Entrepreneurship
ISSN: 1314-9598; 2367-7597
Volume: V, Issue: 2, Year: 2017, pp. 7-15

КОРПОРАТИВНО ПРЕДПРИЕМАЧЕСТВО

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CORPORATE ENTREPRENEURSHIP

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Received: 30.09.2017, Accepted: 15.10.2017

Abstract

The capacity and willingness to develop organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

In economics, entrepreneurship combined with land, labor, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace.

The concept of corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses, directly leading to the improvement of organizational profitability and an enhancement of competitive position or the strategic renewal of an existing business.

Keywords: *entrepreneurship, innovation, models of corporate entrepreneurship, business ventures, modern companies, business*

JEL Codes: *L26, M14*

INTRODUCTION

The innovation of products, services and processes and the formation of new business enterprises are crucially important to every economy. Innovation and new business development can be initiated by independent individuals or by existing enterprises. The latter is referred to as corporate entrepreneurship, which is ever more considered as a valuable instrument for rejuvenating and

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revitalizing existing companies. It is brought into practice as a tool for business development, revenue growth, and profitability enhancement and for pioneering the development of new products, services and processes.

Corporate entrepreneurship, which refers to the efforts of corporations to generate new business, has, until recently, received far less attention. Indeed, to those who view large firms as bureaucratic and inhospitable to creativity and in novation, the term "corporate entrepreneurship" is an oxymoron (Sathe, 2003). Corporate entrepreneurship is often defined as a process that goes on inside an existing firm and that may lead to new business ventures, the development of new products, services or processes and the renewal of strategies and competitive postures. As such, it can be seen as the sum of a company's innovation, venturing and renewal efforts.

Corporate entrepreneurship is especially crucial for large companies, enabling these organizations - that are traditionally averse to risk-taking - to innovate, driving leaders and teams toward an increased level of corporate enterprising. In addition to the obvious benefits obtained through innovation, this approach also provides the organizational benefit of setting the stage for leadership continuity.

Corporate entrepreneurship has been promoted in organizations for many reasons including as a growth strategy, to increase profitability, for strategic renewal, innovation, international success, and to develop competitive advantage. (Kuratko, 2007, pp. 151-203). Within that system, the notion of innovation is at the very core of corporate entrepreneurship - the two inseparably bound together and responsible for driving calculated and beneficial risk-taking. Taking it one step further, corporate entrepreneurship may even significantly alter the balance of competition within an industry or create entirely new industries through this act of internal innovation.

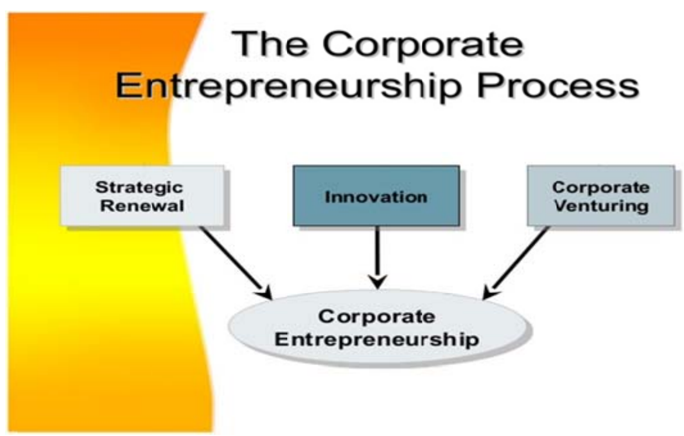
In a simpler view, corporate entrepreneurship can also be considered a means of organizational renewal. For in addition to its focus on innovation, there also exists an equal drive toward venturing. These two work in unison as the company undertakes innovations across the entire organizational spectrum, from product and process to technology and administration. In addition, venturing is a primary component in the process, pushing larger companies to enhance their overall competitiveness in the marketplace by taking bigger risks. Examples of these risks, as seen in a large-scale organization, may include:

redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation.

