

# EVALUATING THE ASSOCIATION BETWEEN CORPORATE ENTREPRENEURSHIP AND FIRM PERFORMANCE

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## ABSTRACT

*Corporate venturing and entrepreneurial orientation are extensively used as proxies of corporate entrepreneurship. Small and large companies are likely to face different challenges; therefore, both of them need to adopt different business strategies for achieving high performance. For instance, managerial and technical issues are faced by the small and large firms to generate innovation. The study has aimed to assess the relationship between corporate entrepreneurship and firm performance. A survey approach was used to collect and evaluate the primary data, and 152 questionnaires were distributed in different firms of Jordan. 40.1% of the participants have supported the role of corporate entrepreneurship in improving firm's performance. Moreover, 42.8% of the participants have supported the role of corporate venturing in the growth and development of an organization. The positive association was identified between corporate entrepreneurship and firm performance. In response to this statement, 77 participants were neutral; however, 48 of them were agreed to this statement. Therefore, the study concluded that there is a strong relationship between corporate entrepreneurship and firm performance.*

**Keywords:** Corporate Entrepreneurship, Firm Performance, Entrepreneurial Orientation, Innovation, Corporate Venturing.

## INTRODUCTION

Corporate Entrepreneurship (CE) is considered as an important factor for the evaluation of firm performance (Reijonen et al., 2015). The entrepreneurial efforts of an established and large company depend on the corporate entrepreneurship, and not the other way around as it provides the output results. The performance of different companies is a major concern nowadays, because these companies are likely to experience challenging situations. There is major decline in the survival rates of the developing companies (Miller & Miller-Breton, 2011).

Corporate Entrepreneurship can be defined as all new ventures that the company pursue or all entrepreneurial activities that occur in the company according to an organizational plan and vision. CE is beneficial for the emerging scholars as it shows significant and positive impact on the emerging strategies (Kuratko et al., 2015). Individual managers are recruited and teams are established that are encouraged to come up with ideas about products and services. The corporate

entrepreneurship instrument measures the management support, the structures and the teams. Additionally, it adapts measures of rewards and recognition that incentivizes entrepreneurial behavior within organizations. These rewards, opportunities and motivations provide a complementary tool to traditional measures of CE (Turner & Pennington, 2015).

There are two types of innovations that are part of corporate entrepreneurship system. One is radical innovation, in which there is launching of inaugural breakthroughs. It takes a determined vision and experimentation that must be recognized and nurtured. The second one, which is incremental innovation, is a systematic evolution of a product or a service into new markets. It follows radical innovation that introduces a breakthrough. Furthermore, innovative environments are created when actions are encouraged. It occurs in an environment, where failure is not shunned and is used as a learning experience. Therefore, it is said that innovation must be rewarded and promoted. There should be an environment that encourages informal communication, where ideas are formed. There must be a suitable atmosphere for the bootlegging of ideas and working on ideas must always be encouraged. Moreover, employees must be organized into small teams for future-oriented projects. Bureaucratic red tapes and rigid procedures are barriers to innovative and breakthrough thinking. There must be substantial investment in entrepreneurial activities that allow new ideas to flourish in an innovative environment. The most positive effects of innovation are seen in high-tech companies rather than in low-tech industries (Bierwerth et al., 2015).

Entrepreneurial orientation is a process, in which companies formulate a culture and inculcate innovativeness, proactiveness, risk taking and competitiveness into their teams. Entrepreneurial orientation is used as a tool to capture inclination of a company towards entrepreneurship that is intellectualized to possess certain characteristics including; proactiveness, innovativeness and risk-management (Liu & Lee, 2015; Ambad & Wahab, 2016). Corporate venturing and entrepreneurial orientation are extensively used as proxies of corporate entrepreneurship; although, there is no consensus on the dimensions of corporate entrepreneurship (Serai et al., 2017). Corporate venturing occurs when processes are institutionalized through development of innovative products and processes with the emphasis on long-term prosperity. Competitive and capable managers have to be employed and developed for corporate entrepreneurship. Apart from this, corporate venture teams also have to be hired and developed.

There is much difference in the manufacturing and innovation strategies that are employed by the small and large firms (Ambad & Wahab, 2016). However, large firms provide great contributions to the economic growth of the company; therefore, it is necessary to study determinant factors of the large firms. Previously, no studies have investigated the association between corporate entrepreneurship and firm performance considering the roles of more than different management tiers. Thereby, this study is significant for academicians, practitioners and researchers in the domain of entrepreneurship and firm performance. This study is significant for academicians and researchers in terms of entrepreneur activities and efforts toward firm performance. From the perspective of practitioners, this study gains in-depth insight regarding the laws that are not conducive for an optimal performance of firms. It has included individuals from all tiers of management, including chief executive officers, vice presidents, senior

managers and executive directors. The present study will greatly contribute to expand the literature on corporate entrepreneurship, along with the impact of entrepreneurial orientation and corporate venturing on the performance of large firms. This study aims to investigate the relationship between corporate entrepreneurship and firm performance.

