
Impact of Corporate Entrepreneurship on Improvement of the Iranian Organizations Performance

Javad Khamisabadi¹, Hossein Adelkhani², Mehdi Zaeimi Sakhavidi^{3*}

¹Member of Young Researchers and Elite Club, Islamic Azad University, Tehran, Iran

²M.A of Business Management, Faculty of Management, Central Tehran Branch, Islamic Azad University, Tehran, Iran

*Corresponding Author E-mail: mehdi_zaeimi@yahoo.com

Received: 24 August 2016, Revised: 30 September 2016, Accepted: 20 October 2016

ABSTRACT

Corporate entrepreneurship refers to the activities that enhance organization's ability to innovate, take risk and seize market opportunities. It also refers to the development of new products or services, administrative systems and techniques, and the development of new business models and business ventures. Moreover, corporate entrepreneurship consists of the process where an individual or a group of individuals, within an established organization, creates an innovation or a new organization and is involved in the process of wealth creation. Therefore, the purpose of this paper, and a survey conducted for it, is to examine the impact of corporate entrepreneurship on business performance of Iranian large organizations.

Keywords: Corporate, Entrepreneurship, Organization, Iranian, Performance, Impact.

Introduction

Iran's business environment is characterized as highly bureaucratic and turbulent, facing large and highly efficient adversaries from abroad. Therefore, the usage of modern business concepts and methods is essential for further development and growth of Iranian organizations if they want to compete on today's global market. Implementation of entrepreneurial activities in every day's life of large Iranian organizations should be an imperative to provide so desired improvement or creation of new business solutions, production methods and products.

In Iran, enterprises are divided by size on small (less than 50 employees), medium-sized (50-250 employees) and large (over 250 employees); and by the owners' structure on private, mixed and public. Iranian Chamber of Economy (CCE) has registered total of 77,560 enterprises in 2007. There are 451 large organizations, or, to put it in other words, less than 1% of all registered organizations, but they participate with 302,270 employees, or 34% of the total work force. That means that more than a quarter of the employees in the country are employed by large organizations. They also make 44% of all revenues and 45% of all expenditures in

the economy. Moreover, large organizations achieve 46% of the total net operating income after taxes and participate with 58% of the total consolidated financial result. Corporate entrepreneurship as entrepreneurial activities in established organization is an important aspect of organizational and economic development and wealth creation. Corporate entrepreneurship has appeared about thirty years ago and is still relatively new and unexplored area in the world as well in Iran. Iranian enterprises, in their process of transformation to the market economy are accepting new business approaches and models. One of them is corporate entrepreneurship. The process of its acceptance goes slowly and is followed by different problems. From theoretical point of view, the research in this field is still in its infancy in Iran. Therefore, the aim of this study is to define corporate entrepreneurship, explore its characteristics and to contribute to better understanding of the relationship between corporate entrepreneurship and organization's performance, measured by value added.

Literature review

Entrepreneurship is considered an individual level behavioral phenomenon where organization formation and innovation differentiate entrepreneurship from management of existing activities. It can be seen as a process of starting a new venture, acquiring or bringing together necessary resources while pursuing opportunities. It can also be seen as a process of innovating or creating new combinations of resources, conducting risk-taking and profit seeking activities with the purpose of creating value. In the center of entrepreneurial process is an entrepreneur, a person who creates value where there was none before and whose

traits are innovativeness, proactiveness and affinity towards risk taking. Therefore it can be said that entrepreneurship represents abilities to recognize new opportunities in the external environment, evaluate and prioritize these opportunities and then transform them into viable business concepts (Kolakovic 2006). While exploring phenomenon of entrepreneurship a question arose regarding could it be possible that even large organizations could act in the manner of small and medium sized organizations. That large organization could be innovative, proactive, creative, fast reactive and with the sense of future market needs and wants. The answer came in the form of corporate entrepreneurship. Corporate entrepreneurship, as well as entrepreneurship, can be defined in various ways. Some authors define corporate entrepreneurship as a process by which individuals inside organizations pursue opportunities independent of the resources they currently control (Stevenson and Jarillo, 1990), as doing new things and departing from the customary to pursue opportunities (Vesper, 1990), as an entrepreneurial spirit within the existing organization (Hisrich and Peters, 1998), and as creation of new organizations by an organization (Sharma and Chrisman 1999). Zahra (1991) has observed that corporate entrepreneurship consists of formal or informal activities aimed at creating new businesses in established organizations through product and process innovation and market developments. An innovation can be a new product or service, an administrative system, or a new plan or program pertaining to organizational members. These activities can occur at any level inside the organization with the goal to improve organization's competitive position and financial performance.

