Explaining corporate entrepreneurship: A contemporary literature investigation

Michael G. Brizek
South Carolina State University

ABSTRACT

The paper focuses on the Corporate Entrepreneurship nature identification through studying its definition, attributes and impact onto a company. The author explores research papers, investigation studies, interviews and fundamental books to discover the relationship between entrepreneurial behavior and business success. The paper presents a literature overview and is structured in order to answer for the key questions: (1) the nature of corporate entrepreneurship, its attributes and relationships with the organizational structure; (2) entrepreneurial systems design and management; (3) creation the entrepreneurial activities within an existing company; (4) leadership in a corporate entrepreneurship.

Keywords: Corporate Entrepreneurship, attributes of entrepreneurship, competitive advantage sustainability, innovativeness, entrepreneurial behavior, leadership
INTRODUCTION

The changing economy requires from the management to be flexible, adaptable, speedy, innovative and competitors’ aggressive. The new style of business behavior has been developed and successfully adopted – Entrepreneurship. To find, accumulate and sustain a competitive advantage is a major goal for a business in the competitive economic environment. An entrepreneurial mindset is a vital requirement to gain a business success.

The past twenty-five years have produced a pool of research papers, investigation studies and fundamental books. The history, the nature and various impacts of the Entrepreneurship have been discussed and argued by many researchers as well as experienced business leaders. Current paper is focused on an investigation of literatures related to the corporate entrepreneurship topic. Similarities and differences have been identified and presented in the study.

The objectives of this research are:
1) To understand the nature of corporate entrepreneurship, identify attributes and relationships with the organizational structure.
2) To identify the keys of entrepreneurial systems design and management.
3) To study the methods of creation entrepreneurial activities within an existing company.
4) To describe the new minded leaders and explain their roles in a corporate entrepreneurship.

The results of the literature overview are presented in a clear structure with accordance to the defined objectives.

THE NATURE OF CORPORATE ENTREPRENEURSHIP CORPORATE ENTREPRENEURSHIP DEFINITION

Major current researches are based on the studies of Joseph A. Schumpeter (1883 – 1950), an Austrian-American economist and political scientist. He was the first economist who determined entrepreneurs as main agents of economic growth which create new products, find and develop new methods of production, and allocate other innovations to stimulate economic evolution. Schumpeter introduced the term of “creative destruction” in economics. According to the “creative destruction” the entrepreneurs continually displace, substitute or destroy existing products or methods of production with the new ones. The positive outcomes of these processes are the opportunity to create new technologies and new products to satisfy the changes in customers’ needs, and improvement of overall economic activities.

Corporate entrepreneurship (Shaker A. Zahra, 1991) is a set of activities to enhance a company’s ability to innovate, take a risk, and seize the opportunities that are allocated in the market. Corporate entrepreneurship is targeted on new business establishment, new market allocation with further business pursuing, or both.

Robert A. Burgelman (1983) refers corporate entrepreneurship to the company’s activity in diversification through internal development. The process of such diversification involves new resources to help the firm to extend its activity in the new spheres of opportunities. Such diversification through internal resources development represents the process of individual entrepreneurship in the corporate one. Thus, corporate entrepreneurship is a result of combining the entrepreneurial activities of multiple participants.
Opportunities for the internal entrepreneurship exist in any company at any given moments and are accumulated in the pool of unused resources. Increase in knowledges and incentives are the main levers of internal creativity inside the firm’s body. Kirzner determined the corporate structure of businesses as an “[…] ingenious, unplanned device that eases the access of entrepreneurial talent to sources of large-scale financing.” And “[…] the executives, to the limited extent that they do possess discretionary freedom on action, are able to act as entrepreneurs and implement their ideas without themselves becoming the owners at all”\(^1\). He emphasized that the “alertness” to opportunity is basis to the internal impulse for all entrepreneurial activities, internal as well as external.