## Hypothesis

*H<sub>0</sub>: There is positive association between corporate entrepreneurship and firm performance.*

*H<sub>1</sub>: There is negative association between corporate entrepreneurship and firm performance.*

## LITERATURE REVIEW

A study conducted by Ambad and Wahab (2016) examined the consequences of corporate entrepreneurship on the performance of big corporations in Malaysia. Large scale organizations are facing very difficult times in Malaysia due to their inertia to adopt different changing business scenarios occurring across the globe. The research was conducted through surveys by gathering data from 130 organizations. It was concluded that good and efficient entrepreneurial orientation is helpful to increase a company's profitability. Furthermore, it was revealed that corporate venturing played an important role in the growth of a company. However, an organization's profitability did not depend on its corporate venturing efforts and activities. This study would help senior executives of corporations to put more emphasis both on corporate venturing and corporate entrepreneurship to achieve growth and profitability. Most research studies in Malaysia had often been based on individual entrepreneurs and small businesses. It had been a unique study and was an unprecedented research on big and established corporations' adaptation of corporate entrepreneurship. The study has developed a relationship between corporate entrepreneurship and financial efficiency of the organization.

In a study conducted by Zahra & Holmes (2017); it was revealed that corporate entrepreneurship had positive effects on the financial performance of organizations, thus directly affecting the profitability of the company. It was a wide-ranging multi-country research that was conducted in 26 European countries. Data was sought and analyzed from 8280 manufacturing companies all across Europe. The study explored employment laws and intellectual property protection laws effect on corporate entrepreneurship. They concluded that corporate entrepreneurship had a positive effect on the performance of the organization in countries with weaker protection of intellectual property. Furthermore, there was a positive association between corporate entrepreneurship and the performance of a firm in countries, where there were weaker employee protection laws. Therefore, it was proved that the rigid laws are not conducive for a firm's optimal performance when associated with corporate entrepreneurship (Vanacker et al., 2017).

After emphasizing the need for a good external environment, such as strong labor laws and policies, it is also important to explore the internal factors that contribute to improved performances of organizations. The importance of creating a conducive environment for innovation within an organization cannot be over emphasized. In a study conducted by Kuratko et al. (2014); the importance of intra-organizational dynamics for promoting an atmosphere of

innovations were analyzed and examined. The provision of partial or total autonomy to employees and the support of the management were some factors that were essential for innovation within the organization. The other determinants were organizational boundaries that needed to be flexible. Additionally, a good reward and reinforcement structure had to be in place to encourage innovation, and the availability of time was also an essential element influencing an innovative environment. Therefore, in order to develop a good environment within a company that promotes corporate entrepreneurship, there must also be a conducive atmosphere that encourages innovation. Subsequently, a technique called Corporate Entrepreneurship Assessment Instrument (CEAI) was introduced (Van Wyk, 2011) to examine the perception of managers with regard to the different factors that facilitate innovation in an organization.

Furthermore, the importance of middle managers in the smooth functioning of successful corporations cannot be overstated. Middle management's contribution to the development of strategies has been overlooked and disregarded. This aspect was explored in a previously published study. Based on their empirical study among 372 European companies, it was revealed that the involvement of middle managers in developing the organizational abilities is critical to the performance of the company. Additionally, managers are liable to add value to the company by formulating and implementing strategies robustly (Ouakouak et al., 2014). Along with development of strategies, business planning is also an integral part of organizations that demonstrate significant enhanced financial performance and profitability. In a study by Brinckmann et al. (2010), the role of business planning was assessed in relation to the performance of the firms. It was revealed that appropriate business planning required market research and the evaluation of present market conditions. It was also shown that business planning was not effectual for new businesses but established businesses flourished when their entrepreneurs laid down and implemented business plans.

A relatively new concept called corporate foresight is being adapted by large corporations to survive in today's challenging times. Corporate foresight is applied in organizations to better prepare to face and overcome future contingencies and eventualities. Additionally, it is used to implement superior course of action, subsequently leading to superior performance of the company. An empirical study was performed and a model was developed that determined a company's future preparedness. It was ascertained by evaluating the need for corporate foresight and comparing it to the maturity of the company's corporate foresight practices. The research measured the future preparedness in 2008 and its impact and effect on the company's performance in 2015. It was concluded that future preparedness was absolutely essential to the survival and performance of an organization (Rohrbeck & Kum, 2018).

