Corporate Entrepreneurship in Organisational Life-Cycle

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Abstract

The paper deals with the development of corporate entrepreneurship in different stages of organisational life-cycle. The research presents a model for the evaluation of corporate entrepreneurship and systemises relevant theoretical and empirical research in the field of entrepreneurship and corporate entrepreneurship. Moreover, it describes the development of corporate entrepreneurship in the entire organisational life-cycle since most of researchers who discuss the topics of corporate entrepreneurship and organisational life-cycle, focus on the establishment and growth of organisations. Thus, there are only some research works that analyse corporate entrepreneurship in further stages of organisational life-cycle.

The theoretical background of the research is based on Schumpeter's (1942) approach to entrepreneurship, transformed into organisational level and developed by Pinchot and Pinchot (1994), and Miller and Friesen's (1984) five stage life-cycle model. The research methodology derives from the quantitative approach that was applied in 77 Lithuanian organisations. The research model and questionnaires are developed and adapted from Wickham's (2004) model of entrepreneurship by means of updating three characteristics of entrepreneurship, i.e. innovations, strategic objectives and potential for growth, to the relevant and appropriate for quantitative research content of corporate entrepreneurship. The stages of organisational life-cycle are tested according the methodology of Lester et al. (2003).

The research results disclose differences of the development of corporate entrepreneurship during organisational life-cycle and might draw the attention of practitioners to the value of innovations for successful organisational development stages, i.e. from maturity to renewal rather than that of decline. Moreover, the findings of the research demonstrate that the strategic objectives for the renewal stage are less entrepreneurial than the potential for growth. This, in turn, as a possibility could be further explored by organisations.

The type of the article: Empirical study.

Keywords: corporate entrepreneurship, innovations, strategic objectives, potential for growth, organisational life-cycle.

JEL Classification: L26.

1. Introduction

The area of entrepreneurship research includes many different issues about the phenomenon that range from its local and global impact on business to specific issues of its economic, social, managerial, psychological and other aspects. Individual entrepreneurship is based on individual features that include the ability to use market opportunities. Thereby it has links to Schumpeter's (1934) view of entrepreneurship as a process of carrying out new combinations and Gartner's (1988) position to entrepreneurship as a creation of organisations. Schumpeter's (1934) and Gartner's (1988) approaches toward entrepreneurship, according to Sharma & Chrisman (1999), represent the main definitions of entrepreneurship while the others are their variations.

A start-up organisation is an entrepreneurial one. When the business grows, the organisational management is changed, yet changes often reduce flexibility, adaptability and other features provided by entrepreneurship. Corporate entrepreneurship is entrepreneurship at organisational
level. It is close to Pinchot’s (1985) intrapreneurship as entrepreneurship within an existing organisation (Antoncic & Hisrich, 2001) that is almost the same as internal corporate entrepreneurship (Schollhammer, 1981) or corporate venturing (Guth & Ginsberg, 1990). All of the definitions above are more internally oriented. However, the conception of corporate entrepreneurship entails not only entrepreneurial processes within an existing organisation but it is also related with external organisational environment through its environmental scanning for opportunities and proactive strategic behaviour in their usage (Burgelman, 1983; Covin & Slevin, 1998; Sharma & Crisman, 1999). The conception of corporate entrepreneurship in this research is derived from Schumpeter’s (1934, 1942) approach and is defined as a creation process of new value at organisational level, based on a unique combination of resources and opportunities to be used. The organisation values innovations as strategically important for its competitiveness and tactically important for its processes and operations. It also bases corporate behaviour on innovations.

Individual entrepreneurship is more related with start-ups and management of such organisation, while corporate entrepreneurship is more common to growing or mature organisations because it is a phenomenon of organisational level. When corporate entrepreneurship is observed within small and relatively young organisations, Olsen (1987) and Russell (1989) state that it is possible to keep and even foster corporate entrepreneurship, while an organisation is growing through the modelling of its institutional factors (Russell, 1989, 1999; Covin, 1991, Covin & Miles, 1999; Covin & Slevin, 1990, 1991). However, research works about corporate entrepreneurship lack the integrity of knowledge about its development through the organisational life-cycle. A complex view of corporate entrepreneurship in organisational life-cycle provides new knowledge to this research area as well as ensures the possibility to develop it within the organisation.

