

ORGANIZATIONAL CULTURE AND CORPORATE ENTREPRENEURSHIP

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ABSTRACT: *Keeping and increasing competitive advantages in a relatively longer period of time has become very difficult and challenging for businesses. In order to survive in a very turbulent business environment, large organizations are under the pressure of constant changes while struggling to overcome what has been done in the near past. The business strategies that are based on passive adaptation to changes increasingly give way to the innovation-based proactive strategies, which means the implementation of different forms of corporate entrepreneurship. Corporate entrepreneurship has become necessary precondition for sustainable business development. One of the key elements of corporate entrepreneurship model relates to the creation of an adequate organizational culture that includes referent values of entrepreneurial culture as well as motivational factors that support effective implementation of these values in the corporate environment and foster entrepreneurship to grow and flourish.*

KEY WORDS: *Corporate entrepreneurship, organizational culture, entrepreneurship.*

JEL CLASSIFICATIONS: *M10, M13, M14.*

1. INTRODUCTION

Global business environment is being characterized by increasingly complex and dynamic changes. They are not of incremental character, but becoming constant and radical innovations, especially in the fields of information and communication technologies. Like it or not, change happens every day. Additionally, uncertain economic conditions and huge world competition are the business reality. The quality, based on innovations, becomes imperative and necessary precondition for corporations to keep and improve their market position. What was done yesterday and consequently

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brought business success is not enough to repeat business success today, thus setting new, more challenging and higher requirements for businesses. In order to survive in a turbulent environment, it is necessary to work constantly on innovations, whereby unpredictable environment increasingly dictates the need to define strategies that focus not only on adaptation to customers' needs, but much more on designing customers' needs.

Corporations are more than ever under pressure to make their organizational systems more efficient and competitive. The organization may be better off only if competitive advantages were maintained over a longer period of time. In this context, the knowledge was identified as an important factor of the entrepreneurial process. Corporation with already built learning organization is true entrepreneurial organization. However, in order to survive in the market arena it is not enough only to learn, but to learn more and faster than the other competitors, whereby through the learning processes the core competence of the organization may be created.

Organizations must be prepared for changes of organizational model and structure, but perhaps more for changes of organizational culture (Mullins, 2010, pp.737-748). In this context, constant improvement of the organizational culture model in order to promote the entrepreneurship values on the one hand and to encourage entrepreneurial behaviour through an appropriate system of motivational factors on the other hand, is one of the key challenges and tasks of large organizations. Entrepreneurial transformation as a form of corporate entrepreneurship becomes one of the key prerequisite of sustainable growth and development of the organization.

2. BUSINESS CHALLENGES AND CORPORATE ENTREPRENEURSHIP

Entrepreneurship is defined as the process that involves all functions, activities and actions associated with perceiving opportunities and creating business organization to pursue them (Bygrave & Zacharakis, 2004, p.2). The most frequently, entrepreneurship is equated with venture creation in a small business. More comprehensive consideration relates to integral and complete understanding of the entrepreneurship process focusing the organization in its different growth and development stages. With growth and development, organizations become more bureaucratic and conservative, lacking entrepreneurial spirit as a main engine of sustainable economic growth. The latter one was recognized by Greiner (Greiner, 1972, pp. 37-46), and Churchill and Lewis (Churchill & Lewis, 1983, pp. 30-50) as a final developmental crisis of an organization.

Corporate entrepreneurship refers to different types of entrepreneurial behaviour in existing, large organizations (corporations) aimed at achieving – through encouraging innovation – competitive advantage at all levels: corporate, divisional, business unit, business functions and project teams (Burns, 2011, pp. 471). The large group of authors argues that organizations of all sizes obviously need entrepreneurial behaviour in order to survive and perform in a competitive environment (Barringer & Bluedorn, 1999, pp. 421-444).

Different activities of investing in start-up venture and management of new small firms by a large company independently from its core business are very

important segment of corporate entrepreneurship. By investing in new business ventures or buying existing innovative small enterprises, large corporations acquire possibility to capitalize on market advantages gained through innovation.

Also, corporate entrepreneurship is targeted on readiness of employees in a large company to assume entrepreneurial behaviour and communicate with the bureaucratic organization they are working for, in order to overcome different barriers to the development of new products and services (Burns, 2011, p. 473). Even more, corporate entrepreneurship encompasses the transformation processes, as the most complex form, that are expected to accelerate coordinated changes of organizational structure and culture in order to encourage entrepreneurial behaviour of individuals.

Why the corporate entrepreneurship is of crucial importance for future sustainable performances and what are the key challenges in this context? In order to improve the business performances, the large organizations are faced with several challenges. The most common are: growing competition in the market, the erosion of leadership and entrepreneurship, sense of complacency and self-confidence that interfere the organizational changes, the lack of competences of the management team to create an entrepreneurial architecture that can efficiently support the future organizational growth. It may seem contradictory, but the problems that large organizations face today are partly the result of their organizational success itself in the past. The growth and success of the organization creates a certain degree of resistance to changes, coming from the external environment but also from the internal system. The main problems that make the process of changes and revitalization quite difficult are based on the fact that organization must concentrate simultaneously on several key organizational development objectives (Flamholtz, 1990, pp. 336–340): revitalizing market, revitalizing products (services), revitalizing resources, revitalizing operational systems, revitalizing management system, revitalizing corporate culture with special emphasis on strengthening the elements of an entrepreneurial culture.