External entrepreneurship is a line of entrepreneurial activities to combine resources dispersed in the environment with resources hold by the company and create a new unique combination to possess the financial profit. Internal entrepreneurship is realized in the ability to craft new combinations of already existed and utilized in other combinations company’s internal resources.

**ATTRIBUTES OF HIGHLY ENTREPRENEURIAL FIRMS**

The firms’ level of entrepreneurial activity varies between different entities. This fact is influenced by both external and internal context. Some firms are more innovative and proactive than others which prefer stability to risk-taking. Many studies explored this problem and identified the attributes of highly entrepreneurial firms versus conservative firms.

Bruce Barringer and Allen Bluedorn determined three main variables of a firm to enhance entrepreneurial behavior:

- Opportunity recognition (Miller, 1983; Stevenson and Jarrillo-Mossi, 1986; Zahra, 1993);
- Organizational flexibility (Murray, 1984; Naman and Slevin, 1993; Stevenson and Gumpert, 1985);
- A firm’s ability to initiate entrepreneurial actions - to measure, encourage, and reward innovative and risk-taking behavior (Sathe, 1988; Zahra, 1993).

The authors discussed the strategic management practices (SMP) in correlation with the firm’s entrepreneurial intensity (FEI). Each of the discussion was summarized as a research hypothesis to show the effect of the strategic management on the level of an entrepreneurial behavior within the organization. The Table 1 provides the matches of strategic management practices with their methods’ definitions and the related hypothesis.
### Table 1. The relationship between strategic management practices and an entrepreneurial intensity

<table>
<thead>
<tr>
<th>Strategic Management Practices</th>
<th>Method of Definition</th>
<th>Hypothesis: the relationship between SMP and FEI</th>
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<tbody>
<tr>
<td><strong>Scanning Intensity</strong></td>
<td>Environmental scanning: managerial activity to monitor and analyze trends and events in the firm’s environment (Hambrick, 1981)</td>
<td>A positive relationship</td>
</tr>
<tr>
<td><strong>Locus of Planning</strong></td>
<td>The depth of employee involvement into the process of the firm’s strategic planning. There are two types of locus planning: shallow (typically, only top-managers participate in strategic planning activities) and deep (i.e. high level of employee involvement)</td>
<td>A positive relationship (in case of a deep locus of planning)</td>
</tr>
<tr>
<td><strong>Planning Flexibility</strong></td>
<td>The firm’s capacity to adjust its strategic plan to environmental changes either opportunities or threats (Kukalis, 1989)</td>
<td>A positive relationship</td>
</tr>
<tr>
<td><strong>Planning Horizon</strong></td>
<td>The length of the future time period to realize the firm’s strategic plan (Das, 1987; Camillus, 1982)</td>
<td>A negative relationship</td>
</tr>
<tr>
<td><strong>Control Attributes</strong></td>
<td>Strategic and financial control to meet predetermined goals and objectives (Hitt, Hoskisson, and Ireland, 1990)</td>
<td>A positive relationship if degree on emphasis on strategic control; A negative relationship if degree on emphasis on financial control</td>
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After analyzing the obtained data, Barringer and Bluedorn arrived to the several normative implications that are important for the clear understanding of keys to obtain or cultivate entrepreneurial behavior within an organization.

1) Scanning activities are required in the process to pursue intensity as a fundamental practice of entrepreneurially minded firms. Opportunity recognition is more a result of hard constant job of scanning a firm’s environment to study the existing opportunities and threads than a flesh of genius.

2) Proactive firms should implement flexibility in their strategic plans to be able to change it easily according to the environmental changes. In practice, planning flexibility can be difficult to achieve. Many companies conduct enormous efforts and costs in crafting the long-term and short-term plans. And as a result, companies are not able to change them or it can bring them into dangerous situation.

