Towards an Integrated Framework for Corporate Entrepreneurship*  

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Katarzyna Bratnicka**, Monika Kulikowska-Pawlak***  

Drawing on a resource-based perspective as well as strategic entrepreneurship theory, this empirical study examines how the performance effect of corporate entrepreneurship is mediated by firm strategy and task contingency regarding key environmental variables. It was discovered that prospector strategy mediates the relationship between corporate entrepreneurship and firm performance. However, the moderating effect of the task environment was not confirmed. This study provides a more fine-grained analysis on the performance implications of corporate entrepreneurship capability.  

**Keywords**: corporate entrepreneurship, strategy, task environment, organizational effectiveness, integrated framework.

W kierunku zintegrowanej struktury nośnej przedsiębiorczego przedsiębiorstwa

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W niniejszym opracowaniu jako podstawy teoretyczne wykorzystano zasobowe ujęcie zarządzania strategicznego oraz koncepcję przedsiębiorczości strategicznej. Przeprowadzone badania empiryczne miały na celu sprawdzenie ról - mediujących strategii przedsiębiorstwa i moderujących otoczenia zadaniowego w zależności zachodzącej pomiędzy przedsiębiorczością organizacyjną a efektywnością organizacyjną przedsiębiorstwa. Potwierdzono, że strategia postępowego wzmacnia pozytywne efekty przedsiębiorczości organizacyjnej, natomiast hipoteza dotycząca moderującej roli otoczenia zadaniowego została sfalsyfikowana. Całość dostarcza bardziej szczegółowej analizy wpływu przedsiębiorczości organizacyjnej jako zdolności dynamicznej na efektywność organizacyjną przedsiębiorstwa.

**Stowa kluczowa**: przedsiębiorczość organizacyjna, strategia, otoczenie zadaniowe, efektywność organizacyjna przedsiębiorstwa, zintegrowana struktura nośna.

**JEL**: L26, L25

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** Katarzyna Bratnicka – dr, Department of Entrepreneurship and Management Innovation, Faculty of Economics, University of Economics Katowice.  

*** Monika Kulikowska-Pawlak – dr, Department of Entrepreneurship, Faculty of Management, University of Economics Katowice.

Correspondence address: University of Economics Katowice, 1 Maja 50, 40–287 Katowice; e-mail: katarzyna.bratnicka@ue.katowice.pl; monika.kulikowska-pawlak@ue.katowice.pl.

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1. Introduction

The starting point for these considerations is the resource-based approach to strategic management. An important assumption behind this approach to strategic management is the direct relationship between dynamic capabilities and the organizational effectiveness of the company. The reason for such a methodological solution is the fact that corporate entrepreneurship, which reflects a company’s ability to create and exploit opportunities, is an important resource identified by its value, rarity, difficulty in imitation, and lack of substitutability (Smith, Collins, and Clark, 2005).

Entrepreneurial resources and capabilities allow a firm to select the best strategy, a strategy that competitors are incapable of copying. Thanks to this, they are a critical prerequisite to a firm’s performance (Wilden, Devinney, and Dowling, 2013). Thus, firm performance can be deemed a critical strategic resource that has a significant role in an organizational effectiveness. In spite of the fact that corporate entrepreneurship may be one of the most influential of strategic factors, literature that examines the impact of corporate entrepreneurship on firm performance is extremely rare. This study is intended to fill in this gap.

The actual carrying out of this research utilizes entrepreneurial theory as well as strategic management theory. Results of our empirical research received have confirmed the hypothesis pointing to the mediating role of a firm’s strategy in the relationship between corporate entrepreneurship and company performance in the area of the prospector strategy. However, the hypothesis that assumed a probable moderating role for the dynamics of the environment and its hostility has been falsified.


Topical literature is universally in agreement as to the fact that corporate entrepreneurship has a significant impact on firm performance (Rauch, Wiklund, Lumpkin, and Frese, 2009). However, the essence itself of corporate entrepreneurship is the subject of a vibrant discussion as well as numerous conversations. One of the most dynamically developing currents is seeing corporate entrepreneurship as a company’s dynamic potential.