CHALLENGE OF CORPORATE ENTREPRENEURSHIP

Corporate entrepreneurship is increasingly being recognized as a legitimate path to high levels of organizational performance. (Kuratko, 2007, pp. 151-203) In modern business, one of the primary tasks of the business leader is to foster an environment in which entrepreneurial thinking is encouraged and readily takes places. Promoting this culture by freely encouraging creativity (and thereby innovation), business leaders motivated toward corporate entrepreneurship must continuously strive to exude and build trust, embracing the risk to fail and inspiring those around them to take similar calculated risks.

Figure 1. The corporate entrepreneurship process



Modern companies find themselves in a fast-paced, highly threatening, and increasingly global environment that forces them to continually redefine their markets, restructure their operations, and modify their business models. The abilities to think and act entrepreneurially and to innovate are becoming an increasingly important source of competitive advantage. In spite of widespread recognition of the imperative for companies to behave entrepreneurially, most corporations struggle in these efforts. Traditional management practices emphasize safe, slow, and steady growth within hierarchical organization structures. Entrepreneurial management, on the other hand, focuses on rapid growth as the top priority, accepts risk as part of this growth philosophy, and implements flat organizational structures with multiple informal networks.

For large companies, creating new businesses is the challenge. After years of downsizing and cost cutting, corporations have realized that they can't shrink their way to success. They've also found that they can't grow rapidly by tweaking existing offerings, taking over rivals, or moving into developing countries. Because of maturing technologies and aging product portfolios, a new imperative is clear: Companies must create, develop, and sustain innovative new businesses.

The distinctive features of new businesses present three challenges.

First, emerging businesses usually lack hard data. That's particularly true when they offer cutting-edge products or when their technologies aren't widely diffused in the marketplace. The difficulty is that it's hard to find marketplace insights for markets that don't exist. Financial forecasts are also undependable.

Second, new businesses require innovation[1], innovation requires fresh ideas, and fresh ideas. Some degree of unconventional thinking is essential for new businesses to take hold, but many radical ideas are foolish or unfounded.

The third challenge is the poor fit between new businesses and old systems. That's particularly true of systems for budgeting and for human resource management. New businesses are difficult to finance for long periods, and in times of austerity, they are the first to face funding cuts. In a similar spirit, companies design HR systems to develop executives whose operational skills match the needs of mature businesses—not the strategic, conceptual, and entrepreneurial skills that start-ups require.

Corporate entrepreneurship is, however, a risky proposition. New ventures set up by existing companies face innumerable barriers, and research shows that most of them fail. Emerging businesses seldom mesh smoothly with

[1] Innovation in technologies or products might actually be just a small part of creating business value; Starbucks Corp., for example, generates innovations in customer experience. Companies can innovate on any aspect of how they do business, but it all has to fit together as a coherent system.

well-established systems, processes, and cultures. Yet success requires a blend of old and new organizational traits, a subtle mix of characteristics achieved through what we call balancing acts. Unless companies keep those opposing forces in equilibrium, emerging businesses will flounder.

MODELS OF CORPORATE ENTREPRENEURSHIP

Two dimensions under the direct control of management differentiate how companies approach corporate entrepreneurship.

- The first is organizationalownership: Who within the company has primary ownership for the creation of new businesses? (This responsibility can be focused in a designated group, or it can be diffused across the organization.)
- The second is resource authority: Are projects funded from a dedicated corporate pool of money or in an ad hoc manner, perhaps through business-unit budgets?

Together the two dimensions generate a matrix with four dominant models:

1) Opportunist,
2) Enabler,
3) Advocate and
4) Producer.

The Opportunist model performs well, but only in a trusting and open organizational culture that supports social interaction (behind the hierarchies) and relies on the creativity of every member. New ideas will turn to new businesses only if they are embraced by the management and analyzed in a transparent manner. In fact, most companies start from here, but they often set-up new processes and move along one or both dimensions displayed in the graph.

Companies following **The Enabler model** reserve financial resources and set-up processes, but don't dedicate the development task to any special entity of the organization. These companies have a deliberate strategy for business development and they try to nurture the entrepreneurial spirit throughout the organization. The procedures for getting funding, strategic guidelines for new business development and the acceptance process are clearly communicated to everyone.

