Diagnosing a Firm’s Internal Environment for Corporate Entrepreneurship and Organization Performance.

Elizabeth Kimaru  
St Paul’s University  
0720270573  
ekimaru@spu.ac.ke

Joseph N. Kamau  
Chandaria School of Business, United States International University-Africa  
0721643690  
kamaujn@usiuc.ac.ke
INTRODUCTION

• According to Kuratko, Hornsby and Covin (2014), diagnosing organizations internal environment for corporate entrepreneurship is critical for the survival, growth and sustainability of an organization and it’s considered a beneficial tool for revitalizing and improving performance.

• Therefore, fostering an internal environment for corporate entrepreneurship in the organizations may prove to be an important asset for the growth, survival and sustainability of existing organization. This is because, it may improve their ability to recognize and chase opportunities well ahead of their competitors (Shamsuddin et. al., 2012), and particularly for the emerging economies organizations.
INTRODUCTION

• Uittenbogaard et al. (2005) defined corporate entrepreneurship as the way the organization is shaped around the innovation process in order to create, maintain or improve innovativeness and business development

• Corporate entrepreneurship enhances the innovative abilities of employees, and simultaneously, increases corporate sustainability (Antoncic & Hisrich, 2003)

• To support these entrepreneurial activities, the organization needs a supportive internal environment
INTRODUCTION

The internal environment dimensions for corporate entrepreneurship in the established organizations comprises of:

• Top management support,
• Work discretion,
• Rewards and Reinforcement,
• Time availability
• Organization boundaries (Kuratko et al., 2014)
PURPOSE

• Despite numerous kinds of studies on the issues of corporate entrepreneurship dimensions, study on internal corporate entrepreneurship dimensions in emerging countries is still new and lacking (Aktan & Bulut, 2008)

• This study therefore, intends to add to the literature of internal corporate entrepreneurship dimensions by examining first, the validity of the corporate entrepreneurship assessment instrument adapted from Kuratko et al., (2014) and second, look at the impact of the same on the organization performance of commercial banks in Kenya.
HYPOTHESES

- $H1a$: Management Support (MS) is a dimension of internal environment for corporate entrepreneurship
- $H1b$: Work Discretion (WD) is a dimension of internal environment for corporate entrepreneurship
- $H1c$: Rewards/Reinforcement (RR) is a dimension of internal environment for corporate entrepreneurship
- $H1d$: An Organizational Boundary (OB) is a dimension of internal environment for corporate entrepreneurship
- $H1e$: Time Availability (TA) is a dimension of internal environment for corporate entrepreneurship
HYPOTHESES

• H2: Internal environment for Corporate Entrepreneurship is positively associated with organizational performance.
RESEARCH HYPOTHESESIZED MODEL

H1a
H1b
H1c
H1d
H1e

H2
METHODOLOGY

Sampling procedure

• The data for this study came from a quantitative survey design using non-probability-convenience sampling of managers from 7 out of the 43 total number of registered commercial banks by Central Bank of Kenya.

• The sample was collected over a period of three months using a hard copy of self-administered questionnaire with scaled statements.
Analysis and Results

• To determine the appropriateness of the data for factor analysis, Burns and Burns (2008) suggest that the two tests, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity (BTS) to be considered.

• The result of the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.846, reaching the desired value of 0.80 or above (Hair et. al., 2006)
• Bartlett’s test of sphericity was significant ($\chi^2(496) = 1836.644$, $p < .000$) confirming that, patterns of correlations are close and factor analysis should yield consistent and reliable factors.

• The psychometric properties of the measurement scales were assessed in accordance with accepted practices-reliability, discriminant validity, content validity and convergent validity (Gerbing & Anderson, 1988).
• Multicollinearity for the regression technique was assessed with variance inflation factor (VIF) in the range of 1.267 to a high of 2.725 in which the values were below the threshold of 10.

• Reliability of the multi-item scale for each dimension was measured using Cronbach alphas and composite reliabilities measures.