Therefore, the research problem is defined as a question of how organisational entrepreneurship changes in organisational life-cycle.

The aim of the paper is to identify the expression of corporate entrepreneurship in different stages of organisational life-cycle and to reveal features of its change.

The paper presents a summarised theoretical background on corporate entrepreneurship research, which is followed by the research methodology and, finally, results of the research. The last part of the paper is devoted to discussion and conclusions.

2. Theoretical background

Various researchers (Griener, 1972; Katz & Kahn, 1978; Adizes, 1979; Miller & Freisen, 1980; Quinn & Cameron, 1983; Smith, Mitchell & Summer, 1985; Kazanjian, 1988; Hodge, Anthony & Gales, 1996; Daft, 2001; Langer, Alfirevic & Pavicic, 2005; Hwang & Park, 2007, and etc.) agree that the organisations pass through different stages of the life-cycle, i.e. organisations are established, grow up and decline. Yet, the discussion of how many and what exactly life-cycle stages are, is still going on. The number of organisational life-cycle stages varies from 3 to 10 (see Table 1).

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Stages of organisational life-cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greiner (1972)</strong></td>
<td>1. Creativity</td>
</tr>
<tr>
<td></td>
<td>2. Direction</td>
</tr>
<tr>
<td></td>
<td>3. Delegation</td>
</tr>
<tr>
<td></td>
<td>4. Coordination</td>
</tr>
<tr>
<td></td>
<td>5. Cooperation</td>
</tr>
<tr>
<td><strong>Katz &amp; Kahn (1978)</strong></td>
<td>1. Primitive</td>
</tr>
<tr>
<td></td>
<td>2. Stability</td>
</tr>
<tr>
<td></td>
<td>3. Elaborated support systems</td>
</tr>
<tr>
<td><strong>Adizes (1979)</strong></td>
<td>1. Courtship</td>
</tr>
<tr>
<td></td>
<td>2. Infancy</td>
</tr>
<tr>
<td></td>
<td>3. Go-go</td>
</tr>
<tr>
<td></td>
<td>4. Adolescence</td>
</tr>
<tr>
<td></td>
<td>5. Prime</td>
</tr>
<tr>
<td></td>
<td>6. Maturity</td>
</tr>
<tr>
<td></td>
<td>7. Aristocracy</td>
</tr>
<tr>
<td></td>
<td>8. Early Bureaucracy</td>
</tr>
<tr>
<td></td>
<td>9. Bureaucracy</td>
</tr>
<tr>
<td></td>
<td>10. Death</td>
</tr>
</tbody>
</table>

Table 1. Differences in stages of organisational life-cycle
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Stages of organisational life-cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start-up</td>
</tr>
<tr>
<td>Smith et al.</td>
<td>1. Inception</td>
</tr>
<tr>
<td>Kazanjian</td>
<td>1. Conception and Development</td>
</tr>
</tbody>
</table>

The most common models are composed of four or five stages of organisational life-cycle (Greiner, 1972; Miller & Freisen, 1980; Kazanjian, 1988; Quinn & Cameron, 1983). However, some models (Churchill & Lewis (1983) highlight the existence of small organisations where the entrepreneurial role is higher, whereas the other models (Hanks et al., 1993) analyse patterns of life-cycle factors and specificity in relationship to large organisations. The models of four stages support the principle of organisational growth. Thus in such cases the analysis of the organisational life-cycle ends without a loss (Quinn and Cameron, 1983; Kazanjian, 1988). Meanwhile models with more stages include such phases as maturity or renewal (Greiner, 1972; Churchill & Lewis, 1983; Smith, Mitchell & Summer, 1985). Mintzberg's (1984) model is based on Adizes’ (1979) and could be considered as intermediate that presents four stages, i.e. formation, development, maturity and decline. Models with five stages comprise one more stage, i.e. decline (Miller & Freisen, 1980, Hanks et al., 1993, Lester et al., 2003).

A growing organisation has to deal with high volumes of services or products produced and employees to be managed, thus, it is forced to create formal business rules, standards and procedures. The organisation grows and changes not only in its size. Management processes change too due to an increasing scale of complexity. Griefer (1972) argues that management requires professionalism, which affects the growth of bureaucracy. Nevertheless, formally established policies and procedures do not apply in practice. A growing organisation just introduces them, while the policies and procedures are already implemented mature organisations. When management policies and procedures are clearly described, standardised and regulate practices within the organisation, support to entrepreneurial behaviour has to be embedded with an aim to foster its corporate entrepreneurship.

