



CORPORATE ENTREPRENEURSHIP : A STRATEGIC AND STRUCTURAL PERSPECTIVE

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Abstract

There has been a growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and, at the same time, increase corporate success through the creation of new corporate ventures. However, the creation of corporate activity is difficult since it involves radically changing internal organizational behavior patterns. Corporate Entrepreneurship is conceived of as the effort to extend an organisation's competitive advantage through internally generated innovations that significantly alter the balance of competition within an industry or create entirely new industries.

INTRODUCTION

Corporate Entrepreneurship is an evolving area of research. Today, there is no universally acceptable definition of corporate entrepreneurship. Authors use many terms to refer to corporate entrepreneurship such as intrapreneurship, internal corporate entrepreneurship, corporate ventures, venture management, new ventures and internal corporate venturing. Some scholars emphasise its analogue to a new business creation by individual entrepreneurs and view corporate entrepreneurship as a concept that is limited to new venture creation within the existing organizations.

According to Zahra (1991) Corporate Entrepreneurship refers to “The process of creating new business within established firms to improve organizational profitability and to enhance a firm’s competitive position of the strategic renewal of existing business”.

Burgelman (1984) conceptualizes the definition of corporate entrepreneurship as “ a process of extending the firm’s domain of competence and corresponding opportunity set through internally generated new resource combinations”

NEED FOR CORPORATE ENTREPRENEURSHIP

The need to pursue corporate entrepreneurship has arisen due to the following pressing problems:

- Required changes, innovations and improvements in the market place to avoid stagnation and decline.
- perceived weakness in the traditional methods of corporate management and,
- The turnover of innovative-minded employees who are disenchanted with bureaucratic organizations.

However, the pursuit of corporate entrepreneurship as a strategy to counter these problems creates a newer and potentially more complex set of challenges on both practical and theoretical level.

OBJECTIVES

- To identify the domain of corporate entrepreneurship.
- To extend the theory of entrepreneurship to corporate entrepreneurship in organizations and on strategic management and,
- To understand the emergence of the types of organizations due to the integration of corporate entrepreneurship and strategic management.

LITERATURE OF REVIEW

According to Burgelman (1983) relatively little is known about the process through which large, complex firms engage in corporate entrepreneurship. He refers it as a process whereby firms engage in diversification through internal development.

Stevensen and Gumpert(1985) stated that changes in the pattern of resource deployment- new combinations of resources – transform the firm into something significantly different from what it was before to something ‘new’.



Guth and Ginsberg (1990) conceptualized that corporate entrepreneurship aims at refocusing a business competitively, making major changes in marketing or distribution, redirecting product development, and reshaping operations.

Miller and Friesen (1995) created a distinction between the concepts of corporate entrepreneurship and an entrepreneurial strategy. An entrepreneurial strategy is defined as the frequent and persistent effort to establish competitive advantage through innovation, while corporate entrepreneurship can describe any attempt, even if infrequent, to implement innovation.

Van de Ven (1996), Corporate entrepreneurship is to a great extent a social process in which innovations are socially constructed through a series of trial- and- error learning episodes. These episodes constitute a complex network of interpersonal transactions involving an increasing number of people and volume of information as the process unfolds over time.

DOMAIN OF CORPORATE ENTREPRENEURSHIP

Corporate Entrepreneurship activities are internally and externally oriented. The internal activities are typified as the development within a large organization of internal markets and relatively small and independent units are designed to create internal test-markets, expand innovative staff services, technologies and production methods within the organization. These activities also cover product, process and administrative innovations at various levels of the firm. The external activities relates to combining resources dispersed in the environment by individual entrepreneurs with his or her own unique resources to create a new resource combination independent of all others. External efforts thus, entail mergers, joint ventures, corporate venture, venture nurturing, venture spin-off and others. Whether internal or external in focus, corporate entrepreneurship can be formal or informal. A Comprehensive corporate entrepreneurship refers to formal and informal activities aimed at creating new business in established companies through product and process innovations and market developments.

CORPORATE ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT

The strategic Management identifies three types of corporate entrepreneurship:

- The creation of new business within an existing organization – corporate venturing or intrapreneurship
- The transformation or renewal of existing organization and
- The change in the pattern of resource deployment where the enterprise changes the rules of competition for its industry.

The strategic management observes that corporate entrepreneurship refers to the process whereby firms engage in diversification through internal development. Such diversification requires new resources combinations to extend the firm's activities in areas unrelated, or marginally related, to its current domain of competence and to the corresponding opportunity set. Corporate entrepreneurship, typically, is the result of the interlocking entrepreneurial activities of multiple participants. The role of entrepreneurial activity is to provide the required diversity. But the strategic order can be achieved through planning and structuring, experimentation and selection. The task of strategic management hence, is to maintain a appropriate balance between these fundamentally different processes.

Corporate Entrepreneurship represents an important source of strategic behavior. Burgelman has derived different categories of strategic behavior based on strategic context and structural context. The strategic context deals with Autonomous Strategic Behaviour which in turn deals with introducing new categories for the definition of opportunities. Entrepreneurial participants, at the market level, conceive new business opportunities and engage in project championing efforts to mobilize corporate resources for these opportunities and finally to perform strategic forcing efforts to create momentum for their further improvement. Strategic context thus, refers to the political mechanisms through which middle managers question the current concept of strategy and provide the top management with the opportunity to rationalize, retroactively successful autonomous strategic behavior. The structural context deals with the various administrative mechanisms which top management can manipulate

to influence the perceived interests of the operational and middle levels in the organization. It emphasizes on induced strategic behavior loop in the organization.

CORPORATE ENTREPRENEURSHIP AND ORGANISATIONAL TYPES

The integration of Corporate Entrepreneurship and strategic management has derived the following types of organizations:

- **Defenders** : the organisations with narrow product-market domain
- **Prospectors**: the organization which searches almost continually for new opportunities and experiment regularly with potential responses to emerging environmental trends and they emphasise on innovation.
- **Analyzers**: the typical organization which operates in two typed of product-market domain –one rapidly changing and the other relatively stable.
- **Reactors** : the organizations which are unable to answer with effectiveness of environment alterations.

However, different firms are characterized by different combination of autonomous and induced strategic behavior and typologies are derived as special cases out of them. Opportunities for the organizations also emerge from the heterogeneity of the environment, where development in one market creates new pockets of demand for a firm's product in related areas. Heterogeneity indicates the existence of multiple segments with varied characteristics and needs that are served by the firm. Hence, increased environmental heterogeneity is predicted to be associated with greater use of corporate entrepreneurship.

In the light of these manifestations, it is evident that corporate entrepreneurship is not confined to a particular business size or a particular stage in an organization's life-cycle. In a competitive environment, entrepreneurship is an essential element in the long-range success of every business organization, small or large, new or long established. In sum, corporate entrepreneurship seem to depend both on the capabilities of operational level participants to exploit entrepreneurial opportunities and on the perception of corporate management that there is a need for entrepreneurship at the particular moment in its development. From the perspective of top management, corporate entrepreneurship is not likely to be a regular concern, nor an end in itself. Rather, it is a kind of "insurance" against external disturbances or a "Safety Valve" for internal tensions resulting from pressures to create opportunities for growth.

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