3) It is difficult to determine the influence of the length of strategic plans on the entrepreneurial behavior due to a poor reliability on measures. Capon et al. (1987) suggested that more than 80 percent of firms set up plans with several planning horizons.
A high level employee involvement in strategic planning facilitates an intensity of entrepreneurial behavior. The employee participation at all levels supports the entrepreneurial process and helps to pursue new opportunities (Burgelman, 1984; Sathe, 1988).

Control system is an essential part to realize the strategic plan and to pursue a rewarding creativity and innovations. A well designed control is important to sustain entrepreneurial activities through stimulation and incentive of rewarding system.

CORPORATE ENTREPRENEURSHIP AND ORGANIZATIONAL TYPE

Robert A. Burgelman in his researches states that the theory of typologies of organizations and of strategic process can be applied to the combination of corporate entrepreneurship and strategic management. Miles and Snow determined four types of organization as it is shown in the Table 2.

Table 2. Types of Organization

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Main Features</th>
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</table>
| **Defenders**        | - Narrow product market domain  
                       | - Top-managers are product experts  
                       | - Focus on the improving the efficacy of existing operation  
                       | - Do not search for the external opportunities |
| **Prospectors**      | - Continually search for the new opportunities  
                       | - Creators of change for competitors  
                       | - Innovations – oriented  
                       | - Underestimate the efficiency of existing operations and resources |
| **Reactors**         | - Lack of consistent strategy-structure relationship  
                       | - Make adjustments only under pressure of environment  
                       | - Unable to react affectively to the changes |
| **Analyzers**        | - Operate in both types of product-market domains: proactive and stable  
                       | - Require top-managers’ ability to perform in strategies in different models |


As Burgelman mentioned later, Mintzberg proposed a typology of strategic processes which is relative to Miles and Snow’s idea. Defenders can be described as “a planning mode managers”, prospectors – as users of “entrepreneurial mode”, and reactors are likely to be users of “adapting mode”. The type of analyzers are not found in this concept, and view by Mintzberg as a combination of two types – “planning and entrepreneurial modes”. 
DESIGNING AND MANAGING ENTREPRENEURIAL SYSTEMS

Jelinek proposed in his study the theory about establishing entrepreneurial activities within the company. He stayed that any organization can create incentives to generate entrepreneurial process and keep it continually. “Organizational learning” is a core idea of his research. It refers to the way to organize new ideas exchange within a firm between all participants and idea’s inventors and collaboration on a basis of its successful implementation.

IMPORTING THE LOGIC OF INDIVIDUAL ENTREPRENEURSHIP

Quinn argued an importance of using individual entrepreneurial ideas in an organization in contrast of institutionalization of entrepreneurial skills of individuals. He proved his theory by a large number of companies’ cases where individual entrepreneurship talent was successfully utilized. For better adaptation of individual attempts Quinn recommended:

1) The goal of planning-budgeting process should be restated as an opportunity seeking and helpful tool;
2) A wisely crafted system of control, measure, motivation and awards supports an entrepreneurial intensity;
3) Entrepreneurial team work is not limited by boundaries of the formal procedural structures;
4) “Winning a few” or the one in twenty rule must be accepted by an organization.

Some researchers explored the problem of “collectivism versus individualism” in the creating entrepreneurial advantages in a company. Morris, Davis and Allen (1994) designed an empirical study to allocate the impact individualism/collectivism upon organizational entrepreneurship. Pros and cons of both types of activities are summarized by researchers in the Table 3.

Based upon previous studies and analysis, Morris, Davis and Allen resulted in three hypotheses:

“H1: Extensive emphasis on individualism relative to collectivism will result in low level of entrepreneurship.
H2: Extensive emphasis on collectivism relative to individualism will result in low level of entrepreneurship.
H3: A relatively balanced emphasis between individualism and collectivism will result in higher level of entrepreneurship.”

The summary of the study emphasizes the importance of team-working in the modern organizations which play a critical role in pursuing corporate entrepreneurship. However, findings also suggest that companies should not underestimate individuals’ value, and must add incentives and autonomies to allocate new opportunities. The key to success is a combination of individual initiatives with the cooperative spirit and group association.