The conceptual framework of corporate entrepreneurship and its institutional factors is presented in Figure 1.
Operationalisation of corporate entrepreneurship is based on three characteristics (innovations, strategic objectives, and potential for growth), adapted from Wickham's (2004) model. Based on this model and findings of other research works (Guth & Ginsberg, 1990; Zahra, 1996; Covin & Miles, 1999; Sharma & Chrisman, 1999; Antoncic & Hisrich, 2001; Antoncic, 2007), characteristics represent organisational features integrating organisational activities.

Following the results of various conceptual and empirical research works (Miller, 1983; Kanter, 1985; Hisrich & Peters, 1986; Caird, 1988, 1993; Handy, 1989; Hurst, Rush & White, 1989; Stevenson & Jarillo Mossi, 1990; Cornwall & Perlman, 1990; Russell, 1990; Covin & Slevin, 1991; Zahra, 1991; Russell & Russell, 1992; Hornsby et al., 1993; Baden-Fuller & Stopford, 1994; Van de Ven & Poole, 1995; Chung & Gibbons, 1997; Jucevičius, 1998; Sharma, 1999; Dess et al., 1999; Zwell, 2000; Crome, 2000; Antoncic, 2001; Hornsby et al., 2002; Diaz & Rodriguez, 2003, McGuire, 2003; Kuratko et al., 2005; Chen et al., 2005) on entrepreneurship and corporate entrepreneurship, three institutional factors that influence organisational entrepreneurship have been identified, i.e. managerial practices, managers’ attitudes towards entrepreneurship, and entrepreneurial culture. Russell (1990) claims that corporate entrepreneurship can be ensured by internal factors of the organisation, out of which organisational culture is of extreme importance. Entrepreneurial culture embeds values, norms and beliefs that support entrepreneurship and helps the organisation not only to innovate, but also to achieve a competitive advantage as a valuable, rare and hardly imitable organisational resource (Rutterford et al., 2003).

3. Method

The purpose of empirical research was to research empirically the development of corporate entrepreneurship and its institutional factors. The following tasks were formulated due to execute the purpose:
1. To identify the stages of organisational life-cycle,
2. To estimate the expression of corporate entrepreneurship and its institutional factors.
3. To determine the differences of corporate entrepreneurship and its institutional factors through the stages of organisational life-cycle.

The approach of quantitative research was applied. The 4-scale questionnaire was developed for the survey (see Table 2).
Table 2. Research instruments

<table>
<thead>
<tr>
<th>Scale</th>
<th>No. of items</th>
<th>Reliability of scale*</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational life-cycle</td>
<td>22</td>
<td>0.581</td>
<td>Adapted from Lester et al. (2003)</td>
</tr>
<tr>
<td>Managerial practices</td>
<td>23</td>
<td>0.857</td>
<td>Developed according Kuratko, Montagno &amp; Hornsby (1990); Hornsby, Kuratko &amp; Zahra (2002); Lumpkin, Cogliser &amp; Schneider (2009); Miller &amp; Friesen (1982)</td>
</tr>
<tr>
<td>Manager’s attitudes towards entrepreneurship</td>
<td>25</td>
<td>0.958</td>
<td>Developed according Stopford &amp; Baden-Fuller (1995); Zwell (2000); Hornsby, Kuratko &amp; Zahra (2002); Lumpkin, Cogliser &amp; Schneider (2009)</td>
</tr>
</tbody>
</table>

* Reliability of each scale is measured by Cronbach’s alpha.

Each scale has subscales that measure features of each corporate entrepreneurship and its institutional factors, presented in the theoretical model (see Figure 1). Subscales consists of 3-4 questions and are reliable to separately measure each feature. 7-point Likert scale is used for answers.

A convenient sample method was used for the research. 92 part-time students of management were asked to participate in the survey. All of them work as managers in different Lithuanian organisations. Two questionnaires were eliminated from data analysis due to their incompleteness. In general, the respondents represent 77 Lithuanian organisations with 1 or more respondents from each of them. Data strings to each organisation were generated and the results were analysed. The distribution of organisations in organisational life-cycle is presented in Table 3.