Large organization may be involved and positioned to a number of mature markets, where growth rates and profit rates are falling. Due to the rising operational costs, caused by the increasing size of the company and its lack of efficiency, there is an issue of revitalizing market as well as revitalizing the product (service). Reconfiguration of resources as well as redefining the management system may necessarily impose as important issues. The planning system, even well developed, may not be entrepreneurial oriented. Organizational structure in certain extent has to achieve a greater degree of autonomy. Therefore, it is necessary to create a management teams who think more like entrepreneurs and less like professional managers, whereby entrepreneurship and entrepreneurial behaviour become one of the crucial dimensions of the revitalization process. Perhaps the most importantly the existing model of the organizational culture insufficiently supports corporate entrepreneurship, whereby the values of the organizational culture as well as motivational factors are not well integrated in the organizational model.

Taken with the “inertia” of doing successful business, using the roads already travelled during a relatively longer period of time, organizations are faced with specific problems. Faced with the situation that the flywheel of the initial growth cannot keep the business on the path of ascent in the foreground, there is a constant need to develop

an entrepreneurial spirit and innovative climate at all organizational levels, from the top management structure to each individual at the operational levels. Sometimes it is very difficult to repeat the brilliant initial entrepreneurial success from the past. In this context it may not be realistic to expect entrepreneur, who had a vision to create a business in the past, to work on continual development in the future and to take sole responsibility for the business results. The team support of the entrepreneurially oriented associates is required. The most brilliant examples of corporate entrepreneurship today indicate that without high quality team, it is almost impossible to constantly assert and improve competitive position. Large organizations have to become entrepreneurial again. It is necessary to strengthen entrepreneurship in the organization, but on substantially different way. Instead of looking straightforward into a single entrepreneur, organization must create team of entrepreneurs completely dedicated to a particular business as they were in their own business. Entrepreneurial organization focused on employees creates the sense of belonging to an organization. Instead of waiting for a detailed instruction of their superior and executing tasks in routine way according to the principle „why should we change something if it was functioning well so far and brought good results“, the more required and therefore better rewarded are those employees who demonstrate entrepreneurship and initiative in implementing new business ventures through the creation of a new business inside or outside the existing organization.

Large organizations that operate in a very turbulent environment may find their *modus vivendi* in parallel gaining due to economy of scales (that is the advantage of large enterprises) and gaining due to organizational flexibility and efficient implementation of the entrepreneurship (that is advantage of small enterprises). The latter one is very demanding and challenging, encompassing the ability of organization to create an appropriate model of organizational culture that enables entrepreneurship to flourish, as well as to develop communication channels in order to motivate employees to demonstrate entrepreneurial behaviour and creativity.

3. ORGANIZATIONAL CULTURE THAT SUPPORTS ENTREPRENEURSHIP - VALUES AND MOTIVATIONAL FACTORS

Organizational culture, as a soft component of the organizational development, encompasses a system of values and standards, as well as set of appropriate motivational factors which encourage its effective implementation. In the strategic context, organizational culture should be considered as a very important lever in the process of decision making. It can be assumed that organizations are successful because they have a culture that emphasise the need for constant changes, as opposed to those organizations where culture may negatively impact their abilities to adapt or create changes. It could also be a very powerful tool that facilitates and speeds up the process of coordination. Employees, based on the same assumptions, are easier to understand and effectively coordinate activities, while organizational culture replaces formal coordination mechanisms such as written procedures. Organizational culture is also an effective controlling mechanism. By accepting certain values and standards within the organization, the control coming from inside becomes significantly

simplified. Organizational culture also may significantly relativize and reduce conflicts in the organizations. In this context, different attitudes of employees can be managed more efficiently, thus representing a minor problem when bringing management decisions. Culture can influence employees' attitudes and behaviour at work. A strong culture is a good motivator as it contributes to the identification of employees with the organization as well as creating the sense of belonging to the organization (Janićijević, 2008, pp. 302-304). A positive organizational culture (Robbins, et al., 2010, pp. 471-473) is defined as a culture that emphasises building on:

- Employee strengths
- Rewarding more than punishing
- Emphasising not only organizational effectiveness but individuals' growth as well.

As far as the key values of the entrepreneurial culture are concerned (McCrimmon, 1995, p.155), the following can be recognized as the most important.

Entrepreneurial culture implies a positive attitude and openness to changes, no matter where do they come from. The most successful and promising organizations built a culture that welcomes changes as the opportunities (Lockhead, 2008, p.12) not as threat. Orientation towards changes requires not only passive (reactive) adaptation to changes at the marketplace, but also proactive and innovative engagement on creation something new, whereby the creation of the best value for the customer is the ultimate organizational goal.

Knowledge is a key factor of the entrepreneurial process, while the learning organization is a true entrepreneurial organization that facilitates and encourages systematic problem solving, introduction of new approaches, learning from past experience, best practice as well as knowledge transfer.