CULTIVATION OF ENTREPRENEURSHIP WITHIN AN ORGANIZATION

The numbers of current researchers propose a wide range of recommendations about designing and managing entrepreneurial systems. Michel Morris and Donald Kuratko suggest
exploring the process of developing the entrepreneurial environment within the organization in four main directions:

1) Structuring the company for entrepreneurship;
2) Establish efficient control in the area of entrepreneurial activities;
3) Smart human resource management;
4) Create an appropriate culture.

**Table 3. Collectivism vs. Individualism: Hypothesized Advantages/Disadvantages in an Organizational Setting**

<table>
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<tr>
<th>Individualism</th>
<th>Collectivism</th>
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<tbody>
<tr>
<td><strong>Pros:</strong></td>
<td><strong>Pros:</strong></td>
</tr>
<tr>
<td>- Employee develops stronger self-concept, more self-confidence</td>
<td>- Greater synergies from combined efforts of people with different skills</td>
</tr>
<tr>
<td>- Consistent with achievement motivation</td>
<td>- Ability to incorporate diverse perspectives and achieve comprehensive view</td>
</tr>
<tr>
<td>- Competition among individuals encourages greater number of innovative concept and ideas; breakthrough innovations</td>
<td>- Individuals treated as equals</td>
</tr>
<tr>
<td>- Stronger sense of personal responsibility for performance outcomes</td>
<td>- Relationship are more personalized, synchronized, harmonious, while interpersonal conflicts are discouraged</td>
</tr>
<tr>
<td>- Linkage between personal efforts and rewards creates greater sense of equity</td>
<td>- Greater concern for welfare of others, network of social support</td>
</tr>
<tr>
<td></td>
<td>- More consensus regarding directions and priorities</td>
</tr>
<tr>
<td></td>
<td>- Credit for failures and successes equally shared</td>
</tr>
<tr>
<td></td>
<td>- Teamwork produces steady, incremental progress on projects</td>
</tr>
<tr>
<td><strong>Cons:</strong></td>
<td><strong>Cons:</strong></td>
</tr>
<tr>
<td>- Emphasis on personal gain at expense of others, selfishness, materialism</td>
<td>- Loss of personal and professional self to group/collective</td>
</tr>
<tr>
<td>- Individuals have less commitment/loyalty, are more “up for sale”</td>
<td>- Greater emotional dependence of individuals on the group or organization</td>
</tr>
<tr>
<td>- Differences among individuals are emphasized</td>
<td>- Less personal responsibilities for outcomes</td>
</tr>
<tr>
<td>- Interpersonal conflicts are encouraged</td>
<td>- Individual “free ride” on efforts of others, rewards not compensated with efforts</td>
</tr>
<tr>
<td>- Greater level of personal stress, pressure for individual performance</td>
<td>- Tendency towards “group thinking”</td>
</tr>
<tr>
<td>- Insecurity can result from over-dependence on once-self</td>
<td>- Outcomes can represent compromises among diverse interests, reflecting need to get along more than need for performance</td>
</tr>
<tr>
<td>- Greater feelings of loneliness, alienation and anomie</td>
<td>- Collectives can take more time to reach consensus, may miss opportunities</td>
</tr>
<tr>
<td>- Stronger incentive for unethical behavior, expediency</td>
<td></td>
</tr>
<tr>
<td>- Onus on failure falls on the individual</td>
<td></td>
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</table>

STRUCTURING THE COMPANY FOR ENTREPRENEURSHIP

Structures are created to bring order and logic to company’s operations. The type of structure is not stable and can be changed or adjusted to firm’s needs. Some companies compose the features of two different structures in order to gain more benefits. It is generally argued that the type of chosen structure is matched to the main strategy. If entrepreneurship and innovations are determined as strategic directions than company might adopt an appropriate structure.

