall performance of the organization (Kaya, 2006; Scheepers et al., 2008; Avlonitis & Salavou, 2007; Ahmad et al., 2012; Mahmood & Abd Wahid, 2012, Wood, 2014). Some researchers have identified a few of the key variables that might affect corporate entrepreneurship, such as: stimulus and control systems, rewards system, resource availability, organizational culture, organizational structure, risk taking, innovative, entrepreneurial orientation, managerial support and others. Individually and in combination, these factors are believed to be important forerunners to the corporate entrepreneurship effort to create enterprise initiative because they affect the internal environment that determines the interest in and the support of the entrepreneurial initiative within an established company. Organizational support is seen as commitment on the part of the organization toward individuals within the organization, and is manifested in an employee’s sense of belonging to the organization. Thus, corporate entrepreneurship can be assessed as the ability of organizations that are not visible and implied in the organizational culture, which can contribute towards improving the competitiveness of the organization (Scheepers et al., 2008).

For corporate entrepreneurship to work effectively as a function of performance, it requires the existence of an organizational environment and systems that encourage and stimulate employees to act and behave intrapreneurially. The two common approaches used to stimulate intrapreneurial activity as skunkworks and bootlegging (Bateman & Zeithaml, 1993 in Mokaya, 2012). Skunkworks refers to project teams designated to produce a new product. Such a team is formed with a specific goal and has a specified time frame with a respected person chosen to manage the skunkworks. In this approach to corporate innovation, risk-takers are not punished for taking risks because their jobs are held for them and they have opportunity to earn large rewards. In bootlegging, managers and workers make informal efforts to create new products and processes; sometimes secretive when a bootlegger believes the enterprise will frown on these activities. However, the intrapreneurial organization should tolerate and encourage bootlegging as it may result into innovative products and process to enhance its competitiveness.

The recommendation in this study is to use of appropriate reward system may affect the implementation of corporate entrepreneurship activities. The rewards must also be consistent, and not used to bribe. In the private sector, reward system mainly means financial incentives, however, the application of financial rewards play a less significant role in the public sector. For the public sector, non-financial rewards system for example employees’ recognition and promotion as well as emotional rewards like self-satisfaction will encourage public employees towards entrepreneurial behavior. This is supported by Pitta et al. (2008) that rewards, recognition and appreciation to employees who are creative and innovative can boost entrepreneurial culture. Therefore, the rewards is an important factor that can encourage the implementation of corporate entrepreneurship/ intrapreneurship because the financial resources
necessary to facilitate the individuals in the organization to engage in innovative activities (De Jong & Wennekers, 2008).

For corporate entrepreneurship to thrive, the organizations need to create environment with support systems, structures and resources that encourage employees to behave entrepreneurially. According to Demirci (2013), corporate entrepreneurship has been described as a paradox of both ‘top down’ and ‘bottom up’ processes. ‘Top down’ in the sense that it should be supported by the organization and lead by the various management levels. ‘Bottom up’ as corporate entrepreneurship can often occur with the employee as the catalyst taking the initiative and driving forward the process without any formal support from the organization. From the ‘bottom up’, employees at operational level are expected to venture into something new, potentially without being asked, and without the approval of senior management to do so. Thus, to cultivate the entrepreneurial culture in organization, top managers need to have an entrepreneurial strategy and be able to cascade this through different levels within the company.

Kuratko (2014) suggest that major innovative breakthroughs are more likely to occur within structures that are closely aligned to the organic structure. Rigid and conservative organizational structures often have a stifling effect on entrepreneurial behaviors. In addition, bureaucratic organizational structure led to the limitation, preventing detection of problems outside of work. This is because in such organizations, employees tend to focus on their department’s problems and fail to see the bigger picture. Thus, the employees should be encouraged to look at the organization from a holistic perspective. This is supported by Burn (2013) that entrepreneurial behavior within an organization is positively correlated with performance when structures are more organic, rather than mechanism. He added that the informal nature of its design encourages collaboration and employees are empowered to make key decisions.

Besides that, the next recommendation is adopting a public sector corporate entrepreneurship model to the higher education can help colleges and universities to build capacity to cope with the dynamic and hostile environment as well as to fulfill the competing demands to achieve their missions successfully. This is parallel with Mical (2008), transformative business properties of an entrepreneurial business organization can be replicated in the higher education organizations. In the context of higher education the customer is the product as contrary to the business where customer is external to the organization and the product is changed to respond to the customers demand (Wong, 2008). He added this shift from student responsiveness to “customer services” includes the business values into the higher education context such as: the importance of the pursuit of the profit over the others organizational goals; the superiority of entrepreneurial knowledge to expert or professional knowledge; high value assigned to competition and decentralization; and the appeal of the more autocratic style. Thus, as an “entrepreneurial university”, it can response quickly to its stakeholders whether they are internal or external by building capacity to cope with competing demands and innovations to achieve its mission successfully.

4. Conclusion

In sum, corporate entrepreneurship has been recognized as an important element in organizational which have a positive effect on increasing the performance of organization. Every organization requires good environmental conditions in which innovation can be accepted and
responded well. According to Kuratko (2014), innovation is the most important pathway for companies to accelerate their pace of change in the global environment. The organization should allow employees to make decisions about their work process and should avoid criticizing them for making mistakes when innovating. Thus, a holistic commitment to building the corporate entrepreneurship capability and organizational internal factors are needed to support the organization to become intrapreneur.

According to Burns (2013), ‘Theory Z’ reflects many of dimensions of entrepreneurial culture. ‘Theory Z’ requires low individualism or high collectivism and low power distance. Therefore, the organization wishing to establish corporate entrepreneurship need to provide the freedom and must have an entrepreneurial orientation in order to realize the entrepreneurial activity within the organization. This is supported by Bhardwaj et al., (2007) that the top management wishes to encourage the entrepreneurial behaviour, the higher yield of corporate entrepreneurship can be achieved.

References