Therefore, corporate entrepreneurship centers on enhancing the organization's ability to acquire innovative skills and capabilities. Characteristic dimensions of corporate entrepreneurship are new business venturing, product/service innovation, process innovation, self-renewal, risk taking, proactiveness and competitive aggressiveness. New business venturing refers to a formation of autonomous or semi-autonomous units or organizations where these newly created entities can abide within or outside existing organization. Innovation of products, services and processes involve development and innovation of technology. It can be seen as product development, product improvements and new production methods and procedures. Self-renewal dimension reflects the transformation of organizations through renewal of the key ideas on which organizations are built and includes a redefinition of business concept, reorganization and introduction of system-wide changes for innovation. Risk taking refers to the possibility of loss related to quickness in taking bold actions and committing resources in the pursuit of new opportunities. It also means that a organization is not afraid to break away from routine, safe, well known core business and venture, into the unknown. Proactiveness represents organization's posture of constant seeking for new opportunities by anticipating and acting on future wants and needs in the market, involving introduction of new products or services before competitors. Competitive aggressiveness reflects the intensity of a organization's efforts to outperform industry rivals. It is characterized by aggressive and forceful responses to competitor's actions (Lumpkin and Dess, 2001).

Corporate entrepreneurship is defined as entrepreneurship within an existing organization, referring to the emergent of behavioral intentions and behaviors of an enterprise, which deviate from the customary way of doing business. Corporate entrepreneurship processes go on inside an existing organization and refer not only to creation of new business ventures, but also to other innovative activities such as development of new products, services, technologies, administrative techniques, strategies and competitive postures. Crucial role in achieving previously mentioned activities of transforming an organization into entrepreneurially oriented organization have creative and proactive employees with the vision of future trends. These entrepreneurial employees are better known as intrapreneurs.

The intrapreneurs are the organization's hands-on champions who transform ideas into added value. They do not need to be the source of an idea, though often they are. An intrapreneur's primary purpose is to identify the potential value in an idea and passionately support the idea within the organization to capture the value. The intrapreneur is a visionary who is internally motivated by challenge and a strong sense of what is needed by the organization, not by promotions. The intrapreneur exhibits many of the same traits that define a good leader: vision, strong intrinsic motivation, willingness to take risks, ability to rally resources, and history of producing results. The intrapreneur undertakes great personal risks in the form of forgone time or salary while working on how to overcome obstacles in the organization. Personal risk is necessary for success, as it serves to increase the intrapreneur's conviction and drive. Obstacles in the organization also challenge the intrapreneur and augment

his conviction and internal drive. The risk and obstacles instill a sense of rationality in the intrapreneur. Without personal risk and obstacles, the intrapreneur might pursue ideas with little chance of adding value to the organization. A system of risk and obstacles serves to reinforce the concepts of conviction, drive and focused innovation (Pinchot, 1985).

Corporate entrepreneurship and performance

Corporate entrepreneurship can be defined as the effort of promoting innovation in an uncertain environment. Innovation is a process that provides added value and novelty to the enterprise, its suppliers and customers through the development of new procedures, solutions, products and services as well as new methods of commercialization. Within this process the principal roles of entrepreneurial employee, better known as intrapreneur, are to challenge bureaucracy, to assess new opportunities, to align and exploit resources and to move the innovation process forward. The intrapreneur's management of the innovation process will lead to greater benefits for the enterprise. Organizations that institute corporate entrepreneurship as a process that infiltrates and spreads throughout the entire organization tend to achieve positive results over time in the sense of improved internal efficiencies, higher employee morale and major improvements in financial performance. It takes considerable time to create a truly entrepreneurial organization. Senior managers usually become frustrated with the lack of performance and try to implement some new management trend that will immediately bring them success. This is definitively not the case with implementing entrepreneurial behavior within a organization. Therefore,