## **METHODOLOGY**

A survey approach was used to collect and evaluate the primary data for independent and moderate variables. The rationale behind the usage of survey approach is to collect first-hand information directly from the participants to avoid any form of bias. A survey approach is a comprehensively utilized type of research methodology, where questionnaires are developed in accordance with the study variables. These questionnaires are distributed among participants, and data is usually collected and analyzed. Similarly, this study has also collected primary

information from a total of 152 participants, working in different firms of Jordan. With regard to the participants, the top management officials that were included in this study, comprised of the vice presidents, senior managers, executive directors, and chief executive officers. The responses were measured using 5-point Likert scale, ranging from strongly agree to strongly disagree. Annual reports were also assessed to obtain actual data of the firms; such as information regarding return on scales and return on assets. Different variables; such as, corporate entrepreneurship, business strategies, firm's performance, corporate venturing, and entrepreneurial orientation were used to conduct the survey. SPSS version 20 has been utilized for data collection. Frequency distribution analysis has been done to retrieve outcomes. The informed consent was also obtained from the participants to comply study with the ethical standards.

## RESULTS AND DISCUSSION

A total of 152 participants have been recruited; out of which 107 (70.4%) were males and 45 (29.6%) were females (Table 1). The first question was asked about the role of corporate entrepreneurship in improving firm's performance. In regards to this question, 40.1% of the participants have responded in agreement to this statement. However, only 5 participants were against of this statement (Table 2). The next question was related to the performance of different companies that is now emerged as a major concern. 65 participants were neutral while responding to this question; however, 51 participants have shown their agreement (Table 3).

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Male	107	70.4	70.4	70.4
	Female	45	29.6	29.6	100.0
	<b>Total</b>	<b>152</b>	<b>100.0</b>	<b>100.0</b>	

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Strongly Disagree	5	3.3	3.3	3.3
	Disagree	31	20.4	20.4	23.7
	Neutral	55	36.2	36.2	59.9
	Agree	61	40.1	40.1	100.0
	<b>Total</b>	<b>152</b>	<b>100.0</b>	<b>100.0</b>	

**Table 3**

<b>THE PERFORMANCE OF DIFFERENT COMPANIES IS A MAJOR CONCERN; THAT'S WHY, IT SHOULD BE TAKEN UNDER CONSIDERATION</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Strongly Disagree	7	3.9	3.9	4.6
	Disagree	29	19.1	19.1	23.7
	Neutral	65	42.8	42.8	66.4
	Agree	51	33.6	33.6	100.0
<b>Total</b>		<b>152</b>	<b>100.0</b>	<b>100.0</b>	

Kahkha et al. (2014) has conducted a study to establish a relationship between firm performance and entrepreneurship. Small and medium size corporate organizations play a critical role in social and economic growth. The small and medium enterprises contribute towards diminishing economic issues. The study suggested that policy makers should understand the economic, employment, and gross production barriers in future plans. Considering these factors in formation of a policy will help in improving the efficiency of the system. Entrepreneurship and globalization are the components which influences economic development of a nation. Small and medium enterprises make necessary changes in their performance according to the market environment and trends. La Nafie and Pane (2016) analyzed the impact of corporate entrepreneurship in enhancing the overall efficiency and performance of the firm. The purpose of the study is to examine multiple components of corporate entrepreneurship such as risk taking, pro-activeness and innovativeness. The study focuses on analyzing the data of thirty-six small and medium enterprises. Interviews and survey questionnaire was used by the researchers for acquiring data. The findings suggested that there is a significant and positive correlation present between performance of small and medium enterprises and corporate entrepreneurship.

The next question was asked about the positive association between corporate entrepreneurship and firm performance. In response to this question, 77 participants were neutral; however, 48 of them were agreed to this statement. Therefore, it can be said that a positive association exists; however, most the participants were not aware about that (Table 4). The next question was related to different strategies that are adopted by small and large companies. Most of the participants (n=62) were in an agreement to this statement. Therefore, it can be said that strategies are always significant for the organization to improve their performance (Table 5). The next question is related to corporate venturing and growth of the company. 42.8% of the participants have supported the role of corporate venturing in the growth and development of an organization (Table 6). Table 7 has shown the correlation table for the concerned variables. There is significant positive association between gender and efficient performance of an individual (p-value=0.051), corporate entrepreneurship and utilization of different business strategies (p-value=0.014), and performance of different companies and different business strategies (p-value=0.019). Therefore, the findings have evaluated that there is a strong relationship between corporate entrepreneurship and firm performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Strongly Disagree	5	3.3	3.3	3.3
	Disagree	22	14.5	14.5	17.8
	Neutral	77	50.7	50.7	68.4
	Agree	48	31.6	31.6	100.0
<b>Total</b>		<b>152</b>	<b>100.0</b>	<b>100.0</b>	