Miller (1986, 1996) categorized types of structures with strategy differentiation:

- **Simple Structure** – Strategies are set up by the top managers, and results are supervised directly, low degree of bureaucracy and informal information system.
- **Machine Bureaucracy** – Many formal rules, policies and procedures with a high level of power centralization; strict cost and budget controls, internal reporting system.
- **Organic** – Highly flexible with a limited hierarchy; power is decentralized by integrating personnel and task forces via mutual adjustment and open communication system.
- **Divisional** – Composed by several independent groups with their own producing and marketing lines; characteristics can defer significantly from organic to more bureaucratic.

Table 4 summaries strategic features adopted by a company according to the existing type of structure.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Simple Structure</th>
<th>Machine Bureaucracy</th>
<th>Organic</th>
<th>Divisionalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favor ed strategy</td>
<td>Niche differentiation</td>
<td>Cost leadership</td>
<td>Innovative differentiation</td>
<td>Conglomeration</td>
</tr>
<tr>
<td>Marketing emphasis</td>
<td>Quality, services, convenience</td>
<td>Low price</td>
<td>New product, high quality</td>
<td>Image</td>
</tr>
<tr>
<td>Production emphasis</td>
<td>Economy</td>
<td>Efficiency</td>
<td>Flexibility</td>
<td>Vertical integration</td>
</tr>
<tr>
<td>Asset management</td>
<td>Parsimony</td>
<td>Intensity</td>
<td>Parsimony</td>
<td>Varies</td>
</tr>
<tr>
<td>Innovation and R&amp;D</td>
<td>Little</td>
<td>Almost none</td>
<td>Very high</td>
<td>Low to moderate</td>
</tr>
<tr>
<td>Product-market scope</td>
<td>Very narrow</td>
<td>Average</td>
<td>Average</td>
<td>Very broad</td>
</tr>
</tbody>
</table>

According to the theory of Covin and Slevin (1990) the firm with the entrepreneurial behavior utilizes the following structural characteristics:

1. Freely varied operating style;
2. Top-managers are experts;
3. Flexibility to environmental changes;
4. Result-orientation rather than on the processes;
5. Friendly cooperative atmosphere with informal control;
6. Diversified team with a flexible on-the-job behavior;
7. Concentration on team-creating and team-working;
8. Free communication.

ESTABLISHMENT OF EFFICIENT CONTROL IN THE AREA OF ENTREPRENEURIAL ACTIVITIES

Control is a system of policies, procedures, rules, and tools implemented in the organization to avoid chaos and maintain efficiency. The development of control system also has an implication on the entrepreneurial intensity. Control can play a dual role for the entrepreneurship - represent either obstacles or serve to facilitate entrepreneurial activities.

A control system can be categorized by a variety of attributes (Morris and Kuratko, 2002): degree of formality and prescriptiveness, desire for consistency, use of coercive power, distribution of authority and responsibility, desire for individual initiative, level of freedom and discretion, degree of horizontal interaction and communication, and level of details.

The principal outcomes of control provided through the company activities result in risk reduction, elimination of uncertainty, highly efficient operations, goal conformance, and specific role definition. Figure 1 below represents the attributes of two opposite domains with controversial nature.

Figure 1. Dimensions of Attributes

SMART HUMAN RESOURCE MANAGEMENT

The human resource (HR) function serves a critical role in the creation and realization of a corporate strategy. Human resource management is a system of activities targeted on the efficient management of one of the most important company’s resources – labor resource. Tasks of human resource or personnel management are performed through hiring, training, developing, motivating, organizing, and maintaining the employees of a company. Nowadays, personnel management is a core value for achieving the strategic goals. HR practices are coordinated with accordance to the adopted strategy and changed in reflects to the current external competitive environment and long-term focus. Olian and Rynes (1984) found that the appropriate mix of

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recruitment and selection activities depends on the type of pursuing strategy: either entrepreneurial-based or more efficiency-based.