implementing a process of corporate entrepreneurship that penetrates in the organization's culture, structure and systems will show significant results over longer time period. There have been many studies that link corporate entrepreneurship to the organization's growth and profitability. Empirical evidence that corporate entrepreneurship improves performance by increasing organization's proactiveness and willingness to take risks by pioneering the development of new products, processes and services can be found in the literature. A longitudinal study by Zahra and Covin (1995) in which they examined the longitudinal impact of corporate entrepreneurship on a financial performance index, composed of both growth and profitability indicators, provides the best evidence of a strong relationship between corporate entrepreneurship and the performance. Antoncic and Hisrich (2004) study demonstrate that corporate entrepreneurship makes a difference on the organization's performance, observed by growth, profitability and new wealth creation. Moreover, Zahra and Garvis (2000) in their research showed that even international entrepreneurial efforts can enhance the growth and profitability of a organization's performance. Although, it sounds like an easily comprehensive relationship it is actually much more complex. Literature also mentions that some empirical research have not found any relation between organizations entrepreneurial orientation and the organization's performance (Smart and Contatnt, 1994). Therefore, Lumpkin and Dess (1996) state that previously mentioned relationship is much more complex because it depends on the external as well on the internal organizational characteristics. Therefore,

in this paper the authors will try to show a positive link between corporate entrepreneurship and organization's performance in the context of Iranian's large organizations, measured in the terms of value added.

Research methodology and results

Data were collected by mail survey questionnaire completed by executive managers (or their designees) of organizations located across Iran, of which 19 respondents were male and 16 were female. The sampling frame was taken from the Iranian Chamber of Economy (CEE). Questionnaire was sending to total of 150 large organizations, 35 of which returned their response, which gives a response rate of 23%. Year average that respondents have been on their current position in the organization is 4,6 years, ranging from 1 to 20 years. Detailed statistical analysis of gathered data and correlation coefficients with value added regarding degree of entrepreneurship and frequency of entrepreneurship can be seen in the Tables 1 and 2, respectively. Organization's entrepreneurial intensity is comprised of organization's degree of entrepreneurship and organization's frequency of entrepreneurship. Degree of entrepreneurship was measured using a nine question, five point interval scale type ranging from complete disagreement with the question to complete agreement, while frequency of entrepreneurship was measured using a six question, five point interval scale. Performance was measured by the organization's value added. Moreover, questions that were used in the survey for describing organization's entrepreneurial intensity are shown in the Table 3, in the appendix. Degree of entrepreneurship questions were placed in the first column, while correlation coefficients were placed in the last column

of table 1. Mean values, values of standard deviation, minimal, maximum and mod values of questions regarding degree of entrepreneurship can also be seen in the table 1. Correlation coefficients, regarding degree of entrepreneurship and the value added, presented in Table 1; show that questions regarding risk-taking, questions 3, 8 and 9, and proactiveness, questions 5, 6 and 7, are showing negative values. This implies that large organizations in Iran are risk averse and that they are not the first movers in the market place, but are in fact the market holders. On the other hand, items concerning innovativeness, items 1, 2 and 4 are showing positive values with a presence of mild linear dependency. Even though large organizations are not risk takers and are not the first movers they are still trying to be innovative so they could bring something new to the market or could simply hold on to their market positions. Therefore, it can be said that only innovativeness, as a dimension of corporate entrepreneurship, is a factor that has an impact on the performance of Iranian large organizations.

Frequency of entrepreneurship questions were placed in the first column, while correlation coefficients were placed in the last column of table 2. Mean values, values of standard deviation, minimal, maximum and mod values of questions regarding frequency of entrepreneurship can also be seen in the table 2. Correlation coefficients concerning frequency of entrepreneurship and the organization's value added represented in the table 2 are all showing positive values. But these values are all showing mild or weak linear dependency. It can be seen that product innovations and inventions have a greater impact on organization's performance than it is the case with service innovations and inventions. On the other hand, when comparing the number of new product or

service introductions with those of the major competitors it can be seen that service organizations have a greater impact on the organization's performance. Therefore, it can be said that organizations involved with production of goods are

demonstrating stronger link between innovations and inventions of products and the organization's performance, while service oriented organizations are showing better results when compared with major competitors.