Within the entrepreneurial culture special attention is being paid to permanent innovation, creativity and unconditional support to the processes of generating new ideas (allocating a certain percentage of working time for reflection), taking into account the different opinions (quality circles, system of suggestions). Entrepreneurship is highly innovative approach which is opposite to a daily business routine and procedures.

Taking into consideration the acceleration of technological changes, it is relevant for organizations to invest in human resources development at all levels in order to cope with changes. Human resources development is a long-term investment (not an expense), investment with the fastest return. Organizations with an entrepreneurial culture highly ranked action oriented employees and their willingness, as well as ability to create an idea and bring it to practical realization.

The orientation of organization to reward and respect the real potentials of employees is closely connected to the above mentioned values. Entrepreneurial culture means special working atmosphere in which different ideas and approaches in solving problems are welcomed, but also means building awareness about the importance of the individual qualities, knowledge, skills and competences for the future sustainable growth of business.

Running the business operations is always closely connected to risk undertaking. In this sense, challenging „status quo“ as well as making failures through

the risk-taking process but without severe punishment and penalizing failure, represent an important value of the entrepreneurial culture. Entrepreneurial management style represents an entirely different attitude to risk and uncertainty – instead of fostering certainty, risk-avoidance, entrepreneurial culture tolerates risk taking and empowered employees to undertake (calculated) risk and to manage it efficiently.

Autonomy in making business decision encompasses responsibility at all management levels, decentralized decision-making procedures, freedom to act independently, delegation of authority and implementation of flexible and efficient decision-making processes while minimizing those bureaucratic. All employees, regardless of the position in the hierarchy, can contribute with their knowledge, skills and referent competences to the reliable solutions of existing and potential problems within their field of responsibility and expertise. Employees are considered more as business partners, not as employees only.

Open communication and high-quality teamwork are very important element of entrepreneurial culture. Information must be shared in solving the existing problems. Openness to both external and internal environment exposes the organization to the different impacts and provides more interaction and communication with other business entities about the core development issues.

Commitment to work and sense of belonging to a particular organization perhaps are probably the key determinants of entrepreneurial organizational culture. Also, the awareness of employees that they can accomplish their own goals while realizing organizational one, significantly increase and strengthen their commitment and willingness to engage in it as they are in their own business.

In order to establish and incorporate values of entrepreneurial organizational culture into the corporate environment, it is necessary to develop appropriate systems of motivational factors, both tangible and intangible. Tangible factors are essential elements of supporting system and within the organizations they most frequently represent a starting point. Award for exceptional commitment and loyalty of employees and associates at all management levels through higher salaries, bonuses and distribution of profits, currently are the most common forms of motivation and reward. However, it must be understood that there are numerous intangible factors which can stimulate employees: interesting work, opportunities for personal advancement and further development, more responsibilities, new challenges, fair treatment, pleasant working environment, flexible working hours, the possibilities to work at home. The willingness of the top management to provide autonomy to an employee, that is not only declarative and to encourage their creativity is also of essential importance. Thus employees are being sent a direct message that the organization appreciates what they really do, their opinion and attitude about the referent issue. As a very effective motivation factor, there is the willingness of top managers to allow their associates in practice to bring a particular idea to market realization. However, in recent time, the willingness of top management to offer ownership and strategic partnership (Paunović, 2003, pp. 285-293) to key associates in the implementation of specific projects of interest for the organization creates additional sense of belonging and commitment to the organization.

4. CONCLUSIONS

Market conditions set new standards in managing organization. Organization is forced not only to adapt to changes in the market place, but also to create the changes, having in mind the ultimate goal of the organization - to produce the best value for consumers. Therefore, instead of being reactive, organization must be proactive and unreservedly focused on innovation. The organization must be entrepreneurial, in order to achieve sustainable growth and development.

As a result of the development of modern information and communication technologies, especially the internet and social networks, the way of functioning of organizations changed fundamentally while working environment as well as environment for doing business increasingly provides the possibilities of flexible work and engagement. Organizational structures become less formal. People may perform their jobs at any place and in any format, reducing operative costs and increasing profitability. Flexibility of work foregrounds flexible organizational models, short-term organizational forms, virtual organizations, “ad hoc” organizations that can be quickly established, but also closed. In reality there is increasing number of organizations without head office, with no organizational diagram, while modern technologies help them in connecting geographically dislocated business units. There is also a growing trend in downsizing and redesigning of large organizations by splitting their structure into smaller and more flexible organizational units. Also, for many large organizations, building partnerships and cooperative relations, in some situations, even with former competitors will be very demanding and challenging process. In this context, organizations will be facing different business situations and therefore should be prepared for constant changes of organizational model and structure.

But, what is much more common today is the widespread recognition that organizational change is not just about changing the structure but often requires changing the organizational culture too (Stewart, 1999, p. 123). Entrepreneurial transformation of large organization, as the most complex form of corporate entrepreneurship, should encompass coordinated changes of organizational structure and organizational culture as well as encourage and unleash entrepreneurial behaviour of employees at all management levels as the engine of economic growth and future business performances.

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