

Corporate entrepreneurship and human resource management



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Introduction

Today's economy is experiencing its ups and downs very quickly: rising competitiveness and fast changing technologies create pressure to the companies that want to stay at the top of their markets. This is not going to slow down, so the need for tools of success is arising. At the same time we are moving away from the Morris and Kuratko (2002) belief that "entrepreneurs are born, not made". That is why the wanting, believing, hoping, planning must be followed by doing. As already Confucius said: "When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps". It is time for action and one form of it that suits different businesses nowadays – is corporate entrepreneurship (CE).

Stated by Sharma and Chrisman (1999), corporate entrepreneurship is "the process whereby an individual or group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization". There are lots of definitions for CE nowadays, but all of them do not change the fact that CE is a tool for differentiation and competitive advantage in today's economy.

Corporate Entrepreneurship (CE) and Human Resource Management (HRM)

A lot of researches, studies were conducted in order to discover the inevitable truth that CE positively affects the performance of a company: it creates competitive advantages, helps to differentiate, adapt to new or quickly changing markets, and deal with external and internal challenges. As CE is seen as a multifaceted tool, the intensity of CE in an organization can

be described by five different dimensions identified in a meta-analysis by Saly (2001): innovativeness, risk propensity, proactiveness, corporate venturing and self-renewal. When creating an organizational structure, as well as inside culture, these dimensions should be a scale measuring the future success of a company. Dealing with the globalization and fast moving changes, a company must take risks, be proactive and strive for innovation. Nurturing these traits, adapting to the environment (self-renewal) and fostering creation of something valuable that generates returns - are CE key success factors in the economy of today.

Of course no CE can be fostered without Human Capital. In order to become an innovative, entrepreneurial organization need the knowledge, skills, experience the human capital can provide. This is why HC should be one of the most important and valuable asset for every organization. Investing in HC will be a first step towards building and encouraging the entrepreneurial direction of the overall company.

As from the employee-organization relations (EOR) literature (Rhoades and Eisenberger, 2002), the strongest influencers of employee affect are the organization's leaders. Their HRM practices can valuably contribute to effective enhancement of CE. Different HRM techniques can create a suitable inside culture for an organization to become innovative, flexible and more entrepreneurial. Therefore EOR strengthened with HRM practice can become an efficient tool for creating a collective entrepreneurial atmosphere inside any organization.

HRM practices fostering CE inside the company

HRM practices should be an important driver of CE because it involves organizational learning driven by collaboration, creativity, and individual commitment (Kaya, 2006). To foster CE in a company the first task is the internal culture and environment. Following different studies conducted on the topic of CE and HRM practices, how to establish a suitable internal environment for intrapreneurship seems to be based on these organizational arrangements/managerial tools:

Staff selection – the objective of staff selection is to form an appropriate resource base of human capital to foster entrepreneurial activity.

As the human capital of any company is one of the most important facilitators of CE, selective hiring can be a tool for influencing the CE level. The selection criteria should fit the organizations' culture, be in line with the CE dimensions and reflect the needs of the company.

During the process of selecting staff it is beneficial to think about the skills are needed in the industry the company operates, how the employees could work together and create a brain trust. Emphasizing the team spirit is very important, because the emphasis on collective entrepreneurship is growing. New members should have new ideas and complement the staff by being different and experts of their own sphere. New management staff should have relevant KSAOs, be creative, strive for action and be supportive. Finally, a possibility to grow in one's own career should also be seen during this process, because it will serve as a motivation tool and foster better environment in the company.

Management support - the positive attitude as well as encouragement of the higher hierarchy levels of the company for generating and developing new business ideas.

Management support is important because it indicates the willingness of the managers to facilitate, promote and institutionalize the entrepreneurial spirit and activity within the organization's system and processes (Hornsby et al., 2002) which would encourage the intrapreneurs to engage in innovative projects. If the organization provides support and some autonomy it can then count on the commitment coming from employees. Still coordinating the use of resources, contributing to the fulfillment of the separate individual suggestions or efforts will end up with an increase of overall efficiency.

Management support for problem solving and conflict resolution in the intrapreneurship process is required in the idea generation, development, and particularly implementation (execution) stages of the ideas (Damanpour, 1991). This will positively influence a corporation's entrepreneurial behavior and enhance potential intrapreneurs' perceived trustworthiness to their corporations in terms of detecting opportunities and willingness to develop novel or useful ideas and or projects and to take risks to actualize them (Stevenson and Jarillo, 1990). Internal supportive environment, tolerance for risk taking to their intrapreneurs, and a high quality HC will contribute to the innovative performance.

