

# Corporate entrepreneurship as a tool for organizational growth

[Business](#), [Entrepreneurship](#)



## **1. Introduction**

Recently, the topic of corporate entrepreneurship is attracting more the attention of both academic researchers and practitioners for several reasons. Firstly, the absence of consensus among scholars about the definition of the corporate entrepreneurship concept which is related to the various and contradictory definitions of entrepreneurship. Secondly, the different dimensions of entrepreneurial behavior within existing organizations and what scholars really mean when they are talking about it.

Thirdly, the blur relationship between the outcomes of corporate entrepreneurship and organizational performance. And finally, how entrepreneurial behavior within existing businesses could lead to organizational growth. As a result, these issues have been and continue to be a subject of discussions and debates among scholars who remain divided in their conclusions. However, these issues are related to each other due to the fact that clear and explicit conclusions about corporate entrepreneurship and its various dimensions could contribute to a better understanding of the relationship between corporate entrepreneurial behavior and corporate growth.

### **1.1 Scope and Organization**

For the purpose of this review I have selected 11 journal articles and three books. I have divided these articles in relation to two issues:

**1. Definitions and dimensions of corporate entrepreneurship.****2. Relationships**

between corporate entrepreneurship and growth. I have used three articles related to the first issue and six articles related to the second. Five of these articles are published in one of the books which is particularly focused on corporate entrepreneurship and growth. Another four articles which I used were also cited in the same book. In addition, I used another two articles which I found relevant to the issues. From these six articles in which the relationship between corporate entrepreneurship and growth was made, four used quantitative methods and two used qualitative methods. In addition, the research in five of these articles was more focused on large companies and in one of these articles was focused on small firms.

1. 2 The purpose of this Literature Review The purpose of this paper is to give an overview about the different definitions and perceptions of the corporate entrepreneurship concept in the literature and how this has influenced the research on the relationship between corporate entrepreneurial behavior and organizational growth.

**2. Definitions of Corporate Entrepreneurship**

There is no clear definition of corporate entrepreneurship and many authors have given different explanations of the term. As a result, most definitions contradicted and overlapped between each other. Unfortunately, the existence of various definitions of corporate entrepreneurship is a logical consequence of the lack of unified definitions of entrepreneurship. The need for clearly stated definitions is necessary for scientific understanding,

explanation, and prediction (McKelvey, 1982) (cited in Sharma & Chrisman, 1999).” Moreover, clearly stated and agreed-upon definitions makes it easier for researchers to build on each other's work, and for practitioners to decide whether research findings are applicable to their situation”.

The main difference between the “ conventional” or “ independent” entrepreneurship and corporate entrepreneurship is the setting in which these phenomena are taking place .” While the terms " entrepreneurship" or " independent entrepreneurship" are used to describe entrepreneurial efforts of individuals operating outside the context of an existing organization, a variety of terms are used for the entrepreneurial efforts within an existing organization such as corporate entrepreneurship (Burgelman, 1983; Zahra, 1993). corporate venturing (Biggadike. 1979). entrepreneurial (Pinchot. 1985). internal corporate entrepreneurship (Jones ; Butler, 1992).

Internal entrepreneurship (Schollhammer. 1982; Vesper. 1984). strategic renewal (Guth ; Ginsberg. 1990). and venturing {Hornsby, Naff/Jger, Kuratko. ; Montagno, 1993)” (cited in Sharma ; Chrisman, 1999, p. 13). Ten of the most cited definitions of corporate entrepreneurship are:

1. Burgelman (1983)-Corporate entrepreneurship refers to the process whereby the firms engage in diversification through internal development. Such diversification requires new resource combinations to extend the firm's activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set (cited in Sharma & Chrisman, 1999).

