Fostering Corporate Entrepreneurship

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Abstract

Corporate entrepreneurship is a powerful source for change and innovation, fostering creativity and a constant search for new solutions to all kinds of problems. It can help organizations meet several challenges and can transform firms into revolutionary companies. It can improve corporate competitive positions as well as help overcome the lack of innovations and staleness affecting many organizations. Technological and market changes seem to occur faster than we expect, and Peter Drucker's old saying that the only constant thing in business is change seems truer than ever. Fast-changing business environments, changing business structures and rules of competition are becoming part of the ordinary life of most companies, as these are prerequisites for staying in business. This article has been focused a commitment, competence, contribution, creativity, confidence, innovativeness, intelligence, integrity, initiativeness and insight.

INTRODUCTION

In the 1990's researchers focused Corporate Entrepreneurship CE as re-energizing and enhancing the firm's ability to develop the skills through which innovations can be created (Jennings and Young, 1990; Merrifield, 1993; Zahra, 1991; Borch et al., 1999). Also in the 1990's more comprehensive definitions of CE began to take shape. Guth and Ginsberg (1990) stressed that CE encompassed two major types of phenomena: new venture creation within existing organizations and the transformation of on-going organizations through strategic renewal. Zahra
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(1991) observed that "corporate entrepreneurship may be formal or informal activities aimed at creating new businesses in established companies through product and process innovations and market developments. These activities may take place at the corporate, division (business), functional, or project levels, with the unifying objective of improving a company's competitive position and financial performance." The choice of the firm's strategy or strategies is a critical organizational decision--a decision that has a major influence on organizational performance (Borch et al., 1999). Consistent with that, a strategy for CE is an option that a firm can choose to pursue once triggers from the external environment denote the need for organizational change and strategic adaptation (Kuratko et al., 2001). A strategy for CE is a set of commitments and actions that is framed around entrepreneurial behavior and innovation in order to develop current and future competitive advantages that are intended to lead to competitive success (Ireland et al., 2003b). The choice of using a strategy for corporate entrepreneurship as a primary means of strategic adaptation reflects the firm's decision to seek competitive advantage principally through innovation and entrepreneurial behavior on a sustained basis (Russell, 1999).

Increasingly environmental triggers are interpreted by today's decision makers as ones that call for the formation and use of CE as the core of the firm's efforts to adapt strategically. Lumpkin and Dess (1996) suggested that organizations facing a rapidly changing, faster-paced competitive environment might be best served by implementing corporate entrepreneurship behaviors as an adaptation mechanism. Labels have been attached to organizations relying on entrepreneurship actions as the core of their commitments, decisions, and strategies. Examples of these labels have included entrepreneurial firms (Mintzberg, 1973), prospectors (Miles and Snow, 1978), and adaptive, innovative, and impulsive firms (Miller and Friesen, 1980).
REVIEW OF LITERATURE

The global economy is no doubt creating profound and substantial changes for organizations and industries throughout the world. Markets, consumers, competitors and technology are constantly changing. As a result of increased global competition, organizations have been forced to rethink how they produce and deliver products and services. (Kemelgor, 2002).

The challenge for a company to remain a going concern is to establish a competitive advantage. The only way to accomplish that is through differentiation and continuous innovation – whether it is related to the creation of new products and services, production, organizational processes or business models.

According to Morris and Kuratko (2002), the answer to today’s hyper-competitive environments is adaptability, flexibility, speed, aggressiveness and innovativeness, which they boil down to one word – entrepreneurship.

The innovation of products, services and processes and the formation of new business enterprises are crucially important to every economy. Innovation and new business development can be initiated by independent individuals or by existing enterprises. The first is referred to as (independent) entrepreneurship, the latter as corporate entrepreneurship.