Table 3. Sample distribution according to organisational life-cycle

<table>
<thead>
<tr>
<th>Stage of organisational life-cycle</th>
<th>No. of organisations</th>
<th>% of total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>Growth</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Maturity</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Renewal</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Decline</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>

Data was analysed with descriptive statistics as well as one-way ANOVA test. SPSS 17.0 software was used for calculations.

4. Results

Organisational entrepreneurship. The research shows that the expression of organisational entrepreneurship continuously grows during the first three stages of organisational life-cycle (see Figure 2). The increase of the potential for growth is highest through the first three stages (17.8 %) with a very similar rise of innovations (17.3 %). The results that evaluate strategic objectives demonstrate the growth as well, yet it is lower in comparison to the first two factors (10.6 %).
As Figure 2 demonstrates, different results come out when organisations leave the stage of maturity. At the end of maturity organisations have two options, either renewal or decline. The indicators of all three features of corporate entrepreneurship go down in decline stages while such a tendency does not appear during the stage of renewal. The difference of corporate entrepreneurship between renewal and decline stages emerges mainly from innovations. Innovations transform into a new level of development of the renewal stage. Yet, innovations are almost abandoned during the decline stage. The result difference of innovations between renewal and decline stages is 29.8 %, while differences of other features range from 5.8 % (potential for growth) to 16.8 % (strategic objectives). The one-way ANOVA test also confirms the significance of changes of innovations and potential for growth during the organisational life-cycle (resp. F=2.838, p=0.012 and F=2.647, p=0.018) even if the value difference of the factor of innovations between decline renewal and decline stages is the largest (F=9.922, p=0.005).

**Institutional factors of corporate entrepreneurship.** Indicators of institutional factors of corporate entrepreneurship changes differently than general result of corporate entrepreneurship during the beginning of organisational life-cycle as well as in renewal stage while general tendency of the decrease is similar (see Figure 3). However, all changes of managerial practices, entrepreneurial culture and manager's attitudes toward entrepreneurship (6.6 % in all the life-cycle) are lower than the expression of corporate entrepreneurship (19.6 % respectively).
Managerial practices. The results in Figure 3 reveal that managerial practices during the life-cycle of the organisation become less and less friendly to corporate entrepreneurship. Such a change occurs mainly because of lower indicators of reward system and organisational structure. The indicator of managerial practices gets lower by 4 % before the maturity stage and even by 6.6 % from start-up till the decline. Therefore, a difference exists in decline and renewal stage again. A minor development of managerial practices that support entrepreneurship in renewal is tracked, while the continuous fall follows during the decline. The minority of such differences is determined by the opposite tendency of the reward system to other indicators (0.5-9.8 % fall), i.e. the indicator of the reward system is higher during the decline rather than the renewal stage (7.7 %).

Entrepreneurial culture. The general indicator of entrepreneurial culture slightly decreases (1.5 %) during the growth of organisations due to lower indicators of proactiveness, openness, and open communication. However, the increase during the maturity stage (by 3.8 % as compared with the growth) is observed due to the same features except for open communication. This indicator falls during the maturity and grows up only in the renewal stage (7.7 %). Though the general tendency of the slump is the same as that of the indicator of entrepreneurial culture in the decline stage (1.3 %), the values of indicators of risk taking and open communication rise (by 3.7% and 4.3 % respectively). In contrast to the results of corporate entrepreneurship, the general indicators of entrepreneurial culture decrease very slightly during the transition from maturity to the renewal stage (0.5 %). And only manager's attitudes towards entrepreneurship exhibit stability during the period.

Manager's attitudes toward entrepreneurship. In general, the attitudes of managers towards entrepreneurship are quite a stable feature throughout the entire organisational life-cycle and are ensured by stability of all personality traits. The difference of the values of indicators occur after the maturity stage, thus, the value is similar during both the renewal and the decline (a fall of 4.7 % and 5 % respectively in comparison to the maturity stage). However, differences between the stages appear due to specific features of this institutional factor. Encouragement to undertake activities and tolerance to failure are higher during the decline (10.1 % and 2.7 % respectively), while the values of other factors are higher during the renewal stage (0.3-6.7 %). It should be noted that almost all the features of manager's attitudes towards entrepreneurship demonstrate similar results except for tolerance to failure. The indicators of tolerance to failure increase from 6.6 % to 13.3 % through the stages from the closest indicator of other feature.
5. Discussion

The research reveals that the expression of corporate entrepreneurship continuously grows in the first three stages of organisational life-cycle. The difference in corporate entrepreneurship in renewal and decline stages occurs and is mainly caused by innovations. Innovations reach a new level of development in the renewal stage, while they are almost abandoned during the decline stage.