2. Chung & Gibbons (1997)-Corporate entrepreneurship is an organizational process for transforming individual ideas into collective actions through the management of Uncertainties (cited in Sharma & Chrisman, 1999).
3. Covin & Slevin (1991)-Corporate entrepreneurship involves extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations (cited in Sharma ; Chrisman, 1999).
4. Guth ; Ginsberg (1990)-Corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them: (1) the birth of new businesses within existing organizations, i. e., internal innovation or venturing; and (2) the transformation of organizations through renewal of the key ideas on which they are built, i. e. strategic renewal (cited in Sharma ; Chrisman, 1999).
5. Jennings ; Lumpkin (1989)-Corporate entrepreneurship is defined as the extent to which new products and/or new markets are developed. An organization is entrepreneurial if it develops a higher than average number of new products and/ or new markets (cited in Sharma ; Chrisman, 1999).
6. Schendel (1990)-Corporate entrepreneurship involves the notion of birth of new businesses within on- going businesses, and . . . The transformation of stagnant, on- going businesses in need of revival or transformation (cited in Sharma ; Chrisman, 1999).
7. Spann, Adams, ; Wortman (1988)-Corporate entrepreneurship is the establishment of a separate corporate organization (often in the form of a

profit center, strategic business unit, division, or subsidiary) to introduce a new product, serve or create a new market, or utilize a new technology (cited in Sharma ; Chrisman, 1999).

8. Vesper (1984)-Corporate entrepreneurship involves employee initiative from below in the organization to undertake something new. An innovation which is created by subordinates without being asked, expected, or perhaps even given permission by higher management to do so (cited in Sharma ; Chrisman, 1999).

9. Zahra (1993)-Corporate entrepreneurship is a process of organizational renewal that has two distinct but related dimensions: innovation and venturing, and strategic renewal (cited in Sharma ; Chrisman, 1999).

10. Zahra (1995, 1996)-Corporate entrepreneurship -- the sum of a company's innovation, renewal, and venturing efforts. Innovation involves creating and introducing products, production processes, and organizational systems. Renewal means revitalizing the company's operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operations in existing or new markets (cited in Sharma & Chrisman, 1999).

Obviously, the richness of the phenomenon reflects in many broad definitions. This broadness allows future development of the definitions. I favour three definitions, one of which is in the list described above. I favour the definition given by Guth and Ginsberg (1990) because it is able to

capture the complexity and the width of the phenomenon. Another definition which I prefer is the one given by Sharma and Chrisman (1999) because this definition reflects clearly and completely the difference between independent entrepreneurship and corporate entrepreneurship: Independent entrepreneurship is the process whereby an individual or group of individuals, acting independently of any association with an existing organization, create a new organization.

Corporate entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization. In relation to independent and corporate entrepreneurship, I also favour the following statement: “ Corporate and Independent Entrepreneurship complement and compete with one another” . The third definition which I favour is more broad but I think it captures the whole concept of corporate entrepreneurship: “ Corporate entrepreneurship is not about business as usual.

It is about unusual businesses or unusual approaches to business”. In conclusion, the ambiguity of the term “ corporate entrepreneurship” is a result from the various terminology used by authors which blurs the understanding of this phenomenon and its unique features. Therefore, the clarification of the phenomenon’s theoretical basis may have a crucial role in the future research development of this field .

## 2. 1 Dimensions of Corporate Entrepreneurship

The lack of unified definitions of corporate entrepreneurship reflects in the perceptions of the phenomenon's types and attributes. Firstly, there is an existing discrepancy in the literature about the various types of corporate entrepreneurship. For example, Stopford and Baden-Fuller (1994) have described three forms of corporate entrepreneurship:

1. the creation of new business activities within the existing organization;
2. the transformation or renewal of existing organizations;
3. the enterprise changing the rules of competition in its industry.

On the other hand, THORNBERRY(2001) has described four types of corporate entrepreneurship: Corporate Venturing, Intrapreneuring, Organizational Transformation, and Industry Rule Breaking. Obviously, an overlap between different types of corporate entrepreneurship is occurring. For instance, corporate venturing is referred as a similar term to intrapreneurship by Stopford and Baden-Fuller (1994) and other authors like Burgelman (1983) Block and MacMillan (1993) Kuratko, Montagno, and Hornsby (1990) (cited in STOPFORD ; BADEN-FULLER, 1994). In short, various perceptions of corporate venturing and intrapreneurship exist in the literature. You may also be interested in reading " entrepreneurs born or made essay"

According to Sharma and Chrisman (1999) " corporate venturing refers to corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization. They may follow from or lead to innovations that exploit new markets, or new product offerings, or



both. These venturing efforts may or may not lead to the formation of new organizational units that are distinct from existing organizational units in a structural sense (e. g., a new division)". These organizational units within an existing organization could be new divisions or research and development units which have the specific task to pursue new innovative opportunities. However, there is a broad recognition, that the generation of new business activities or 'new combinations' (Schumpeter, 1934) alone does not constitute entrepreneurship (cited in BIRKINSHAW, 1997)."

