Studying Effective Factors on Corporate Entrepreneurship: Representing a Model

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Abstract: Development and advancement of current organizations depends on Corporate Entrepreneurship (CE) and its anticipants considerably. Therefore purpose of conducting this survey is to study effective factors on corporate entrepreneurship (personal characteristics of entrepreneurship, human resource practices, organizational culture and employees' satisfaction). This survey was conducted using descriptive-field methodology. Statistical population included managers and experts of Hexa Consulting Engineers Company (Tehran/Iran) and the sample consisted of forty seven of them. Questionnaire was tool of data collection. Data was collected in cross-sectional form in July-August 2011. Descriptive and inferential (spearman correlation) statistics methods were used for data analysis. According to results, there is a positive significant relationship among all factors (personal characteristics of entrepreneurship, human resource practices, organizational culture and employees' satisfaction) and corporate entrepreneurship. In other words, the proposed variables as effective factors on corporate entrepreneurship were confirmed in conceptual model of survey.

Keywords: Corporate entrepreneurship, employees' satisfaction, human resources practices, organizational culture, personal characteristics

INTRODUCTION

Serious attention to entrepreneurs and analyzing their issues in entrepreneurial viewpoint is among success factors of economic firms in the current world (Danka, 2000), as corporate entrepreneurship is a way to recreate economic and organizational capabilities (Samadaghaee, 2000). Corporate entrepreneurship shows advancement engine of stable organizations, because new products are created, new markets are formed, modern technologies are discovered and new businesses are established through it (Zahra et al., 1999; Shepherd et al., 2008). Accordingly, corporate entrepreneurship means applying entrepreneurial behavior in a stable organization (Echols and Neck, 1998).

Today many organizations have perceived the need to corporate entrepreneurship (Kuratko and Hohgetts, 2001). Based on global statement of entrepreneurship there is a strong correlation between national economic growth and degree of national and organizational entrepreneurial activity (Archibong, 2004). Moreover, the existing applied studies in literature show positive impact of corporate entrepreneurship on performance of organizations (Kuratko et al., 1990; Zahra, 1993; Lumpkin and Dess, 1996; Zahra et al., 1999).

In studies related to entrepreneurship in organizations the question that what is the necessity of corporate entrepreneurship and how it is possible to institutionalize it in organizations is usually proposed. Therefore, conducting a survey about effective factors on corporate entrepreneurship has much importance. On the other hand, some effective factors on corporate entrepreneurship have been studied in previous researches but there is no research that has studied such factors in the framework of a model. Therefore, the purpose in the present survey is to study effective factors on corporate entrepreneurship more comprehensively than previous researches.

LITERATURE REVIEW

Corporate entrepreneurship: Entrepreneurship could be defined as the process of value creation through providing a set of resources for effective and efficient using of an opportunity (Stevenson et al., 1989). Concept of entrepreneurship in literature was first appeared about entrepreneurs (Kirzner, 1973) and creation of new organizations. But recent studies have explored entrepreneur organizations. Therefore, entrepreneurial innovations are a phenomenon across the organization and have a concept beyond creating new organizations (Zahra et al., 2000).

Corporate entrepreneurship could be defined as activities that an organization adopts to enhance innovation in product, risk taking and reactive response...
to environmental forces (Miller, 1983). Miller and many other researchers (Morris and Paul, 1987; Covin and Slevin, 1990; Zahra, 1993) believe that corporate entrepreneurship involves three elements of proactiveness, innovation and risk taking. According to some other researchers corporate entrepreneurship consists of innovation, risk and renewal strategic activities (Guth and Ginsberg, 1990). Lumpkin and Dess (1996) have introduced autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness as a group of behaviors representing corporate entrepreneurship. Dimensions of corporate entrepreneurship in the present survey based on previous researches are as below:

- Creating new units that mean developing units dependent on the company (Antonicic and Antonicic, 2011)
- Innovation in products/services (Schollhammer, 1982; Covin and Slevin, 1991; Zahra, 1993; Knight, 1997).
- Innovation in technology/process (Schollhammer, 1982; Covin and Slevin, 1991; Zahra, 1993; Knight, 1997; Damanpour, 1996; Tushman and Anderson, 1997; Antonicic et al., 2007).
- Self-renewal (Vesper, 1984; Guth and Ginsberg, 1990; Zahra, 1991; Stopford and Baden-Fuller, 1994; Muzyka et al., 1995) that reflects changing the organization through renewing key ideas based on which the organization has been shaped.