The renewal is, in its essence, similar to the start-up stage when entrepreneurship is common. Miller & Freisen (1984) claim that shifting to the renewal the organisation often moves into new markets and encourages entrepreneurial behaviour again, i.e. it acts proactively and innovatively. However, the renewal stage is rarely observed within the life-cycle of a very small or a small organisation, but it occurs more often in a medium or a large one. Therefore, the features of corporate entrepreneurship do not fall until the start-up level. A mature organisation has institutional factors that allow keeping and fostering corporate entrepreneurship.

The results demonstrate that institutional factors do not change so much as corporate entrepreneurship during the organisational life-cycle. Managerial practices during the organisational life-cycle become less friendly to corporate entrepreneurship. Nevertheless, organisations successfully cope with the organisational structure in the maturity stage, whereas the usage of organisational resources throughout this stage is less appropriate for entrepreneurial activities. Hornsby et al. (1999) state that the organisation, which develops corporate entrepreneurship and sets this as a strategic objective, faces the necessity of resources allocation and accessibility. A successful solution in the case of management of resources is the renewal stage. Differences between the renewal and decline stages show the decrease of organisational resources and the appropriateness of strategic control for entrepreneurial activities, and the increase of the reward system during the decline stage. The results support Kuratko's et al. (2005) claim that the strategic control can both support and hinder organisational entrepreneurship as far as it must clearly identify what are the values of the organisation, what is the basis of the idea to be confirmed, and what rules are set for the implementation of the ideas. Sathe (1988) states that the strategic control in entrepreneurial organisation is devoted to identify performance gaps, help to fix them and promote entrepreneurial thinking. The results of the research confirm that renewing organisations solve the issue of strategic control better that the declining ones.

Chung & Gibbons (1997) argues that corporate entrepreneurship can be adequately developed and controlled only through appropriate organisational culture. The results prove that entrepreneurial culture is one more stable constraint in the organisational life-cycle. Only minor differences such as the peak of innovativeness and openness exist, and proactivity is reached in the maturity. Still they stay higher in the renewal stage, as compared with the decline, and impact corporate entrepreneurship and successful organisational renewal. Open communication and risk taking have higher indicators during the renewal stage than the maturity. Moreover, open communication reaches its peak in the decline stage. This allows guessing about the need, purpose and possibilities of communication in difficult times for organisation. McGuire (2003) argues that it is crucial to ensure the opportunity to express a negative opinion about issues of the organisation, which would improve it, its products, and its processes.

The general development of managers’ attitudes towards entrepreneurship does not differ much throughout the organisational life-cycle, but their characteristic does if to compare the renewal and decline stages. Echols & Neck (1998) emphasise middle managers' attitudes towards the promotion of entrepreneurial behaviour within the organisation. Their insights about empowerment and other initiatives are supported and described by this research. The results show that positive attitudes towards risk and empowerment of employees decrease continuously, while the encouragement to undertake activities grows continuously (except during the decline stage). The main difference of this feature, i.e. the decline of the organisation, shows a big decrease when compared with a renewing organisation, supported by decreasing tolerance to failure. The lower indicator of managers' encouragement to undertake risk as well as lower tolerance to failure is possibly reasonable due to a general situation of the organisation and its environmental features.
However, this might become the focus of the analysis of further research as well as a necessity for a longitudinal study of the development of corporate entrepreneurship and its features within the same organisation.

The research findings might draw an attention of practitioners to the value of innovations for successful organisational development from the maturity to the renewal. Organisations are argued to take care about the developments of their innovations. Moreover, research results showed the lack of strategic control and possibilities to use organisational resources for entrepreneurial activities in declining organisations. Attention to these managerial practices might be useful for renew. Besides, managers are highly recommended to ensure communication quality within the organisations instead of quantity. Finally, the higher managers’ tolerance to failure and better encouragement to undertake risk is recommended for mature organisations due to support successful renewal.

References