Entrepreneurial strategy requires employees to think and act differently from bureaucratic behavior. Key elements of the proentrepreneurial HRM are presented in Figure 2 (Schuler, 1989; Morris and Jones, 1995).

**Figure 2. Key Elements of HRM System Encouraging Entrepreneurship**

CREATION OF INNOVATIVE CULTURE

Culture is identified as “an organization’s basic beliefs and assumptions about what the company is about, how its members should behave, and how it defines itself in relation to its external environment” (Cornwall and Perlman, 1990). Components of company’s culture are classified into six elements: values, rules of conduct, vocabulary, methodology, rituals, and myths and stories.

Deal and Kennedy (2000) determined four types of culture evolved within companies and explored their impact on strategy and performance.

1. **The Process Culture**: Low risk, “how it is done” concentration, tight hierarchy, and an emphasis on a failure avoidance.
2. **The Tough-Guy/Macho Culture**: High risk, tough individual competition, quick feedback, short-term orientation, and fluctuating structure.
3. **The Work Hard/Play Hard Culture**: Fun and actions are rules, moderate low risk, and short-term orientation with strong customer focus.
4. **The Bet-the-Company Culture**: Very high risk with ongoing pressure, slow-feedback environment, and a clear-cut hierarchy.
Many researches were done on how culture relates to innovations and entrepreneurship (Timmons, 1999; Peters, 1997; Cornwall and Perlman, 1990). They can be synthesized into several common characteristics of entrepreneurial culture:

- People and authority are focused on positive results;
- Challenge of innovations and risk-taking;
- Hands-on management;
- Freedom to grow and to fail;
- Personal commitment and responsibility;
- Orientation on a future and a sense of urgency.

THE ROLE OF LEADERSHIP IN A CORPORATE ENTREPRENEURSHIP

Top managers who occupy the leadership position in a company directly influence on new business creation and development. Also they can do that indirectly if they change the environment by refocusing the division to compete in a new business area, or if they change the management culture. Vijay Sathe presented the theory which explains the role of top-managers in new business creation and innovation process by examining business realities, the management culture, the corporate philosophy, organizational politics, the personalities and personal priorities of the people at the top.

Kristen Kenton, President of Kenton Talent Management, specialized on the executive recruiting, discussed a leadership role in a corporate business in the interview with Michael Miller, a professor of the University of Colorado in Denver and an expert on the topic of corporate entrepreneurship. Miller described a corporate entrepreneur leader as an emotionally intelligent person who might have such distinctive traits of character as “…humility, authenticity, intuition, risk tolerance, superb communication skills…” He or she must be proactive and flexible to new ideas and actions beyond of the agenda. His concern is to be about the team and the broader business. A leader might feel which way is the best for his company and leads to growth not to bureaucracy or simply strangle process. Miller suggested that the corporate entrepreneur should be open for the new information and learning of new industries. In the current emerging markets it would be difficult for the CEO who knows only one business sector to transfer into the new domain. There is a sustained premium for the leaders who is experienced in the complex structures and involved in several industries.

As a recruiter, Kenton emphasized on the bigger demand for the leaders with the entrepreneurial skills than for the classic styled one. In new market conditions successful leader must be more creative and resourceful with a quite small managing team. So, they are oriented for a greater result with less utilized sources. The entrepreneurial leaders are the leverage of new technologies and innovations who successfully links them with the commercial benefits.

SUMMARY

It was the intention of this study to review relevant literature pertaining to the evolution and development of corporate entrepreneurship within the business landscape. Several theories and previous studies were introduced to better elaborate regarding the impact of corporate entrepreneurship and the elements of organizational behavior and entrepreneurial practices that further explain the essence of corporate entrepreneurship itself.
REFERENCES


Cornwall, J.; Perlman, B. Organizational Entrepreneurship. Homewood: Irwin. 1990.