**Effective factors on corporate entrepreneurship:**

Given to effectiveness of corporate entrepreneurship to improve growth and profitability of the organization identifying effective factors on corporate entrepreneurship is very important. One of the important proposed factors by researchers is personal characteristics of entrepreneurship. Recent applied researches have confirmed this view that entrepreneurs and personal characteristics of senior managers have a direct and considerable impact on performance of the company (Adams et al., 2005; Switzer and Huang, 2007). Schuler (1986) has stated characteristics of entrepreneurs as cooperation, creative behaviors, risk taking, long-term viewpoint, focusing on results, flexibility against changes, independent behavior, tolerating ambiguity and intention to accept responsibility. Other researchers have emphasized that employees must be more opportunistic, creative and achievement-oriented in order to have entrepreneurial activities, also they must tolerate ambiguity and have intention towards risk taking (Jones et al., 1995). Personal characteristics of entrepreneurship in this survey are regarded as internal control center, need for achievement, risk taking, focusing on results, tolerating ambiguity, responsibility and flexibility against changes.

Human resources management is another fundamental field of managerial decision making which affects corporate entrepreneurship (Kuratko et al., 2005; Schuler, 1986). Reinforcing corporate entrepreneurship requires having clearer viewpoint of management about power decentralization, participation in decision-making, cooperation, avoiding bureaucracy and encouraging risk taking and creativity (Luchinger and Bagby, 1987). Therefore, human resources practices could have a considerable impact on reinforcing corporate entrepreneurship. Chandler et al. (2000) propose that human resources management affects creativity and innovation by creating a supporting culture. A high number of policies related to human resources management can affect corporate entrepreneurship (Burgelman, 1983; Schuler, 1986). Schuler and Jackson (1987) have stated the relationship between each one of policies of human resources management-planning, staffing, appraising, compensating, training and development and labour-management relations with entrepreneurship in detail. Compensation, performance appraisal, working team, delegation, management support for innovation, employment, job designing and education are regarded in this survey as effective human resources activities on corporate entrepreneurship.

Employees' satisfaction and elements related to it are important factors for management, organizational behavior and development of the organization (Lofquist and Dawis, 1969; Smith et al., 1969; Locke, 1976; Cranney et al., 1992). Employees' satisfaction shows interest degree of employees to their job (Spector, 1997). It is proved that investment on employees could reinforce their personal creativity (Hom et al., 2009) that is important for corporate entrepreneurship. Value and sensational commitment of employees could reinforce innovation in the organization (Kanter, 1984). Important factors of job satisfaction in the present survey include total satisfaction of employees from work, employees' relations (Mayer, 1991; Miskell and Miskell, 1994; Welsby, 2003) and employees' loyalty (Meyer and Allen, 1997; Tsui et al., 1997; Varona, 2002).

Many researchers have emphasized the importance of culture in improving informal and voluntary behaviors that are at the heart of corporate entrepreneurship (Burgelman, 1983; MacMillan, 1987). Values that are among the important elements of innovative culture encourage employees permanently to create ideas, solutions and new knowledge (Wong, 2005). Therefore, values inside the organization are important to develop corporate entrepreneurship. Lee and Tsai (2005) have proposed too that senior management support is an important incentive for employees' innovation.

Given to positive impact of corporate entrepreneurship on performance of the organization
studying effective factors on corporate entrepreneurship becomes important. Hence, the purpose in the present survey is to study existence of significant relationship among personal characteristics of entrepreneurship, human resource practices, organizational culture and employees' satisfaction with corporate entrepreneurship. Conceptual model of survey is illustrated in Fig. 1.

**RESEARCH METHODOLOGY**

The present survey was conducted using descriptive-field methodology. Statistical population included all managers and experts of Hexa Consulting Engineers Company in Tehran province and the research sample consisted of forty seven of them who were selected randomly.

**Tools of data collection:** Data was collected through questionnaire. This questionnaire included two sections of effective factors on corporate entrepreneurship (personal characteristics of entrepreneurship, human resource practices, organizational culture and employees' satisfaction) and corporate entrepreneurship. Effective factors on corporate entrepreneurship were studied with forty three questions. Cronbach alpha coefficient was calculated equal to 0.92 for the questions. Personal characteristics under study are: internal control center, need for achievement, risk taking, focusing on results, tolerating ambiguity, responsibility, flexibility against changes and creativity. Among practices of human resources compensation, performance appraisal, working team, delegation, management support for innovation, employment, job designing and education were studied.

