

CORPORATE ENTREPRENEURSHIP: IS ENTREPRENEURIAL BEHAVIOR POSSIBLE IN A LARGE COMPANY?

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Abstract

The turbulence of modern business environment manifests in changes of great intensity. New business conditions demand fundamental and constant transformation of the way in which companies function in order to find new sources of sustainable competitive advantage, which is based on developing internal capacity for continuous innovation of products, services, technologies, organizations, markets, and processes. Entrepreneurial intensity in a company depends on motivation of employees and entrepreneurial organizational culture. Paper describes the case whose protagonists demonstrate entrepreneurial behaviour in a corporation with non-entrepreneurial organisational culture.

Key words: *Corporate entrepreneurship, Entrepreneurial organisational culture, Employee motivation, Entrepreneurial intensity, Innovation.*

1 Introduction

The turbulence of modern business environment manifests in great intensity changes in technological, economic, legal and regulatory environment, and the labour and resource markets. New business conditions demand fundamental and constant transformation of the way in which companies function in order to find new paths and sources of sustainable competitive advantage, whose principal support is the development of internal capacity for continuous innovation of products, services, technologies, organization, markets, and processes. Abilities of adaptation, creativity, flexibility, aggressiveness, speed and innovativeness are the characteristics of entrepreneurial activity, which must be applied at the individual, organizational and societal level, as the response to the increasing level of uncertainty and complexity of the environment we live in (Gibb, 2000). At the organizational level – entrepreneurial behaviour is needed in

non-profit and profit oriented organizations, small and large companies, and in the context of large companies, entrepreneurial activity is described through the term corporate entrepreneurship (Morris, Kuratko et Covin, 2008).

Corporate entrepreneurship, in the narrow sense, represents formal and informal activities whose aim is the creation of new ventures within existing organizations (Zahra, 1991), creation of new business entities in collaboration with the existing organization (Sharma and Chrisman, 1999), or transformation of the existing organization through strategic renewal (Guth and Ginsberg, 1990). Development and application of entrepreneurial activity in corporations reflects in strengthening their vitality, precisely through the fact that empowered employees are the bearers of entrepreneurial activity. Entrepreneurial organisational culture is the presumption for entrepreneurial activity of employees in corporations, characteristics of which stimulate and facilitate such behaviour. This is in line with the viewpoints that motivation is an expression of intrinsic needs (Maslow, 1954, Herzberg et al., 1959, Schein, 1992, Senge, 2001) of people for self-realization at the workplace. This paper will describe the case of employees in a corporation who were intrinsically motivated for entrepreneurial action and whose activities have yielded a significant result for the corporation they work in. Despite that, their activity did not result in a change of non-entrepreneurial organizational culture, and the protagonists of the case were discouraged from undertaking similar initiatives in the future, within the existing organizational context. The case described in this paper confirms that individual entrepreneurial initiative in corporate environment cannot be successful if there is no supportive organizational culture and leadership entrepreneurial capacity.

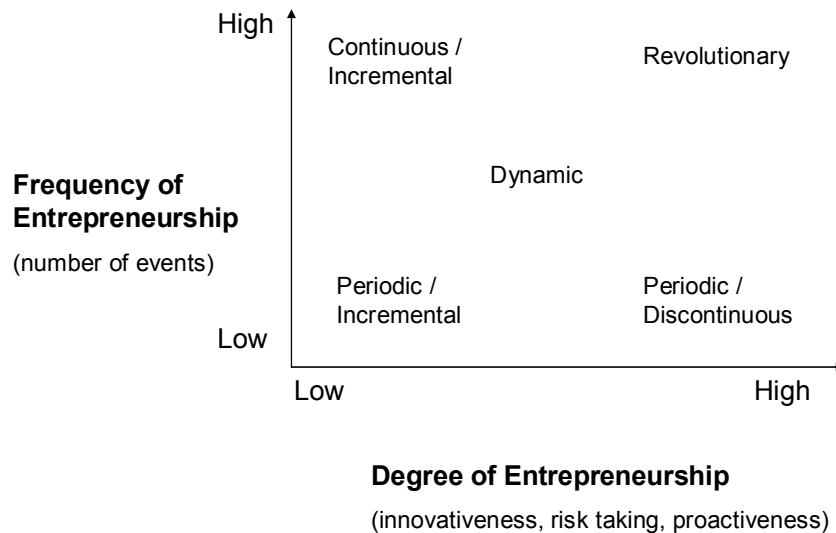
2 Entrepreneurial Organisational Culture – Presumption for a Sustainable Level of Entrepreneurial Intensity in a Corporation