Entrepreneurship has long been seen as a synonym for establishing new small firms as a suitable vehicle for entrepreneurial endeavor (Rothwell & Zegveld, 1982). Later on, a parallel strand in
literature was developed stressing the importance of entrepreneurship for and within existing corporations. A widely accepted label for this branch in entrepreneurship theory aiming at bewildering existing companies with an entrepreneurial spirit is corporate entrepreneurship.

In its early stages, it was seen as a means to re-energize large companies.

The perceived weaknesses of the traditional methods of corporate management (e.g. highly regulated, strict hierarchy, short term focus, premeditation with cost minimization and cutting slack, narrowly defined jobs, ...) can lead companies onto a bureaucratic or administrative pathway, often ignoring the need for change and smoldering innovative initiatives. This type of management is expected to be self-reinforcing since disappointed entrepreneurial-minded employees and executives tend to leave a company managed by strict bureaucratic rules and regulations (Hayes & Abernathy, 1980; Kanter, 1985; Kuratko et al., 1990).

In this context, corporate entrepreneurship becomes of great interest for corporations as a means to enhance the innovative abilities of their employees and, at the same time, increase corporate success through the creation of new corporate ventures.

As McGinnis and Verney (1987) state, the purpose of corporate entrepreneurship is “to harness the entrepreneurship spirit of the small organization and blend it into the culture of the larger, more established firm”. Yet, later on, it has been recognized that small organizations too can benefit from bringing corporate entrepreneurship into practice (Carrier, 1996).

Corporate entrepreneurship or intrapreneurship is often seen as a school within entrepreneurship theory (Cunningham & Lischeron, 1991). Independent entrepreneurship is seen as the process-
whereby a single individual or a group of individuals create a new organization, acting independently of any association with an existing organization (Sharma & Chrisman, 1999).

Corporate Entrepreneurship plays a pivotal role in the important of the competitive positions and transformation of corporations, their markets and industries and in identifying opportunities for value creating and value adding innovations (Lumpkin and Dess, 1996)

Stopford and Baden-Fuller (1990) use the term ‘rejuvenation’. Corporate entrepreneurship is thought of as rejuvenating and revitalizing existing companies. It is brought into practice as a tool for business development, revenue growth, profitability enhancement and pioneering the development of new products, services and processes (Kuratko et al., 1990; Lumpkin & Dess, 1996; Miles & Covin, 2002; Zahra, 1991; Zahra & Covin, 1995; Zahra et al., 1999)

Corporate entrepreneurship is considered as entrepreneurial activities being established in association with one or more existing organizations.

**Corporate Entrepreneurship**
Throughout the years, researchers have used a variety of terms viz.

**Corporate entrepreneurship** (Carrier, 1996; Covin & Miles, 1999; Covin & Slevin, 1991; Dess et al., 1999; Hornsby et al, 2002; Jennings & Lumpkin, 1989; Ucbasaran et al., 2001; Zahra, 1991),

**Intrapreneurship** (Antoncic & Hisrich, 2001; Carrier, 1996; Hostager et al., 1998; Kuratko et al., 1990; Pinchott, 1985),
Corporate venturing (Macmillan et al., 1986; Miles & Covin, 2002), and Internal corporate entrepreneurship (Jones & Butler, 1992) to describe the entrepreneurial efforts associated with existing organizations.

The concept of corporate entrepreneurship was coined and established by Pinchott (1985). His book outlined guidelines and recommendations for people inside organizations to bring forth and develop new ideas into actual business venture.

Jennings & Lumpkin (1989) the extents to which new products and/or new markets are developed.

Covin & Slevin (1991)

Extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations.