Taking account of a company’s dynamic capabilities is a significant expansion of the resource-based approach. The concept of dynamic capabilities is understood as “the ability of a company to integrate, build, and reconfigure its internal and external competencies” (Teec, Pisano, and Schuen, 1997: 516). Helfat and Peteraf (2009) describe dynamic capability in categories of the processes of creating, expanding, and modifying the strategic potential of the company – substantive resources and capabilities. It is these dynamic
capabilities of a company that determine the scope to which the specific resources can be integrated, built, and reconfigured so as to achieve a fusing with entrepreneurial opportunities (Teece, 2012). Such an approach clearly makes reference to the classic understanding of entrepreneurship as the “... discovering and exploiting of profitable opportunities” (Shane and Ventakaraman, 2000: 217).

The discussion to date makes it possible to define corporate entrepreneurship as the dynamic capabilities of a company. Specifically, corporate entrepreneurship is the capability of a company to identify opportunities and to follow them through the integration, building, and reconfiguring of strategic potential so as to create and capture value. Such an understanding of corporate entrepreneurship provides explanations of a company’s capability to create and capture value on the basis of its resources and competencies as well as to conduct strategic changes that are the basis of survival and development.

To date, research into dynamic capabilities has confirmed that long-term company survival is dependent on how effectively it recognizes opportunities found in its environment and exploit them (Rosenkopf and McGrath, 2011). From this point of view, it is the strategies that lead to competitive advantage that makes it possible for companies to achieve above-average firm performance (Conner and Prahalad, 1996). Thus, a striving for firm performance through investment in idiosyncratic resources and capabilities, including corporate entrepreneurship, should come as no surprise (Jacobs, Winter, and Kasserberger, 2012). The strategy itself is restricted by and dependent on resources and capabilities (Berrone, Fosfuri, Gelabert, and Gomez-Mejia, 2013).

Management science is witnessing a growing conviction regarding a strong relationship between entrepreneurship and strategic management (Baker and Pollock, 2007; Klein, Barney, and Foss, 2015; Meyer, 2009). The entrepreneurial approach to strategy primarily assumes that a company can achieve a competitive advantage when it recognizes opportunities before its competitors do or if it is quicker to exploit such an opportunity. Moreover, such an approach brings with it a shift in attention from seeking a permanent competitive advantage to an entrepreneurial sequence of temporary competitive advantages. From such perspective of view, understanding and utilizing the dynamics of competitive advantage over the long term is a critical strategic challenge (Farjoun, 2007). It is against this a backdrop that several interesting research questions make their appearance: What mechanisms strengthen or weaken competitive advantage? What companies utilize entrepreneurship to replace current competitive advantages with new ones so that they maintain firm performance over the long term? What role is played by the dynamics of a task environment in maintaining competitive advantage? It is the quest for answers to the above questions that causes the center of interest of strategists to involve the creation of opportunities.
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and to seize them in their tracks. The theoretical arguments relating to the links among company strategy, corporate entrepreneurship, and firm performance make possible the formulation of the following hypotheses:

Hypothesis 1: Company strategy mediates in a positive relationship between corporate entrepreneurship and firm performance.

Corporate entrepreneurship as dynamic capability helps the company manage changes in its environment more quickly, better, and more effectively. The reason for this is that it facilitates the recognition of opportunities immediately followed by an improvement in firm performance. After all, it is the dynamics of the environment that usher in opportunities (Jaworski and Kohli, 1993). Shortly, corporate entrepreneurship plays a very important role in that dynamic environment, which is not necessarily true in the case of stable surroundings. This leads to the next hypothesis:

Hypothesis 2: Environmental dynamic have a positive moderating influence on the relationship between corporate entrepreneurship and firm performance.