Table 1. Statistical analysis of gathered data regarding degree of entrepreneurship

Degree of entrepreneurship	Mean	Standard deviation	Min	Max	Mod	Correlation with value added
1	3,82857143	0,92309	2	5	3	0,402446151
2	4,31428571	0,93215	1	5	5	0,197203729
3	3,28571429	1,01667	1	5	3	-0,132927641
4	3,05714286	1,10992	1	5	2	0,229555853
5	2,31428571	0,96319	1	4	2	0,09418126
6	4,29411765	0,87141	1	5	5	-0,047764116
7	3,65714286	1,18676	1	5	4	-0,092132049
8	3,11428571	1,05081	1	5	3	-0,157708486
9	2,51428571	1,12122	1	5	3	0,281787478

Source: Authors

Table 2. Statistical analysis of gathered data regarding frequency of entrepreneurship

Frequency of entrepreneurship	Mean	Standard deviation	Min	Max	Mod	Correlation with value added
1	4,03225806	0,83602	2	5	4	0,38066402
2	3,8	0,76112	2	5	4	0,014001582
3	3,03448276	1,05162	1	4	4	0,285773343
4	4	0,69481	3	5	4	0,100773754
5	3,6	0,62146	2	5	4	0,159112367
6	3,2	1,18613	1	5	4	0,19384821

Source: Authors

Conclusion

The intensive usage of corporate entrepreneurship in the large enterprises generally increases the efficiency of doing business by creating new products and services, shortening the time to get to market, reducing the costs, decreasing the prices and more efficiently answering on the moves of the competitors and market changes. Therefore the strategic intention of managers of large enterprises should be a creation of new organizational climate based on the tighter cooperation between the individuals

with the aim of achieving the synergic effects in internal entrepreneurial activities. This is the basic difference between the individual entrepreneurship and corporate entrepreneurship. A lot of empirical evidence can be found in the literature that states corporate entrepreneurship improves performance by increasing organization's proactivity and willingness to take risks by pioneering the development of new products, processes and services, but literature also mentions that some empirical research have not found any relation between organizations entrepreneurial orientation and the

organizations performance. Therefore even it sounds like an easily comprehensive relationship it is actually much more complex.

This paper has shown there is no presence of a strong link between organization's entrepreneurial intensity, comprised of organization's degree of entrepreneurship and organization's frequency of entrepreneurship, and the performance of large Iranian organizations measured by a value added indicator. However, this study has shown that large organizations, due to the specific transitional Iranian economy, are risk averse and that they are not the first movers in the market place. Nevertheless they are trying to be innovative and therefore, it can be said that only innovativeness, as a dimension of corporate entrepreneurship, is a factor that has an impact on the performance of Iranian large

organizations. Moreover, this study has showed, concerning frequency of entrepreneurship, that production organizations are demonstrating stronger link between innovations and inventions of products and the organization's performance, while service oriented organizations are showing better results when compared with major competitors.

It can be concluded that large Iranian organizations have to become more proactive, so they could become trend setters instead of mere market followers. They also have to develop a mentality inclined to risk-taking activities. Therefore, those Iranian enterprises that will apply and promote activities regarding corporate entrepreneurship can be sure that they will achieve significant competitive advantage on the domestic as well as on the forthcoming united European market.

Appendix

Table 3. Organisations entrepreneurial intensity questions

Degree of entrepreneurship	
1	A high rate of new product/service introductions, compared to our competitors (including new features and improvements)
2	An emphasis on continuous improvement in methods of production and/or service delivery
3	Risk taking by key executives in seizing and exploring chancy growth opportunities
4	A top management philosophy that emphasizes proven products and services, and the avoidance of heavy new product development costs
5	Cautious, pragmatic, step-at-a-time adjustments to problems
6	Active search for big opportunities
7	Rapid growth as the dominant goal
8	Large, bold decisions despite uncertainties of the outcomes
9	Compromises among the conflicting demands of owners, government, management, customers, employees, suppliers, etc.
Frequency of entrepreneurship	
1	How many product improvements or revisions did you introduce during the past two years
2	How does the number of new product introductions at your organization compare with those of your major competitors
3	To what degree did these new product introductions include products that did not previously exist in your markets ("new to the market")
4	How many existing services did you significantly revise or improve during the past two years
5	How does the number of new service introductions your organization made compare with those of the competitors
6	To what degree did these new service introductions include services that did not previously exist in your markets

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How to cite this article: Javad Khamisabadi, Hossein Adolkhani, Mehdi Zaeimi Sakhavidi, Impact of Corporate Entrepreneurship on Improvement of the Iranian Organizations Performance. *International Journal of Advanced Studies in Humanities and Social Science*, 2016, 5(4), 260-267.
http://www.ijashssjournal.com/article_83828.html