



Relationship between Innovation Climate, Market Orientation and Corporate Entrepreneurship

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ABSTRACT

A great deal of the literature on corporate entrepreneurship (CE) assumes that it is important and desirable to foster corporate entrepreneurial thinking and behavior in organizations. While much has been written about the need for established firms to become entrepreneurial, not much progress has been made to determine exactly how entrepreneurship can be accomplished and sustained in these organizations. The purpose of this study is to investigate the relationship between market orientation (MO), innovation climate (IC) and CE. Self-administrated questionnaires were used for data collection from the population representatives by means of convenience sampling. 165 questionnaires were received back out of 200. Regression analysis were used to analyze the relationship between the variable of study. Results showed a positive relationship between MO, IC and intrapreneurship.

Keywords: Innovation Climate, Market Orientation, Corporate Entrepreneurship, Entrepreneurship

JEL Classifications: L2, L26

1. INTRODUCTION

There is an increasing trend of considering innovation being a vital factor for a sustainable competitive advantage of entrepreneurial corporate. Innovation has been considered for many years, which refers to a symbol of making something novel (Zaltman et al., 1973). This research paper, addresses the relationship between innovative climate, market orientation (MO) and corporate entrepreneurship (CE) intentions.

Intrapreneurship, more commonly entrepreneurship within existing organizations, has been holding the researcher's attention and considerable research has been generated over the past few decades. The centre of mostly researches is to point out the contrasting characteristics between Intrapreneurial organizations and the other type of organizations (Kreiser et al., 2002). Innovation is the heart and soul of intrapreneurship or CE, Miller and Friesen (1982) did their early efforts in argument that the difference between entrepreneurial organizations and ordinary organizations is their concrete intention to innovate by taking risk in their routine process.

MO is considered as a direct link between CE and marketing and as a source of competitive advantage (Barret and Weinstein, 1977). According to Kohli and Jaworski (1990) MO is the implementation of marketing concept by the organizations. It is organizational culture which efficiently and effectively creates the compulsory behavior for creating the superior value for the buyers which ultimately results in superior value for the business (Narver and Slater, 1995). MO has three components: Customer orientation, competitive orientation, and inter-functional coordination, hence MO involves learning about customers and competitors. Kohli et al. (1993) define to current needs of customers, dissemination of intelligence horizontally and vertically within the organization, and organization-wide action or responsiveness to market intelligence.

The aim of this whole research is to examine the relationship between innovation climate (IC), MO and CE. The focus of the study is not just to increase the theoretical literature in the field of entrepreneurship but also to nourish the previously existing theories given by different researchers. The study itself tries to track down that if there is any evident relationship among innovative climate, MO and CE.

2. LITERATURE REVIEW

2.1. CE

Intrapreneurship predominantly can be defined as “entrepreneurship within an existing organization” (Antoncic and Hisrich, 2001). A number of researchers argue that it is very much vital and desirable to foster intrapreneurial thinking and attitude in organizations (Covin and Slevin, 1991; Zahra, 1993; Lumpkin and Dess, 1996). Whereas much has been researched about the need for established organizations to become entrepreneurial, however, not much progress has been made to determine exactly how entrepreneurship can be achieved and maintained in these organizations.

Different scholars have used different names for CE like; corporate ventures, venture management, internal CE and intrapreneurship. According to Zahra et al. (2000) all innovations and venturing activities, these activities help organizations to obtain capabilities and to perk up its performance as well as develop new business for the both domestic and international market came up together to form CE. Intrapreneurship is an initiation of novel business activities within the existing organizations as well as to overhaul the organizations through purposed recurrence (Guth and Ginsberg, 1990).

All above mentioned definitions throw light on the multi-dimensional nature of CE. Five different dimensions of CE have been pointed out by Saly (2001) which are risk propensity, self renewal, proactiveness, innovativeness and corporate venturing. Our choice will be that dimension which is true to our research model. According to Covin and Slevin (1991) strong risk-taking propensity and innovation give birth to CE.

2.2. Innovative Climate

Innovativeness is the element which is mutual in most or all professionals as well as managerial personnel, and that, stated the suitable facilitating environments (West and Farr, 1989). The environment for the work possibly boosts the innovativeness of any individual. Consequently, it is substantial to find out such ways which can be used to construct such a facilitating environment that give additional maximization to the innovation as well as creativity among employees.