Carrier (1996)

A process of creating new business within established firms to improve organizational profitability and enhance a company's competitive position. Covin & Miles (1999). The presence of innovation plus the presence of the objective of rejuvenating or purposefully redefining organizations, markets, or industries in order to create or sustain competitive superiority. Dess et al. (1999) Corporate entrepreneurship may be viewed as consisting of two types of phenomena and processes: (1) the birth of new businesses within existing organizations, whether through internal innovation or joint ventures/alliances and (2) the transformation of organizations through strategic renewal, i.e. the creation of new wealth through the combination of resources.
Ucbasaran et al. (2001). A process of organizational renewal associated with two distinct but related dimensions: (1) creating new businesses through markets developments or by undertaking product, process, technological and administrative innovations (2) redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation (p.63) Hornsby et al. (2002)

Corporate entrepreneurship centers on re-energizing and enhancing the ability of a firm to acquire innovative skills and capabilities (p.255)

Analysis of the definitions given by different authors indicates a common pattern with mutual elements among the various definitions. A general thread the runs through the various conceptualization of corporate entrepreneurship is that

Corporate entrepreneurship is characterized by the following:

- the birth of new business within existing businesses
- the transformation or rebirth of organization through a renewal of key areas of business creation, innovation and
- renewal within an existing organization

**Corporate entrepreneurship dimensions**

In an attempt to gain more understanding of the corporate entrepreneurship Phenomenon, its domain can be described by mapping its dimensions. Several corporate entrepreneurship authors have proposed diverse corporate entrepreneurship dimensions, Christensen, K.S (2004) proposed a framework relating four perspectives to corporate entrepreneurship.
Corporate venturing is a means of planning for organizational ambiguity in entrepreneurial action by separating one or a group of intrapreneurs from the organizational structure (Burgelman, R.A. 1983; Sharma, P. and Chrisman, J.J. 1999).
By contrast, internal resources operate within the overall organizational structure, and from this perspective corporate entrepreneurship focuses on bringing together organizational resources in a way that generates innovations and competitive advantage (Alvarez, S.A. and Barney, J.B. 2002)

Internationalization as a perspective on corporate entrepreneurship relates to the relatively higher risk of entering foreign markets. These often differ from the domestic market in terms of political, economic, legal and cultural dimensions. This means the company has to develop new knowledge and competencies (Ireland, R.D., et.al, 2001) which in turn reinforces the need for entrepreneurial abilities.

The last perspective on corporate entrepreneurship in this classification is external networks and alliances. The main reason why companies enter an external network or alliance is to gain access to resources that they do not possess themselves (Ireland, R.D., et.al, 2001)

In order to increase the understanding of these four perspectives on corporate entrepreneurship, they are briefly described below.

i) Corporate venturing

The ability to identify and exploit market opportunities is the core of entrepreneurship and forms a major part of the reason for investing in corporate ventures. A number of scholars (Chesbrough, H.W., 2000; Mason, H. and Rohner, T, 2002) have argued that corporate venturing is one of the main roads to innovation in the future economy as markets become more and more saturated. The main reason for creating corporate ventures is the isolation and nurturing of
innovative ideas that cannot survive in the bureaucratic structures and formal procedures of a large company. Dedicating resources to corporate venturing allows the company to follow different routes in the pursuit of innovations, with the R&D department concentrating on radical technological inventions while the corporate ventures explore market opportunities for both radical and incremental innovations.

ii) Internal (intangible) resources

Intangible resources, such as core competencies (Prahalad, G. and Hamel, G. 1990) and sustained competitive advantage (Barney, J.B., 1991) have been crucial since the beginning of the 1990s.

The main reason for focusing on internal resources in relation to corporate entrepreneurship is that many companies possess a bundle of unexploited resources - mainly intangible, knowledge resources held by employees. The knowledge resources are a mixture of skills, experience, competencies and capabilities that cannot easily be articulated and therefore cannot be transferred at arm's length or imitated by others. This makes the perspective of internal resources very important in relation to corporate entrepreneurship, as emphasized by Peter Drucker (1993): 'the basic economic resources ... is and will be knowledge'.

Alvarez and Barney (2002) state that intrapreneurs possess a broader knowledge base than specialists, which allows them to see how specialized knowledge resources can be applied to and integrated with the rest of the company and the market in order to achieve an entrepreneurial profit. Brush et al. (2001) point out that the ability to share knowledge resources influences efforts to develop the initial resource base necessary for long-term innovation.