In **The Advocate model** the corporation's new business innovation ownership is handed to one dedicated organization. However, the projects are expected to be funded by the operative business units. In this respect, the development unit has the role of an internal consultant who feeds the business units with new opportunities, coaches the operative managers to identify and nurture new innovations, and supports the managers in building and nurturing the business cases.

In **The Producer model**, both the resources and the ownership of the new business ventures are assigned to one unit. This model combines elements of the enabler and the advocate models. However, the producer organization may also take control over promising business ideas found in the operative business units. It assumes this role in order to provide sufficient resources for realizing the full market capital of an idea and, at the same time, protect the focus to the core business. The producer model may also create disruptive business models, which would not be launched under the ownership of a core unit.

Selecting the right model

Evolving from the opportunist model to any of the more deliberate forms of corporate entrepreneurship typically begins with a mandate for growth and a broad, clearly communicated vision. When a company's vision for growth is too narrow, it will likely end up with just incremental concepts, whereas a broader vision helps everyone think outside the proverbial box. After the vision is set, a company needs to delineate specific objectives.

The enabler model is particularly well-suited to environments in which concept development and experimentation can be pursued economically throughout the organization.

Advocates exist to help business units do what they can't accomplish on their own but should pursue in order to remain vital and relevant. Moreover, the advocate model (as well as the producer model) can prevent corporate entrepreneurship from becoming a casualty of powerful business units or competing silos. If a company seeks to conquer new growth domains, discover break through opportunities or thwart potentially disruptive competition, then it should consider the producer model (Christensen, Raynor, 2003).

The producer model helps overcome this, and it can provide the necessary coordination for initiatives that involve complex technologies or require the integration of certain capabilities across different business units.

With respect to resources, the enabler model can generally be maintained in a much leaner fashion than either the advocate or producer models. It should be noted that, particularly in large corporations, multiple models can be supported concurrently at different levels and functions. IBM, for instance, maintains a hybrid producer-advocate team.

Each of the models requires different forms of leadership, processes and skill sets.

CONCLUSION

Corporate entrepreneurship is „...the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages theparent’s assets, market position, capabilities or other resources. It differs from corporate venture capital, which predominantly pursues financial investments in external companies.” (Wolcott, Michael, Lippitz, 2007). Although it often involves external partners and capabilities (including acquisitions), it engages significant resources of the established company, and internal teams typically manage projects. It’s also different from spinouts, which are generally constructed as stand-alone enterprises that do not require continuous leveraging of current business activities to realize their potential.

Corporate entrepreneurship is more than just new product development, and it can include innovations in services, channels, brands and so on (Sawhney, Wolcott, Arroniz, 2006). Traditionally, companies have added value through innovations that fit existing business functions and activities. Unfortunately, this approach also limits what a company is willing or even able to bring to market. Indeed, the failure to recognize that new products and services can require significantly different business models is often what leads to missed opportunities.

Corporate entrepreneurship is basically new ideals and opportunities that are developed within a large company. All in all, the whole ideal revolves around innovation. This process can give any company a competitive edge over their competitors, but that doesn’t mean that there aren’t risks involved. Of course, if develop a well laid out plan, and weigh the risks properly, should not have a problem making business more successful.

Large companies implementing entrepreneurial culture can receive many benefits to help them tap into innovation and be competitive in this global market. If the company is encouraged to take risks, the employees are allowed to be creative and innovative it becomes easier to generate new products for the market. There is a strong link between large organizations using corporate entrepreneurship and their growth and increased profitability due to it being a culture that increases pro-activeness within the organization.

Another benefit of corporate entrepreneurship is that it brings knowledge as everyone in the organization works towards the same goal. This creates valuable knowledge and understanding between all members. Thus the organization develops a continuous knowledge base of information that results in increased and better informed innovative behavior in decision making and risk taking.

This increases the company’s competitiveness and ability to use this knowledge to outperform competition and to become the top player in the market. Implementation of corporate entrepreneur behavior within firm is a challenging process, which involves individual's roles and most importantly firm level antecedents that promotes corporate entrepreneurial activities.

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