To a great extent, the hostility of the environment reflects concentration of competition in the industry (Zhou, 2006). It can be argued that the hostility of the environment has a positive moderating influence on the relationship between corporate entrepreneurship and firm performance because the organizational effects of corporate entrepreneurship increase in line with environmental hostility. What is more, strong competition, characteristic of a hostile environment, leads to the quick aging of existing knowledge and identified opportunities (Zollo and Winter, 2002). Therefore corporate entrepreneurship is of greater value for companies operating in a hostile environment than for those active in a friendly one (Krogh, Nonaka, and Rechsteiner, 2012). All this provides a basis for the formulation of a successive hypothesis:

Hypothesis 3: Environmental hostility has a positive moderating effect on the relationship between corporate entrepreneurship and firm performance.

3. Empirical Research Methods and Results

The research conducted at the turn of the years 2011 and 2012 encompassed 158 small and medium companies from Upper Silesia (for details regarding the methods used to select the sample see Bratnicki, Gabryś, Kulikowska-Pawlak, and Butrym, 2012). A questionnaire survey was used as the basic tool for acquiring empirical data. The target group for field...
research was made up of representatives of upper-level managerial staff. The reason for choosing managers as respondents was that the variables applied in the studies required information to be provided by people who were very familiar with the whole of the functioning and development of the organization. Lower echelon managers do not have such knowledge (Kreiser et al., 2011). The respondents were asked to assess specific matters applying the following Likert scale: 1 – decidedly worse, 2 – worse, 3 – rather worse, 4 – almost the same, 5 – rather better, 6 – better, and 7 – decidedly better.

A measuring scale from a different study was used to measure organizational effectiveness (Zbierowski, Bratnicka, and Dyduch, 2014). The measurement consists of ten matters (“The average sales profitability over the past three years,” for example). The Cronbach’s $\alpha$ for this scale is 0.919, which speaks well of its reliability as usually values over 0.7 are considered sufficient (Cronbach, 1971). More than one study undertaken in order to understand the role played by strategy in the relationship between company orientation and organizational effectiveness resulted in ambiguous conclusions. Two positions were emerged. The first assumes that strategy is a moderating variable (Dess, Lumpkin, and Covin, 1997). The other treats that strategy is a mediating variable (Borch, Huse, and Senneseth, 1999). Our position is closer to the first line of reasoning. We assume that an company’s strategy influences the entrepreneurial orientation of the company in the sense that a given type of strategy will lead to an entrepreneurial orientation. Following this path, we maintain that company strategy is a component of the organizational context of corporate entrepreneurship.

The concept of corporate entrepreneurship is important because of the positive impact on organizational effectiveness in both financial and non-financial terms (Zahra, Jennings, and Kuratko, 1999). Lumpkin and Dess (2001) clearly differentiate entrepreneurial orientation and entrepreneurship. They convincingly argue that an entrepreneurial orientation is a reflection of processes which characterize the way in which new activities are introduced, while entrepreneurship makes reference to the content of entrepreneurship and is an answer to the question of what is being launched.

The study area refers to various forms of entrepreneurship were theoretically identified by Morris, Kuratko, and Covin (2008) as measures of corporate entrepreneurship. The measurement tool, tested on a sample of Polish small and medium enterprises (Kulikowska-Pawlak, 2015; Bratnicka, Kwiotkowska, Bratnicki, and Kulikowska-Pawlak, 2014) takes into account seven forms (“The organization creates new businesses that are its property or that are held jointly with one or several partners,” for example). Cronbach’s $\alpha$ for the scale of corporate entrepreneurship is 0.919.
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Some research use the Porter typology, which differentiates between cost leadership and leadership through positive differentiation (Baum, Locke, and Smith, 2001). We suppose that this typology is not the most appropriate for the purposes of this research project because both strategies are aimed at building a permanent competitive advantage that allows the organization to achieve an exceptional level of profitability. In other words, cost and differentiation leadership are more interested in profitability than development, which is inseparably coupled with entrepreneurial activity.