Organizational culture was studied based on Robins' model. In this model organizational culture included dimensions such as clarity of purposes, cohesion of the organization, confliction, communications of the organization, control, management support, risk taking, reward system, organizational identity and innovation. Employees' satisfaction was studied in three dimensions of total satisfaction of employees, employees' relations and employees' loyalty. Questions related to personal characteristics of entrepreneurship, human resource practices and organizational culture were designed by the researcher and questions of employees' satisfaction were designed by means of nine items used in Antoncic and Antoncic (2011).

Corporate entrepreneurship was studied in four dimensions including creating new units, innovation in products/services, innovation in technology/process and self-renewal. Questions related to innovation in products/services were selected from Darroch (2005) questionnaire. Questions related to innovation in technology/process and self-renewal were designed through eleven items used in Antoncic and Antoncic (2011). Generally, corporate entrepreneurship was studied with 17 questions. Cronbach alpha coefficient was calculated equal to 0.73 for questions of corporate entrepreneurship.

Likert five-option scale was used to score options of the questionnaire (from 1 = very low to 5 = very high). Data was collected in cross-sectional form in July-August 2011. Content validity of the questionnaire was confirmed through professors and experts' views.

**Statistical methods:** Data analysis was conducted using descriptive and inferential (spearman correlation)
RESULTS

According to descriptive results 53.2% of respondents were in age-group 20-35 year old. Among them 36.2% (the highest number) had work experience of 5 to 10 years; 83% of respondents were male and 40.4% had manager or supervisor positions.

Results of studying the relationship between personal characteristics and corporate entrepreneurship (Table 1) reveal that personal characteristics have positive significant relationship with corporate entrepreneurship by correlation coefficient 0.324 at error level 0.05. Results of studying the relationship between organizational culture and corporate entrepreneurship demonstrate that there is a positive significant relationship between these two variables with correlation coefficient 0.565 at error level 0.01.

Results of studying the relationship between human resources management activities and corporate entrepreneurship illustrate that there is a positive significant relationship between these two variables with correlation coefficient 0.565 at error level 0.01. And at last studying the relationship between employees' satisfaction and corporate entrepreneurship shows that there is a positive significant relationship between these two variables with correlation coefficient 0.697 at error level 0.01.

According to results of the present survey there is a positive significant relationship among personal characteristics of entrepreneurship, human resource practices, organizational culture and employees' satisfaction with corporate entrepreneurship. In other words, all intended factors in research model have positive impact on corporate entrepreneurship. Thus the intended relations in research model were confirmed. Results of the survey show that there is a positive significant relationship between personal characteristics of entrepreneurship and corporate entrepreneurship. These characteristics based on research literature are internal control center, need for achievement, risk taking, focusing on results, tolerating ambiguity, responsibility and flexibility against changes and creativity. This reveals that employees having personal characteristics of entrepreneurship can play a major role in enhancement of corporate entrepreneurship. Motivation of need for achievement and internal control center have been regarded as major personal characteristics of entrepreneurs in previous researches (Littenen, 2000; Hansemak, 1998; Johnson and Ma, 1995) and have proved existence of positive relationship between need for achievement and corporate entrepreneurship. Researches reveal that managers with internal control are more innovative (Miller and Toulouse, 1986) and more effective (Govindarajan, 1989). Also, achievement motivation has positive impact on decision-making speed of the entrepreneur (Kauer et al., 2007). It has been proved that risk taking attitudes affect strategic decisions of the entrepreneur in decisions related to joining other businesses (Pansiri, 2007). In addition, professional experience and education enable the entrepreneur to develop formal strategic plans (Karami et al., 2006).

Table 1: Means, standard deviations, correlations of study variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>Age</td>
<td>1.590</td>
<td>0.71</td>
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<tr>
<td>Gender</td>
<td>1.820</td>
<td>0.37</td>
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<tr>
<td>Job tenure</td>
<td>3.080</td>
<td>1.42</td>
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</tr>
<tr>
<td>1. Personal characteristics</td>
<td>36.34</td>
<td>5.06</td>
<td></td>
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<tr>
<td>2. Organizational culture</td>
<td>38.10</td>
<td>5.65</td>
<td></td>
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<td>3. HRM practices</td>
<td>37.97</td>
<td>6.45</td>
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<td>4. Employee satisfaction</td>
<td>30.02</td>
<td>4.78</td>
<td></td>
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<td>5. Corporate entrepreneurship</td>
<td>51.70</td>
<td>9.30</td>
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*: p< 0.5, **: p<0.1