Growth can be stimulated in any large or small business by providing employees the option to initiate and device innovation within the organization (Åmo and Kolvereid, 2005. p. 7). According to Pinchot and Pellman (1999), the employees capable to turn their ideas into realities in an organization are known as Intrapreneurs. Kuratko et al. (1990) said that CE is an individualistic strategic conduct of the employees to avail eminence of given business opportunity. However, according to Hornsby et al. (2002), there is still a room for learning about the actuality and phenomenon of Intrapreneurship and how it can be augmented in organizations.

Organizational climate is a part of the work environment. Past studies commence that innovation can be provoked by a supportive work climate (Tidd and Bessant, 2009). According to Amabile et al. (1996) if you have awareness about the work environment then you can manipulate the propensity of creativity and innovation

within the organization. On the basis of existing evidences CE and innovative climate are related to each other as follows.

H1: A significant relationship exists between innovative climate and CE.

2.3. MO

MO is a cultural orientation that guides strategies in response to threats and opportunities in the market (Cambra-Fierro et al., 2012) and fosters sustainable advantage by creating superior values for customers (Slater and Narver, 1995) consequently achieving improved financial results (Loubser, 2000). It is the vital link in activating the organization to react to threats and opportunities in the environment (Kumar et al., 2003) with the primary objective of delivering superior customer value (Jimenez-Zarco et al., 2011).

MO is a combination of responsiveness, utilization of market intelligence and dissemination of the opportunities and policies among the departments (Kohli and Jaworski, 1990; Jaworski and Kohli, 1996). A practical MO specifies a willingness to adjust to the envisaged changeable future needs of customers (Auahene-Gima et al., 2005).

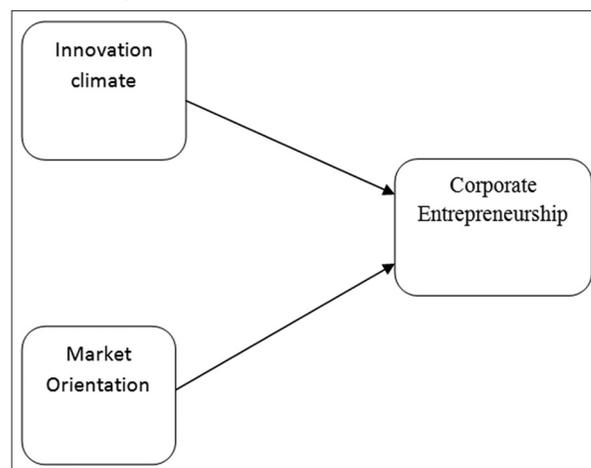
MO thus promotes the maintenance of a competitive tactics (Zachary et al., 2011) and drives innovative incentives (Zortea-Johnston et al., 2012). A business should engage in parallel proactive strategies in order to be successful in this dynamic era (Renko et al., 2009). The constant scanning for market knowledge is critical in maintaining an incremental entrepreneurial orientation and translating it into higher performance (Bojica et al., 2011).

Research has shown that MO forms a direct link with intrapreneurship and provides the foundation for a competitive advantage (Barrett and Weinstein, 1998). However, the literature indicates that the relationship between Intrapreneurship and MO is poorly understood (Baker and Sinkula, 2009; Merlo and Auh, 2009). This notion leads us to suggest that:

H2: A significant relationship exists between MO and CE.

Figure 1 shows research framework of the study.

Figure 1: Research framework of the study



3. METHODOLOGY

3.1. Questionnaire

Self-administrated questionnaires were used for data collection from the population representatives by means of convenience sampling. 165 questionnaires were received back out of 200, which show the response rate of 82%.

There were three parts of the questionnaire: The first part entitles the introduction of topic and explained purpose of the research. The second part comprises of five questions designed in such a way to generate the demographic data of the respondent, such as gender, age, designation, employment, income, qualification and organization. In the third part, 17 statements were formulated for gathering data about how CE effect innovative climate and MO. Extensive literature review was used while developing the statements of the questionnaire. The scale developed by Oosthuizen (2006) was used for CE. The items for the innovative climate scale were adopted from the scale developed by Scott and Bruce's (1994). The scale developed by Kohli et al. (1993) was used for developing a scale for MO. The level of agreement of the respondents to the statements was required.

The questionnaire was formulated on the basis of Oosthuizen (2006) questionnaire used for measuring influence of CE on innovative climate and MO. The use of same variables and authenticated reliability and validity of the questions was the motive behind using this questionnaire. The governing questionnaire consisted other variables like innovative climate (5 items), MO (7 items).