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Strongly Disagree	2	1.3	1.3	1.3
	Disagree	29	19.1	19.1	20.4
	Neutral	59	38.8	38.8	59.2
	Agree	62	40.8	40.8	100.0
<b>Total</b>		<b>152</b>	<b>100.0</b>	<b>100.0</b>	

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Strongly Disagree	3	2.0	2.0	2.0
	Disagree	32	21.1	21.1	23.0
	Neutral	52	34.2	34.2	65.8
	Agree	65	42.8	42.8	100.0
<b>Total</b>		<b>152</b>	<b>100.0</b>	<b>100.0</b>	

	Gender	Corporate entrepreneurship	Performance of different companies	Positive association between corporate entrepreneurship and firm performance	Different business strategies	Growth of company
Gender	1					
Corporate entrepreneurship	-0.01731	1				
Performance of different companies	-0.06212	-0.05751	1			

s						
Positive association between corporate entrepreneurship and firm performance	0.051275	-0.1202	-0.11064	1		
Different business strategies	0.081698	0.014055	0.019582	0.019646	1	
Growth of company	-0.03775	0.109921	0.049491	-0.04965	-0.03093	1

Similar to the present study, Otache and Mahmood (2015) examined the influence of corporate entrepreneurship in enhancing the performance of a firm. The study developed a framework, which reflects on the role of organizational environment and culture in relation to firm's performance. The results suggested that the framework has a positive impact on the firm's performance depending on the company's environment and culture. The results are consistent with the present study as it stated that conducive environment and culture enhances the performance of an organization. The study suggested that corporate organizations can gain benefits from the proposed framework. The market factors and trends influence the organizations future strategy.

Another study conducted by Kaya (2015) has examined multiple components of competitive strategies and corporate entrepreneurship. The findings revealed that competitive strategies and corporate entrepreneurship has a positive impact on the performance of small and medium enterprises. The results suggested that the financial efficiency and performance of small and medium enterprises is enhanced by incorporating competitive strategies in the company. These results are in agreement with the results concluded in the present study by suggesting possible implications of competitive strategies on the firm's performance.

Similarly, Zehir et al. (2015) has conducted a study for examining the role of innovation performance in enhancing the performance of a firm. The study formed a relationship between entrepreneurial orientation and performance of an organization and found that entrepreneurial orientation has a positive influence in enhancing the performance of an organization. The differentiation strategy affects the firm's performance. Furthermore, to gain competitive advantage over other business organizations, there is an urgent and an absolute need to introduce new products and technologies. This is where the most important determinant of corporate entrepreneurship comes into play. It would help them to achieve profitability and growth. Willingness to innovate and taking risks are amongst significant entrepreneurial efforts that increase the survival rates of a firm (Ambad & Wahab, 2016). Moreover, these firms need to implement corporate entrepreneurship strategies within their operations to overcome the problems faced by them that decrease their profitability and survival rates (Serai et al., 2017). These results are in agreement with the results concluded in the present study



Kovacs et al. (2016) has developed a relationship between entrepreneurial orientation and organizations performance. The results of the study suggested that entrepreneurial orientation has a positive impact in enhancing the operational efficiency of an organization. The entrepreneurial orientation results in increasing the sales of organization. Sakhdari (2016) has examined various components of corporate entrepreneurship. A framework has been proposing to reduce the gaps between corporate entrepreneurship and firm's performance. Platin and Ergun (2017) have examined the impact of corporate entrepreneurship in improving overall efficiency of an organization. The findings revealed that corporate entrepreneurship has resulted in enhancing the sales and profitability ratio of the organization.

### CONCLUSION

In today's competitive environment, where corporations are struggling with lower levels of profitability, bad strategies directly affect the quality of performance and low survival rates. Therefore, the role of corporate entrepreneurship is critical and cannot be overstated. Corporate entrepreneurship is developed through diverse thinking and making bold decisions. Moreover, the organization has to make efforts for such qualities in its main players, namely its top and middle management to assign the required financial resources and human capital and to establish measuring techniques for assessing any modifications occurring in the profitability and the growth of the corporation. An organizations ability to engage in new creative ideas, innovativeness, proactiveness and risk-taking results in growth and profitability and may also result in the invention of new products and services. An organization must adapt, learn, change and improve to meet challenges head on to survive in today's fiercely competitive business environments. The findings have suggested that corporate entrepreneurship results in generating higher revenue for the company. The study recommended that the contextualized and capability-oriented research can result in identifying the factors, which influence corporate entrepreneurship. Moreover, the study suggested that small and medium enterprises need to formulate future plans for their business processes, so that higher operational efficiency can be achieved.

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