Another result shows that there exists a positive significant relationship between human resources activities supporting entrepreneurship and corporate entrepreneurship. Other researchers believe that corporate entrepreneurship is considered as effectiveness index of human resources management activities in the organization and entrepreneurial activities could be reinforced through human resource practices (Hayton, 2003; Kuratko et al., 2001). Therefore, activities of human resources are important and fundamental to enhance corporate entrepreneurship. Thus, payment proportional to performance, team performance appraisal and assessment of innovative activities, using work teams, delegation of authority to employees, management support from innovation, supplying human resource from outside of the organization and employment of skilled human resources, accurate designing of jobs, permanent education as well as group education could be leded to enhance corporate entrepreneurship. It has been proved in previous researches that human resources management activities and work environment are important and essential for enhancement of corporate entrepreneurship (Schuler, 1986; Morris and Jones, 1993; Hornsby et al., 1999; Hayton, 2003; Hayton and Kelly, 2006; Kaya, 2006). Impact of compensation activities in innovation has been studied in several researches (Balkin and Bannister, 1993; Balkin and Gomez-Mejia, 1984, 1987; Balkin et al., 2000).
According to another result there is a positive significant relationship between organizational culture and corporate entrepreneurship. Dale and Kennedy (1982) believe that culture is the most basic factor effective on success or failure of the organization (Pourkazemi and Shakeri Navaee, 2005). Also results of this survey show that creating entrepreneurial organizational culture can enhance corporate entrepreneurship. Thus, clarity of purposes, cohesion of the organization, existence of strong organizational relations, avoiding severe control, management support, risk taking, reward system supporting creativity, organizational identity and innovation in organization that show existence of strong organizational culture which support entrepreneurship could be leaded to enhance corporate entrepreneurship. Among previous researches in this regard we can refer to Morris et al. (1994)'s research who studied the impact of individualism (one dimension of organizational culture) on corporate entrepreneurship. Results of this research show that level of individualism inside the organization will have a main impact on Zahra et al. (2004) concluded the relationship between organizational culture and entrepreneurial performance of the organization too. Impact of organizational culture on corporate entrepreneurship has been proved in other researches (Kanter, 1985; Hisrich and Peters, 1986; Brazeal, 1993).

According to last research result employees' satisfaction has positive significant relationship with corporate entrepreneurship. So appropriate reward payment, providing high challenging and interesting jobs, paying attention to employees' commitment to the organization, reinforcement of employees' sense of pride toward the organization, providing possibility of advancement in work, reinforcement of employees' relations and employees' loyalty could be resulted in enhancement of corporate entrepreneurship. There are few researches about the relationship between employees' satisfaction and corporate entrepreneurship. For example, Kuratko et al. (2005) studied the relationship between internal anticipants of the organization and employees' satisfaction with corporate entrepreneurship experimentally and proved existence of such relationship. Existence of relationship between total satisfaction of employees with corporate entrepreneurship and growth of the organization was confirmed in Antoncic and Antoncic (2011).

THEORETICAL AND PRACTICAL IMPLICATIONS

Generally, results of this survey show that effective factors on corporate entrepreneurship must be considered in order to enhance it. In other words, having employees with entrepreneurial personality characteristics, paying attention to human resources activities supporting entrepreneurship, strong organizational culture as well as employees' satisfaction are set of reinforcing factors of corporate entrepreneurship. Thus, results of this survey introduce set of these factors as anticipants of corporate entrepreneurship. Managers can improve entrepreneurial level of the organization by focusing these factors and improving them. They can help enhance corporate entrepreneurship in the organization through hiring individuals with entrepreneurial personality characteristics. Hence, it is necessary to consider entrepreneurial personal characteristics of individuals as an effective criterion on enhancement of corporate entrepreneurship in selecting and hiring new individuals in the organization. Moreover, human resources activities could help enhance level of corporate entrepreneurship. Therefore, we can say that enhancement of corporate entrepreneurship requires profound changes in human resource practices. It is in a way that human resource practices should support corporate entrepreneurship. On the other side, existence of organizational culture that reinforces entrepreneurship is another important factor in enhancement of corporate entrepreneurship. Indeed, organizational culture is something similar to "action system" of the organization that directs employees how to think, feel and act. Hence, managers can help enhance corporate entrepreneurship by creating a strong organizational culture. Finally, results demonstrate that employees' satisfaction is one of the effective factors on corporate entrepreneurship. It means that positive attitude of employees towards the organization could enhance corporate entrepreneurship. Therefore, it is very important for managers to pay more attention towards factors creating employees' satisfaction in order to enhance corporate entrepreneurship.

LIMITS AND RECOMMENDATIONS

Among the limitations of this survey we can refer to the small sample size and conducting the survey only in one organization and in one country (Iran). So, it is recommended to study the intended factors in research model in other organizations and countries. Another limitation is using cross-sectional data, thus it is recommended to conduct longitudinal study in future researches.

REFERENCES