The Miles and Snow (1978) strategy seems to be the most appropriate in achieving our scientific intent. They proposed four types of strategy models: (1) Prospector, (2) Defender, (3) Analyzer, and (4) Reactor. The indicated typology makes reference to strategic choices that define the relationships between the organization and its environment. This fits perfectly into the stream of study of the entrepreneurial orientation and effectiveness relationship. Looking into the details, it should be stressed that only the prospector strategy is wholly devoted to innovation, seeking opportunities, and development, even at the cost of current effectiveness. Immediately following this strategy is that of the analyzer that takes into account both the aspect of current effectiveness and company development. Contrasting with these two strategies is the defender strategy. It is completely focused on optimizing resources in a stable environment. Finally, the reactor strategy is not aimed at defining a predetermined bundle of objectives and for this reason it is difficult to identify its ties with functional effectiveness and organizational development.

Characteristics relating to individual types of strategy used in research into ties among strategy type, capabilities, environmental uncertainty, and the organizational effectiveness of the company were applied in company strategy measurements (DeSarbo, Di Benedetto, Michael, and Sinha, 2005). Table 1 presents content relating to distinct types of strategy. The task of the respondents was to indicate the description that best characterized their company by marking the appropriate answer.

Measurements of the company task environment used the operationalization of the dynamism and hostility dimensions as described in other research (DeSarbo, Di Benedetto, Michael, and Sinha, 2005). The dynamism scale encompassed six questions (“The behavior of the competition is unpredictable,” for example). For its part, the structure of the hostility scale is based on two matters (“The industry is characterized by a high rate of company bankruptcies,” for example). The Cronbach’s α for the task environment scale is 0.860. Analysis of the empirical research results was supplemented by two control variables. The first is the age of the company of the company measured in number of years as of its establishment. Organizational size, measured by the number of employees and overall asset value is the second control variable.
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Prospector

Such an organization usually operates within a broad product-market domain subject to continuous redefining. Being first with a new product or on a new market is of great value, even if not all such efforts are highly profitable. Such an organization responds to early signals of opportunities quickly and its responses usually lead to a new round of rivalry. However, the organization does not necessarily have to maintain a strong position on all markets that it enters.

Analyzer

Such an organization strives to maintain a stable, limited product or service line while simultaneously endeavoring to quickly implement carefully selected most promising new launches in the industry. Such an organization is rarely first with new products or services. Nevertheless, thanks to precise monitoring of the undertakings of major competitors in areas corresponding to the stable product-market base, the organization is often “second” in introducing a cost-justified product or service.

Defender

Such an organization tries to occupy and maintain a niche with a relatively stable product or service. It strives to offer a more limited gamut of products or services than the competitors, and attempts to protect its activity domain through high quality, best services, lower price, etc. The organization is usually not in the forefront of industry achievement. It shows a tendency to bypass changes in the industry that have no direct influence on running operations. Instead, it concentrates on the best possible performance of tasks within a limited scope.

Reactor

Such an organization seems to have a cohesive product-market orientation. Usually, it is neither aggressive in maintaining established products or market nor does it express a desire to undertake risk on the same level as competitors. The organization primarily reacts in areas where it is forced to do so as a result of external pressure.


Statistical analysis was performed using MPlus v. 7.2 for MAC software, which was used to assess the structural equation model. Results received are shown in Figure 1. That figure illustrates both relationships that are statistically significant (marked using the heavier line) and relationships that are unimportant from the statistical point of view. Parameter values and estimation errors may be found over the arrows. Adjusting the estimated model to empirical data is on a minimally satisfactory level (RMSEA = 0.076; CFI = 0.850; TLI = 0.818). Worth mentioning is the fact that the explanatory level of the organizational effectiveness variable achieved a level of 27% (R² = 0.269).

Hypothesis 1 applies to the mediating role of company strategy in the relationship between the company’s corporate entrepreneurship and organizational effectiveness. As depicted in the already mentioned figure, this hypothesis has found confirmation and it has done so on a completely mediating basis. At this point it is worth stressing that the indicated and
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identified relationships only apply to the prospector strategy. The analyzer and defender strategies proved statistically insignificant. At the same time, Figure 1 does not take into account the reactor strategy because statistical analysis has shown that the reactor strategy is a linear derivative of the other three types of strategy. On the other hand, Hypothesis 2, which speaks of the moderating influence of the environment, has been falsified. However, a direct positive impact of environmental dynamism on a company’s organizational effectiveness has been observed. Hypothesis 3 assumes the probable moderating influence of environmental hostility on the relationship between a company’s corporate entrepreneurship and organizational effectiveness. This hypothesis was falsified.