A research and development group, for example, has a clear mandate to innovate, but the behavior expected of its employees falls within established norms and guidelines". Entrepreneurship suggests more: a predisposition towards proactive and risk-taking behavior (Covin and Slevin, 1991; Miller, 1983); use of resources beyond the individual's direct control (Kirzner, 1973; Stevenson and Jarillo, 1990); or a 'clear departure from existing practices' (Damanpour, 1991: 561)" (cited in BIRKINSHAW, 1997, p. 208). On the other hand, intrapreneurs are individuals or small groups of individuals within an existing organization who take hands-on responsibility for creating innovation of any kind within an organization (Pinchot III 1985) (cited in Sharma & Chrisman, 1999)."

They may be the creators or inventors but are always the dreamers who figure out how to turn an idea into a profitable reality" (Pinchot III 1985) (cited in Sharma & Chrisman, 1999, p. 15). I think that a distinction between corporate venturing which is more about new division or subsidiaries of an existing organization and intrapreneurship which is more about

entrepreneurial individuals within the same organization should be made. This overlap between the two terms is related to other terms discussed by Birkinshaw (1997) about focused corporate entrepreneurship and dispersed corporate entrepreneurship”

Focused corporate entrepreneurship (also called corporate venturing) works on the premise that entrepreneurship and management are fundamentally different processes that require different modes of organization to occur effectively (Burns and Stalker, 1961; Galbraith, 1982; Kanter, 1985) (cited in BIRKINSHAW, 1997, p. 208). This is typified by the New Venture Division, whose mandate is to identify and nurture new business opportunities for the corporation (Burgelman, 1983a; Kuratko, Montagno and Horsby, 1990; Sykes, 1986) (cited in BIRKINSHAW, 1997, p. 209). The new venture division is typically a semi-autonomous entity with little formal structure, integration across traditional functional areas, availability of 'patient money,' and management support for risk-taking and creativity (Galbraith, 1982; Kanter, 1985; Kuratko et al., 1990; Quinn, 1985; Sathe, 1985)” (cited in BIRKINSHAW, 1997, p. 209).”

Dispersed corporate entrepreneurship (also called intrapreneurship) rests on the premise that every individual in the company has the capacity for both managerial and entrepreneurial behavior more or less simultaneously”. “Rather than hiving off separate groups or divisions to be entrepreneurial, while the rest are left to pursue the ongoing managerial tasks (Galbraith, 1982), the dispersed approach sees the development of an entrepreneurial culture or posture as the key antecedent to initiative (Covin

and Slevin, 1991; Goshal and Bartlett, 1994; Kanter, 1985; Stopford and Baden-Fuller, 1994)” (cited in BIRKINSHAW, 1997, p. 209). I prefer the dispersed approach over the focused approach because it gives more freedom to every employee in the organization and as a result opens more entrepreneurial opportunities .

However, the dispersed approach has disadvantages in comparison to the focused approach .” Dispersed corporate entrepreneurship, therefore, assumes a latent dual role for every employee, consisting of (a) the management of ongoing activities and (b) the identification and pursuit of new opportunities (Kirzner, 1973; Penrose, 1959; Stevenson and Jarillo, 1990)” (cited in BIRKINSHAW, 1997, p. 209). “ The advantage of this approach over the focused approach is that a greater diversity of opportunities will be sensed, because the entrepreneurial capability is dispersed throughout the organization, rather than restricted to a new venture division”.

“ The major disadvantage of this approach is that managerial responsibilities typically 'drive out' entrepreneurial responsibilities (Hedlund and Ridderstrale, 1992; Kanter, 1986) because they are more clearly defined and have more immediate rewards” (cited in BIRKINSHAW, 1997, p. 209). Unless it is well managed the dispersed approach can actually inhibit entrepreneurship (Drucker, 1985) (cited in BIRKINSHAW, 1997, p. 209).