As an example could be taken the company's 3M approach - this company understood and experienced that capable and motivated employees can turn the company into a profitable innovative and successful organization. That is

why the management was trying to create an environment that supports individual entrepreneurship: “ a climate that stimulates ordinary people to produce extraordinary performances”.

Allocation of free time - provision of sufficient time to work on developing novelties without any burden of routine workload. Delivery of free time inevitably encourages employees to take risks for putting their novel ideas into practice. When given time for convincing the management level about your project success, employees are not so distracted from their main duties and usually show more commitment towards the company.

Organizational structure - should be convenient concerning decentralization level or decision-making autonomy.

Employees should have the opportunity to express and suggest their ideas easily. The suitable decentralization level differs among every company, but it is a tool to become more flexible, innovative, and active - suit the dimensions of CE. If organization provides autonomy for employees who actually carry out the work, this will stimulate their commitment to act in the best way for the company. Having a balanced relationship between autonomy and discipline creates an environment where employees can act, take weighted risks and innovate towards successful outcomes of the company. Companies that are becoming rigid really slow down all the innovative processes as well as cannot implement all of the possible

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Case example

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improvements.

When thinking about new ventures, projects in order to boost the competitive advantage and profitability of the company it is important they fit the organization in terms of context and organizational structure. There is a possibility to foster integrated or separate CE.

Taking the example of the company Polaroid, one can see that the impact of bureaucracy, biases and downsizing was a big obstacle for nurturing inside entrepreneurship. The company was big-sized and stagnant, becoming a market follower. In such cases, when an organization becomes rigid, does not answer market needs mostly because of the compilation, slow processes - CE must be fostered and implemented. One of the first steps should be an entrepreneurial-oriented structure that allocates the power of decision making not to the higher level employers, but takes into account the employees who know the most about the projects being undertaken.

In the case of Lucent (a telecommunication equipment manufacturer), their New Venture Group formed a separate organizational entity. In this way it does not suffer from the bureaucratic rules of the parent company, still can use the support needed, creates its own inside environment and culture that can foster CE more easily. That is why, when forming new entrepreneurial project each company has to evaluate its fit in the organization.

Usually small projects are of better use inside the company: they can be accessible for all employees, motivate them to work on their projects too, but at the same time not to be too distracted from the mainstream of the

company. An example of such an approach would be the case of the company Ohio Bell. Windows User2010-12-30T10: 39: 00

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Incentives and rewards - availability of a performance based reward system encouraging innovativeness is a way to foster entrepreneurship among employees.

If the management tries to convince the employees to act like intrapreneurs, it must also be willing to pay them as entrepreneurs (Thornberry, 2003).

Having trust in the rewarding system boosts the employee commitment, willingness to take risks and reveal the projects that could benefit both sides.

A reward system that is based on achievements in innovation projects, may lead the brightest and most ambitious players to avoid innovation projects with uncertain outcomes.

Building a reward system shows a positive attitude towards the employees and can significantly increase their motivation to benefit the organization. It is important to see the reward practices as a long-term thing, make resources available and not punish the employees straight after the first failure of an entrepreneurial project.

Failure or errors tolerance - in case of creative undertakings or risky project implementations.

Such showed tolerance together with managerial support is a strong tool creating positive environment for CE. A conservative managerial attitude will

block the willingness to innovate and cause lack of confidence of the
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employees. In order to overcome the possible frustration, organization should support the human capital even during failures and continue investing in the projects that have high potential. Taking failures as an inevitable step towards success will help to maintain the level of confidence for further innovations and profitable ideas.

Of course, in order not to lose control and take “ healthy” risks, company’s should build an organizational mechanism to decide which innovation projects are likely to bear fruits and which should be cast aside without having trial-errors. Windows User2010-12-28T20: 52: 00

Case example

For example, a well known company 3M implemented a more disciplined approach to defining, selecting and funding projects. Instead of running 100 of them as earlier, the process shifted to 12 projects from which 10 are expected to be successful. In this way companies are more oriented, quickly reacting and can create true competitive advantages through expedient CE.

Training and development - appropriate abilities can be acquired through training and development - strongest results towards boosting CE. Training can overcome the factors that decrease employees’ job performance and satisfaction. Staff development seen as activities that increase employees’ qualifications and performance at all hierarchical levels through education, career management, and work structure. All these practices can promote entrepreneurial behavior and improve the environment in the company.

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Case example

Training programs should be oriented towards building useful CE skills, fostering the dimensions of it inside the company: change acceptance, willingness to take risks, assume responsibility, and the value of teamwork and shared achievements. Training activities that enforce interpersonal skills should be fostered. Also training that supports creativity will strengthen innovativeness and potentially strengthen self-renewal and new business development. Finally training on how to transfer new ideas into business will lead to higher intensity for risk propensity and proactiveness.