![Fig. 1. Source: own elaboration.](image)

### 4. Conclusion

The results received have important theoretical implications. Primarily, entrepreneurial decision-making practices, managerial philosophy, and strategic behavior are important premises of a firm’s organizational effectiveness. Thus, our studies have confirmed that entrepreneurial companies achieve higher effectiveness than those that are conservative in their nature. Furthermore especially happens in a case of prospector strategy orientation. The identified relationships among corporate entrepreneurship, prospector strategy, and organizational effectiveness an important and yet rarely studied domain of a company’s entrepreneurial strategy studies.

The mediating role of the prospector strategy in the corporate entrepreneurship-company organizational effectiveness relationship is endogenic in character. This underlines the key strategic role of the managerial staff in
animating entrepreneurship, which is not restricted by the task environment. Naturally, this is tied with the pro-active stance of the managers which is not only a matter of creating and exploiting opportunities, but also aiming at creating a leadership position on the market, the development of new markets, and moving ahead of the competition. To say such, a company must be involved in maintaining entrepreneurship, which reflects in implementation of new ideas and technologies as well as with the aggressive commercialization of such ideas by expanding limits of the searching for new products or markets. Ultimately, it must not be forgotten that this is not a question of a one-time effort, but of entrepreneurial behavior that is reasonably permanent in the long term.

Every constructive scientific debate relating to the ontological assumptions used in theoretical constructs is invigorating for the discourse (Bagozzi, Yi, and Phillips, 1991). The presented studies measure corporate entrepreneurship using a scale relating to the form of entrepreneurship, while most studies to date have applied the entrepreneurial orientation for this purpose. In consequence, future research should apply this scale taking advantage of the proposition found in the new approach recently developed by Anderson, Kreiser, Kuratko, Hornsby, and Eshima (2015). These researchers argue for the application of a two-dimensional view of entrepreneurial orientation as a higher-order construct that encompasses entrepreneurial behavior and risk attitude. It would also be worthwhile to take into account suggestions relating to the formative character of the above-mentioned two dimensions.

The concept of a strategic tripod has recently found empirical confirmation (Su, Peng, and Xie, 2015). The strategic tripod perspective suggests that although the resource-based approach is important, it is not sufficient to explain the complexity of the impact of organizational effectiveness antecedences. A better understanding of this phenomenon is provided by a combination of three foundations – the resource approach, the approach based on industry, and the institutional approach (Gao, Murray, Kotabe, and Lu, 2010; Peng, Sun, Pinkham, and Chen, 2009). The industry-based approach states that the conditions under which a company competes shape its organizational effectiveness to a significant degree, where the company may build and maintain its competitive advantage utilizing its position in the industry (Boter and Holmquist, 1996). The institutional approach stresses that a company's organizational effectiveness is, to a great extent, a reflection of institutional restrictions that the company must face. In other words, the organizational effects of resources are dependent on context (Su, Peng, Shen, and Xiao, 2013). The presented studies applied the resource approach as well as an approach based on industry indirectly, which was operationalized in categories of the task environment. The institutional perspective was bypassed and this gap should be filled in in future studies.

The central strategic problem is relatively simple: How can a strategy with a realistic probability for creating value for customers and capturing profits
for the company be formulated and implemented? McNamara, Peck, and Sasson (2013) proposed an integrated approach to the business model and presented just how alternative business models lead to different types of value creation and value appropriation. A company may choose a configuration of resources and capabilities intended to serve the creation of value and leading to high financial effectiveness as compared with the industry average (appropriating value). The presented research assumes competitiveness as the measure of a company’s organizational effectiveness without taking into account the interaction of two dimensions – the creation of value and the appropriation of value. This is a fruitful avenue for further research.

References


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