The level of entrepreneurial activity in a corporation is measured through three dimensions: innovativeness, risk undertaking and proactivity, and a certain organisational context can be characterized by a different combination of these dimensions (Kuratko et al, 2004). Indicator of entrepreneurial activity can be observed using a restrictive and a less restrictive approach. Level of entrepreneurial activity, in the restrictive sense, can be measured as the multiplication of levels of innovativeness, undertaking risks and proactivity. Using a scale ranging from 1 to 5 for each of the stated dimensions, indicator of entrepreneurial intensity can attain values from 1 to 125. In the less restrictive sense, level of entrepreneurial activity can be measured as the sum of levels of innovativeness, undertaking risks and proactivity in a corporation, and in that case indicator of entrepreneurial intensity is measured in the range of values from 3 to 15.

The level of entrepreneurial intensity in a corporation is determined by the level of entrepreneurial activity (measured by levels of innovativeness, undertaking risks and proactivity) and the frequency of entrepreneurial events and activities in a corporation. Figure 1 shows the “entrepreneurial grid”, which combines different levels of frequency of entrepreneurial events (from periodic to continuous) and a different level of entrepreneurial activities (from incremental to revolutionary). Identification of the current position on the entrepreneurial grid allows managers to determine strategic guidelines for development and improvement of entrepreneurial potential in the corporation. Hrvatska pošta d.d. – company described in the case within this paper has a low level of frequency of entrepreneurial events and initiatives in the corporation and a low level of entrepreneurship, in the sense of innovativeness, undertaking risks and proactivity

at the organizational and the individual level.

Fig. 1: Entrepreneurial Grid

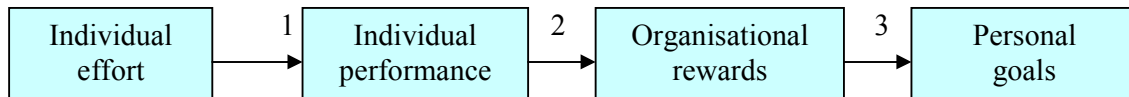


Source: Morris, M. H.; Kuratko, D.F.; Covin, J.G.: "Corporate Entrepreneurship and Innovation", Thomson South-Western; Second Edition, 2008, p. 70.

Initiative for employees' entrepreneurial activity can be the result of motivation (intrinsic need) and/or external stimuli of the entrepreneurial organisational culture (extrinsic stimuli). Early employee motivation theories almost entirely emphasized own economic interest as employees' primary motivation, while from the 1930s, authors (researching this field spoke of the importance of a whole range of social assumptions for employee motivation, such as good relations with work colleagues, feeling of belonging and similar. Since the 1950s, concepts of self-development and self-actualization played significant role in explaining employee motivation (Maslow, 1954, Herzberg et al., 1959, Vroom, 1964). Whetten and Cameron (2007) especially emphasized that satisfaction occurs because of good performance, and good performance depends on motivation.

For clearer understanding of the case that will be described in this paper, and in the context of explaining employee motivation for taking initiative and entrepreneurial activity, it is important to mention Victor Vroom's expectancy theory. Vroom (1964) believed that, from the aspect of the individual, wish for taking action depends on the expected results of the action and the attractiveness of the expected rewards for the performance achieved. According to this theory, employees will make an effort in realization of some undertaking in the organisational context if they believe that this effort will ultimately yield a good result and they will be rewarded for their effort in accordance with their own expectations and value system.

Figure 2: Expectancy Theory



- 1 Effort – performance relationship
- 2 Performance – reward relationship
- 3 Rewards – personal goals relationship

Source: Robbins, S.P.: “Organizational Behaviour”, Prentice Hall, Inc., 2001, p. 171.