The internal resource perspective thus constitutes a big potential for corporate
entrepreneurship. Continuous knowledge creation, sharing and dissemination and the identification and exploitation of new possibilities are a way of maintaining a sustained competitive advantage and keeping organizational competencies up-to-date.

**iii) Internationalization**

Internationalization, i.e. when a company extends its market scope beyond the domestic market, has become an important driver of corporate entrepreneurship in many companies, not only because of the innovative process of discovering and exploiting international opportunities for the purpose of achieving a competitive advantage (Zahra, S.A. and George, G, 2002), but also because of the significant potential returns when the market expands (Hitt, M.A., et al., 1997). Internationalization can take different forms, e.g. exporting and foreign direct investments, the corporate entrepreneurship perspective on internationalization should primarily be seen as an opportunity to expand the potential market scope.

**iv) External networks and alliances**

Networks are patterned relationships between individuals and groups (Dubini, P. and Aldrich, H., 1991) and are critical for an organization’s acquisition of resources and with it the survival of the organization. In relation to corporate entrepreneurship, the main purpose of entering a network is to gain access to the resources needed (but which the company does not possess) and to learn new competencies outside the company’s core competences. Organizational networks can take many forms, e.g. R&D partnerships, licensing, marketing agreements, subcontracting, joint ventures and strategic alliances.
RECOMMENDATIONS

Fostering corporate entrepreneurship

To foster corporate entrepreneurship, an organization should establish a conducive intrapreneurial environment, should have appropriate leadership characteristics and top management’s commitment.

Intrapreneurial Environment

Companies interested in developing and preserving entrepreneurship should strive to create a corporate environment in which those who believe in the attractiveness of opportunities feel encouraged to pursue it (Pinchott, 1985). In such an environment, a process of self-selection takes place, whereby entrepreneurs “bubble up” to the surface (Sathe, 1989).

Hisrich, Robert D & Peters, Michael P, (2002) summarized the overall characteristics of a good intrapreneurial environment as follows:

Organization operates on frontiers of technology, New ideas encouraged, Trial and error encouraged, Failures allowed, No opportunity parameters, Resources available and accessible, Multidiscipline teamwork approach, Long time horizon, Volunteer program

Appropriate reward system, Sponsors and champions available, Support of top management

Intrapreneurial Leadership Characteristics

The quality of leadership represented by top management plays a very critical role in driving innovation in firms and in mastering its dynamics (Kipp, 2001; Kuczmarski, 1998; Schoen, 80
Firm success is determined by the collective leadership of top management teams (Reich, 1987) with skills complementing each other (Timmons, 1979).

According to Hisrich, Robert D & Peters, Michael P. (2002) the following individual characteristics have been identified that constitute a successful Intrapreneur:

Understands the environment, Visionary and flexible, Creates management options Encourages teamwork, Encourages open discussion, Builds a coalition supporters and Persists

Establishing Intrapreneurship in the organization

An entrepreneurial organization will institutionalize practices that establish an Organizational environment in which innovation is considered an accepted and appropriate response to organizational problems (Russell, 1999). These practices build commitment and enthusiasm by creating a shared sense a purpose and meaning in the organization (Roberts, 1984).

An organization desiring to establish intrapreneurship must implement the following steps for its creation:

1. Secure a commitment to intrapreneurship in the organization by top, upper and middle management levels
2. Establish a mentor/ sponsor system
3. Use technology to make it more flexible
4. Establish an intrapreneurial culture by using a group of interested managers to train as well as share their experiences.

5. Develop ways to get closer to its customers

6. Learn to be more productive with fewer resources

7. Establish a strong support structure for intrapreneurship

8. Link rewards to the performance of the intrapreneurial unit.

9. Implement an evaluation system that allows successful intrapreneurial units to expand and unsuccessful ones to be eliminated

REFERENCES


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