• The entire coefficients measures exceeded 0.7 with exceptional of time availability which was dropped. See the table below.

• These coefficients appear to satisfy Nunnally’s (1978) suggested minimum criterion for internal reliability.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>Cronbach's Alpha</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Availability</td>
<td>3.044</td>
<td>0.3390</td>
<td><strong>0.557</strong></td>
<td>1.693</td>
</tr>
<tr>
<td>Rewards &amp; Reinforcement</td>
<td>3.485</td>
<td>0.1342</td>
<td><strong>0.767</strong></td>
<td>1.838</td>
</tr>
<tr>
<td>Work Discretion</td>
<td>2.997</td>
<td>0.1817</td>
<td><strong>0.832</strong></td>
<td>2.725</td>
</tr>
<tr>
<td>Organization Boundaries</td>
<td>3.718</td>
<td>0.2983</td>
<td><strong>0.716</strong></td>
<td>1.267</td>
</tr>
<tr>
<td>Management Support</td>
<td>2.909</td>
<td>0.2345</td>
<td><strong>0.945</strong></td>
<td>2.690</td>
</tr>
<tr>
<td>Organization performance</td>
<td>2.747</td>
<td>0.1095</td>
<td><strong>0.918</strong></td>
<td></td>
</tr>
</tbody>
</table>
**Exploratory factor analysis**

- We conducted an exploratory factor analysis using the method of extraction of principal component and rotation method of Promax with Kaiser Normalization.
- Based on parallel analysis relative to random data eigenvalues, the first four factors accounted for 69.024% of the total variance (33.49%; 22.202%; 6.75% and 6.581% respectively).
- Evaluation of the eigenvalues indicated a four-factor solution and all factor loadings were above 0.5.
CONFIRMATORY FACTOR ANALYSIS-ADAPTED MODEL

Multiple fit indices were used to evaluate fit and the fit indices showed that the model fitted the data well:

- $\text{CMIN/DF}=1.431$
- $\text{CFI}=0.938$
- $\text{IFI}=0.939$
- $\text{TLI}=0.926$
- $\text{RMSEA}=0.062$.

These indices values exceeded the recommended threshold value 0.90 (Bagozzi, Yi & Nassen, 1998).
CONFIRMATORY FACTOR ANALYSIS-OVERALL MODEL

The fit indices of the overall model were:

- CMIN/DF=1.293
- CFI=0.957
- IFI=0.958
- TLI=0.948
- RMSEA=0.059.

All fit indices exceeded the recommended guideline for good fit, and therefore, the model reflects good measurement and statistical fit which aides in assessing the hypotheses.
• By examining the standardized parameters estimates, the findings show that:
• **Management support** (β=0.83), **work discretion** (β=0.85), **rewards/reinforcement** (β=0.72), influences corporate entrepreneurship environment as predicted (Supported) in **H1a, H1b and H1c** respectively.
• Comparing the magnitudes of the effects indicate that, work discretion is larger than management support which is larger than rewards/reinforcement.
• The findings showed a significant inverse relationship between internal corporate entrepreneurship environment and organization performance (β=-0.42), hence supporting H2.
CONCLUSION

• This study found that a supportive organization internal environment for corporate entrepreneurship is a crucial capability of entrepreneurial organization even in emerging economies
CONCLUSION

• The three salient antecedents seem to be management support, work discretion and rewards and reinforcement; however, organizational boundaries and time availability in our present analysis and results did not.

• Internal corporate entrepreneurial environment demonstrated substantive significant relationships with organization performance but in an inverse dimensions.
RECOMMENDATION

• Practitioners and executives in emerging economies need to be aware of the contingent nature of the entrepreneurial process when developing entrepreneurial strategies based on adapted models in a particular economic context.

• Second, organization internal environment for corporate entrepreneurship can be enhanced by looking into how top management support can enhance innovativeness in products, services and processes and the autonomy and rewards allocated in focusing and exploiting opportunities available.