For effective training, programs should fit the company's strategy and work process. To unfold their full effect on CE, expert knowledge, social competence, creativity, and methodical expertise are especially important to be considered.

Specialist assignment - specialists can anticipate and estimate specific problems earlier and thus identify needs for modifications more quickly.

As CE is more often seen as a collective process, instead of putting the emphasis on one individual, firms must encourage cooperation among specialists to increase successful innovation processes. This is stressed because as environment impacts on organizational behaviors it is also seen in change of relationships between employees and employer or managers inside the organization. In order to become competitive and innovative, firms have to adopt new strategies, as well as different employee-organization relationship (EOR) patterns. The importance of this is significantly growing, because corporate entrepreneurship involves not only product innovation, <https://assignbuster.com/corporate-entrepreneurship-and-human-resource-management/>

risk taking or proactive responses to environmental forces, but also organizational learning, driven by collaboration and commitment. Here the collaboration of specialists could be seen as a link between employees, managers and their potential to foster corporate entrepreneurship together.

As it can be observed in the Siemens Nixdorf Informationssysteme AG (SNI), a company that confronted financial and inside environment problems with a program called “ Change Agent Program”, managerial support, concentrated staff selection and employee training and development are the tools that foster corporate entrepreneurship spirit and help to overcome the downturn a company can experience.

The Change Agent program looked to replace Siemens Nixdorf’s rigid corporate hierarchy with a more flexible and entrepreneurial attitude that would be more responsive to market demands. The company operated in a very competitive European market, was undermanaged and over consulted. As the employees at SNI experienced restructuring at the company during the early 1990s and four years of losses, the inside culture was far away from a company one could call innovative and lead thinking (as the ones operating in IT industry in US). The program though was focused on employees, emphasizing the importance of the people at the company and expanding the opportunities open to them.

The goal of the 13 week program was to build an understanding of business fundamentals and business change along three dimensions: customer, competitiveness and culture. It combined presentations, discussions, workshops, case studies, best practice site visits, internships, and coach

research. An important goal was to provide participants with new perspectives about their projects and give them the know-how to implement them upon return to the company. The programs aimed to have the sponsors (each member had two of them) provide leadership, guidance and support in order to help them achieve their project goals. This is also an example that specialists' assistance is a tool fostering corporate entrepreneurship and improving the employees input. It was also aiming to help find innovative ways to approach and implement their projects.

Each participant of the program had a project drawn from the area that concludes the most important challenges the company faces - which were fostered by the program and implemented upon the employee's return to SNI. Although the 21 Change Agents had varying degrees of success, it was clear that they played a role in driving SNI to profitability in the 1994 - 1995 fiscal year (for the first time in the company's history). That was reflected in the decision by the SNI Executive Board to perpetuate the Program on an annual basis.

Such training and development programs foster collective and individual entrepreneurship inside the company. This example shows how important it is that such tools would fit the aim and strategy of the whole company. By addressing the right problems, training the right people (at SNI they were thoroughly selected) this training program helped the company to enhance the communication within the company, improve its international operations, flexibility and determine new possible directions. The employees felt the more entrepreneurial spirit of the company's culture and were able to

channel their enthusiasm for changes and revitalization, feel more responsibility, and support what opened the ways for their projects.

Conclusions

Trends in the global economy require established companies to become more and more entrepreneurial in order to handle uncertainty and environmental dynamism.

The studies provide positive relationships between HRM practices and CE. HR practices are a source of sustained competitive advantage for organizations. CE-related HR practices are unique to the extent that competitors cannot imitate them. There must be support from HR practices consistent with that particular culture and consistent with what is needed from employees. The key factor is determining what is needed from employees to be effective at CE. Once this is determined, the firm can describe the specific HR practices the organization needs to use.

Conclusions: HRM practices play a significant role in fostering and maintaining high levels of CE. Companies should focus on the HRM practices of staff selection, staff development and training, and staff rewards that align employee motivation and entrepreneurial firm development.

Support, tolerance, and reward are found to be related to innovativeness, while work discretion and time allocation are not. Considering the combined effects of all the OS factors, managerial support and tolerance for risk taking have still exerted significant effects on innovativeness. That is why firms should invest to build such an organizational milieu where first, support and tolerance exist to a large extent. On the other side, organizations firstly
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should spend less time and money on rewards and empowerment, and more on recruiting and training managers to be supportive and hold a philosophy that failure is a stepping-stone to success.