Besides (intrinsic) motivation, employee's entrepreneurial activity can be stimulated by entrepreneurial organisational culture. Studying organisational culture began attracting significant attention of theoreticians and practitioners (Kanter, 1985, Burgelman, 1984, Muffatto, 1988, Duncan, 1988,) in the field of management in the mid-1980s, when the belief started that organisational performance and utilization of human resources in a corporation can be significantly improved through creation of adequate organisational culture. Thereat, Schein points out the key role of leadership in creation of organisational culture, and believes that organisational culture and leadership represent “...two sides of the same coin¹”. Different organisational culture can have different effects on behaviour of employees in a corporation. In modern business conditions, organisational culture represents a control mechanism which provides employees with frameworks of desirable and acceptable behaviour: “The role of culture in influencing employee behaviour appears to be increasingly important in today's workplace. As organizations have widened spans of control, flattened structures, introduced teams, reduced formalization, and empowered employees, the shared meaning provided by a strong culture ensures that everyone is pointed in the same direction.²”

According to numerous authors, (Gibb, 1988, Morris et al., 2008, Kuratko et al., 2004) entrepreneurial organisational culture represents “fertile ground” for entrepreneurial activity of employees. Gibb believes that entrepreneurially designed organisations with their activities stimulate and develop entrepreneurial potential at all their levels by creating and strengthening feeling of ownership, strengthening feelings of freedom and control, tolerating uncertainty, developing tendency for taking responsibility and seeing things in detail, building commitment through time, stimulating individuals to create relevant networks of stakeholders, encouraging and rewarding direct learning from stakeholders, avoiding strict delimitations and systems that stimulate it, encouraging strategic thinking at the expense of formal planning, encouraging personal contact as the basis for the building of trust, etc. (Gibb, 1988).

Morris et al. (2008) gave an overview of characteristics of entrepreneurial organisational culture by several authors (Figure 3), and continued by synthesizing and citing the following elements of

¹ Schein, E.H. (1992), „Organizational Culture and Leadership“. Jossey-Bass Publishers, Second Edition, San Francisco, p.1.

² Robbins, S.P.: „Organizational Behaviour“, Prentice hall, Inc., 2001. p.515.

organisational culture: focus on people and empowerment; creation of value through innovation and change, emphasis on essence; hands-on management; effectiveness; freedom to develop and make mistakes; commitment and personal responsibility; emphasis on the future and the feeling of urgency.

Figure 3: Components of an Entrepreneurial Culture: Three Perspectives

Timmons (1999)	Cornwall and Perlman (1990)
Clarity, being well-organized	Risk
High standards, pressure for excellence	Earned respect
Commitment	Ethics of integrity, trust, credibility
Responsibility	People
Recognition	Emotional commitment
Esprit de corps	Work is fun
	Empowered leadership throughout firm
	Value wins
	Relentless attention to detail, people, structure and process
	Effectiveness and efficiency
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Peters (1997)	
Listening	
Embracing change	
Customer focus	
Total integrity	
Excellence	
Involve everyone in everything	
Experimentation	
Fast-paced innovation	
Small starts and fast failure	
Visible management	
Measurement / accountability	

Source: Morris, M. H.; Kuratko, D.F.; Covin, J.G.: "Corporate Entrepreneurship and Innovation", Thomson South-Western; Second Edition, 2008, p. 259.

Entrepreneurial activity of the individual in a corporation is dependent on organisational culture in whose creation different management levels participate in different ways. Each of the management levels has its role and importance for development and facilitating entrepreneurial initiatives in a corporation. The role of top management is to develop and communicate company's vision, choose quality people and build entrepreneurial architecture of the company (structure, system, culture). The role of middle management is especially critical for corporate entrepreneurship, because it allows or prevents permeability of entrepreneurial initiatives, adapts initiatives to corporation's needs and characteristics, takes care of development of entrepreneurial initiatives, identifies and gathers necessary resources and implements projects that result from such entrepreneurial initiatives. First line managers have a double role: they accept orders and act autonomously, and through everyday business activities and contacts with people within and

outside the corporation represent a significant source of innovative ideas for the corporation (Morris et al, 2008). Below we will describe the case of Hrvatska pošta d.d.

3 Case of Hrvatska pošta d.d.: Too Early or too late for Entrepreneurship?

The postal market is undergoing constant changes as the answer to globalisation, technological challenges, competition and gradual suspension of the monopoly on postal services. The attitude towards postal institutions as state companies of strategic, industrial and security importance changed in EU countries in the 1980s, when the belief that there is need for commercialisation, competitiveness and liberalisation of the postal services market became prevalent. The concept of market liberalisation means opening up of, until then closed, (monopolistic) market to all who want, under the same conditions, to compete at that market with others for winning buyers of their products and services. In Croatia, the Postal Act was passed in 1994, and until then postal services were carried out only by the public company Hrvatska pošta i telekomunikacije (Croatian Post and Telecommunications). The intention of this law, even in conditions of market liberalisation, is to protect the state company from “hits” by small, flexible courier companies in that part of the postal services market that has been liberalised (because the liberalisation is not general) and in the part of the market that is the most profitable.