The questionnaire had passed all the internal consistency tests and other measures done by different researchers. The value of coefficient alpha calculated for CE was 0.70. The value of coefficients alphas for MO designed by Kohli et al. (1993) was 0.82.

3.2. Measures

3.2.1. CE

CE was measured with a five item likert scale. The sample of items used in measurement "in my company developing idea for betterment of the organization, is encouraged by the management" "Higher management is well aware of and open to my suggestions and ideas" The α value of the scale was 0.776.

3.2.2. IC

IC was measured by using five likert point scale. The sample of items used in measure is "My boss hardly ever solicit ideas from me to solve technical problems," (reverse-coded) and "my peers, based on the experience, often suggest new ways and approaches to solve technical problems" The α value of the scale was 0.643. Measure of this study for IC was significantly related to Scott and Bruce's (1994) "organizational support for innovation" scale ($r = 0.72$; $P < 0.01$).

3.2.3. MO

MO was measured with a Seven items likert scale ($\alpha = 0.82$). Examples of items "The activities of the different departments in this business unit are well coordinated," and "Even if we came

up with a great marketing plan, we probably would not be able to implement it in a timely fashion."

4. RESULTS

4.1. Correlation

Correlation results show in Table 1 indicates that IC is significantly and positively (0.536**) associated with Intrapreneurship and significant at $P = 0.000$ ($P < 0.01$). An increase in extent of IC will increase employees attitude towards Intrapreneurship which supports our hypothesis H1. Furthermore, MO is also positively correlated with CE (0.617**). It demonstrates that MO and CE are positively related. Hence our hypothesis H2 is also supported.

4.2. Regression Analysis

Relationship of IC and MO with CE was investigated with the help of Regression analysis. Results indicated that IC has significant relationship with intrapreneurship. Similarly, MO has significant relationship with CE. Table 2 shows the results of regression analysis on CE. All the independent variables collectively showed a variation of 43.0% in CE.

The results showed that IC is positively linked with CE having a $B = 0.315$ and $P = 0.00$; the findings are significant at 1% level of sig that predicts that 1% increase in IC will help increase 0.315 units of CE. MO also showed the similar results. MO is positively correlated to CE with beta value 0.47 and $P = 0.00$; findings are highly significant at the value of 1%.

5. DISCUSSION AND CONCLUSION

Considering that CE is vital element for organizational development, it is very interesting to understand which factors are linked with it and which factors contribute to nurturing and enhancing it. This researched analyzed the relationship between

Table 1: Relationship between IC, MO and CE

	Correlations		
	CE	IC	MO
CE	0.755		
IC	0.536**	0.640	
MO	0.617**	0.480**	0.833

**Correlation is significant at the 0.01 level (two-tailed). The alpha reliabilities are given in parentheses, CE: Corporate entrepreneurship, IC: Innovation climate, MO: Market orientation

Table 2: Influence of innovation climate, market orientation on corporate entrepreneurship

Model	Coefficients ^a			t	Significant
	Unstandardized coefficients		Standardized coefficients		
	B	SE	Beta		
1					
Constant	0.312	0.291		1.072	0.286
IC	0.335	0.074	0.315	4.561	0.000
MO	0.551	0.080	0.471	6.879	0.000

^a: significant level at 0.01, N=200, $R^2=0.430$, Adjusted $R^2=0.434$, Significance=0.000, SE: Standard error, IC: Innovation climate, MO: Market orientation

IC MO and CE. The results show that MO and IC is positively linked with CE.

The globalization of markets requires swift reaction to warrant a competitive advantage and superior performance. Management should support activities that sustain corporate entrepreneurial activities to maintain strategic competitiveness. This study suggests that detailed attention to IC and, MOs facilitate different corporate entrepreneurial activities. Businesses should develop strategies that support these practices that sustain CE. Management should investigate methods to improve and support IC and MO strategies to meet the demands of corporate entrepreneurial activities. Simultaneously management should guard against practices that hinder innovative climate the nurturing of these strategies should warrant a competitive advantage.

The contributions of this paper are twofold. First, from the theoretical perspective, the work advances the knowledge in the domain of CE secondly from a practical point-of-view, the study could be useful for the development of policies to promote and foster intrapreneurship.

The study recommends few future research lines. First, a more detailed and in-depth study of the relationship between MO, innovative climate and Intrapreneurship is needed. Second, some more variables related to organization like organization justice, organization commitment, perceived organization support, and empowerment should be analyzed. Moreover, Intrapreneurship could be measured in different ways (with a wider or a narrower definition).

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