Opening the postal market to competition should have resulted in improvement of postal services, since competitiveness stimulates greater efficiency and lowering of expenses (Porter, 1998). Appearance of small courier companies and their competing in the field of services and products which bring the greatest profit prompted Hrvatska pošta to perceive new market opportunities and develop new and modify existing products. One of such recent innovative services is the “hpekspres” service, which has been introduced as the answer to the needs and demands of the market for fast delivery of packages. Hpekspres is a courier service with added value, which connotes faster transfer of postal services, tracking of packages during transfer, delivery within the agreed upon time period, or acting in accordance with sender's subsequent request. The service is based on the “door to door” system and connotes receipt and delivery of packages based on telephone orders. When creating this new product, which has its market justification, Hrvatska pošta did not define a strategy for placing this product in the market, but, after very modest marketing activities, went straight to the implementation phase. Four months after introducing the service to the market, placement of the product is left to independent postal centres – without expert help and adequate funding.

This “hot potato” ended up in the hands of Mirna and Zvonimir - two “operatives” who, without previous experience in marketing, but aware of the importance and competitiveness of “hpekspres” at the market and applying the *guerrilla marketing* approach, came up with the market approach strategy. Although without practical experience in implementing similar activities “in the field”, Mirna and Zvonimir possessed theoretical knowledge on how to start and manage an entrepreneurial venture, acquired at Graduate Program in Entrepreneurship at the Faculty of Economics in Osijek. Mirna and Zvonimir assembled a team of enthusiastic Hrvatska pošta employees and, with minimal funding, designed promotional materials, created a database of potential users, and promoted and successfully placed the new service through direct contact in the field.

Business results at the end of the business year in which the hpekspres service was introduced speak in favour of well identified market justification of placing this service, and the results of

package traffic at the hpekspres postal center in which Mirna and Zvonimir acted entrepreneurially speak of an exceptionally wisely and efficiently applied marketing strategy.

Besides the intrinsic feeling of satisfaction with the achieved result after this entrepreneurial “step forward”, Mirna and Zvonimir haven't been adequately rewarded. Their entrepreneurial undertaking remained known only to a limited circle of their work colleagues who had the opportunity to be directly or indirectly involved in their activities. According to its characteristics, Hrvatska pošta d.d. represents a corporation with a low level of entrepreneurial intensity in which the frequency of entrepreneurial actions is low, and a low level of entrepreneurial activity, measured by dimensions of levels of innovativeness, undertaking risks and proactivity. In accordance with Vroom's expectancy theory, Mirna and Zvonimir, as well as work colleagues from the environment that have witnessed their entrepreneurial undertaking, are aware that there is no connection between the achieved performance and the reward expected for the invested effort, which decreases intrinsic motivation for application of entrepreneurial activity in some similar business context.

4 Conclusion

Large business systems are characterized by bureaucratized organization, which discourages entrepreneurial behaviour both at individual and organizational level, and without creative and innovative potential, large companies are becoming calcified, which disempowers moving the organization from stalemate. The consequences manifest in choking of entrepreneurial initiatives of self-motivated employees and ultimately in loss of enthusiasm by enterprising individuals, who represent a true endemic species in such systems.

This paper describes the case of employees of Hrvatska pošta d.d., who, upon receiving a task that was outside of the framework of their standard job description, with limited resources and missing guidelines for execution of the task, but with great enthusiasm, reacted entrepreneurially to the identified opportunity for the company. Using the principles of guerrilla marketing, a new product of Hrvatska pošta d.d. was successfully introduced to the liberalized market, which, by its characteristics was competitive with similar products on the market.

Despite excellent results of the undertaken entrepreneurial project and good positioning at the local market, their entrepreneurial action did not have wider repercussions within the organization, which discouraged employees – actors of this case from further entrepreneurial activity within their parent organization.

The case described confirms that individual entrepreneurial initiative in corporate environment cannot be successful if there is no supportive organisational culture and leadership entrepreneurial capacity.

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