



**Corporate Entrepreneurship in the 21st Century:  
Forces, Barriers, and Real-World Applications**

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Corporate Entrepreneurship involves the notion of birth of new businesses within on-going businesses, and.... the transformation of stagnant, on-going businesses in need of revival or transformation.

**Schendel**

**Introduction**

Corporate entrepreneurship is becoming vital tool for companies in their operation process day by day. Organizations which want not only survive but also become innovative, gain competitive edge and take advantage from opportunities have to adopt corporate entrepreneurship – internal development for diversification.



This report concentrates on corporate entrepreneurship and its successfulness, applicability and relevance in today world. Books, web sites and different online articles were used as information resources for building this report.

Firstly, in part one, there will be report about forces that make corporate entrepreneurship as a need for company, which will be followed with the discussion about the topic of its appropriateness in present days and possible barriers for corporate entrepreneurship and the ways of coping them will close first part of report. In part two, climate for corporate entrepreneurship of Samsung and Apple companies and effectiveness of corporate entrepreneurship opposite to small businesses will be discussed. The report will be finished with relevant conclusion and appropriate references list.

### **Possible forces which create a need for corporate entrepreneurship**

Corporate entrepreneurship is becoming more and more important for companies because of its positive effects to company operation and overall performance. It is known as tool for new product and business development and increasing profit. Moreover, corporate entrepreneurship assists organization to enhance its ability to respond quickly both environmental changes and appeared opportunities and to maximize its capabilities in business world. These advantages make corporate entrepreneurship desired tool for organization (Nath, 2005). There can be founded forces in companies that awake a need for corporate entrepreneurship within the organization and become a factor for its establishment.

### **Provide consistent quality & service**

Today, there are so many different products and services through the world which make competition became very rigid and in order to sell the product, first requirement for companies, becoming best quality and good service. As corporate entrepreneurship allows achieve this through internal development, organizations striving for operating in



innovative way. Moreover, corporate entrepreneurship allows doing business in innovative way, which increases potential of new product creation (**Nath, 2005**).

### **Strategic necessity**

Strategy determines trend by which company will achieve its goals. In today globalized and competitive world strategy should be chosen very precisely in order to attain desired result. Nowadays, companies cannot operate in old way, if they want not only survive but also move, grow and become the best among competitors. This is the reason why they start to choose strategies that lead organization to creativeness and innovation (**Chandran, 2013**).

### **Maturation of existing businesses**

After start-up phase, many companies forgot about entrepreneurial mood and their abilities that made them succeed as they become too focused on taking advantage. For this reason, they become moronic in process and stuck in one position (**Nath, 2005**). However, when they realize the need for change, they start to move toward corporate entrepreneurship and try to accomplish innovation spirit in organization. In order to avoid hardening in one level, organizations always should remember importance of entrepreneurship within the organization and open ways to its growth (**Chandran, 2013**).

Many companies already realized necessity of corporate entrepreneurship and adopting it for lot of reasons like external environment changes, the need to achieve more competitive edge, increased requirement for better performance and using internal resources to increase capabilities. Therefore, corporate entrepreneurship becoming essential tool in organizational performance (**Hisrich, Peters and Shepherd, 2010**).



### Relevance of corporate entrepreneurship in today's world

Corporate entrepreneurship can be a powerful solution to large company moldiness, lack of innovation, decayed top-line growth, and inactivity that overtakes the large and developed companies (**Covin and Miles, 1999**). Corporate entrepreneurship is necessary and beneficial in business world because it gives higher levels of productivity, engagement, cooperation, development and financial returns and the same time it results knowledge, skill development and job satisfaction (**Foley, 2013**).

**Corporate entrepreneurship** makes whole organization work together to achieve same goal and this creates cooperativeness and make all valuable knowledge that is available in organization together. This leads to innovation, reduce risk and better decision making (**Roomi, 2012**). Corporate entrepreneurship that result innovation leads to creation of new products which benefits to whole market of world. Also, it helps to identify, develop, support, and take advantage form hidden skills and talents of employees which increase productiveness of company (**Roomi, 2012**).

The fact that, 65% of the most successful organizations have established corporate entrepreneurship to speed up new business growth; can be one of the justifications to relevance of corporate entrepreneurship for present business world (**Thornberry, 2002**). Companies such as 3M, Xerox and Google are already switched corporate entrepreneurship process. The successful 3M Company's top-secret of developing its existing products and bringing new products to market is its culture of innovation and corporate entrepreneurship (**Hisrich and Kearney, 2012**).

In Uzbekistan the role of corporate entrepreneurship is also developing because it is becoming current trend for organization in whole world. General Motors Car Company and Artel Company which operates in Uzbekistan can be very good examples for it. GM Company is manufacturing different types of cars: different designs, prices and services and this company is very creative and innovative in its sphere (<http://www.uzavtosanoat.uz/>).



Artel became first local manufacturer of domestic technology and mobile phones in Uzbekistan. The uniqueness and creativeness of Artel can be seen in their products and services that they offer. Their products not only affordable and suitable for Uzbek market but also marketing and strategies are also concentrated on this market (<http://artel.uz/>).

Corporate entrepreneurship provides company with most of necessary benefits that is needed for organization in today's marketplace. For this reason, it becomes not only relevant for current business world but also it becomes necessity for operation (Foley, 2013).

### **Possible obstacles that hinder corporate entrepreneurship**

Even though, corporate entrepreneurship important for organization, there occur obstacles in implementation process, which impede corporate entrepreneurship by detaining innovation to spread over organization and cause serious problems for its performance (Nath, 2005). There can be counted many of them but major six of obstacles are provided below:

#### **Systems**

In many organizations systems are established and operate in traditional way which creates environment where people averse to change. For example, evaluation and reward systems that are incorrectly directed, rigid and too formal control, planning and budgeting systems and inflexible timing system, all can become big hinders for corporate entrepreneurship because they restrict innovation that can be created through flexibility (Morris and Kuratko, 2001).

#### **Organization structure**

Top down management style which consists of many hierarchical levels which causes time consuming and information lost. Too formal and limited communication channels and



lack of commitment is also can be obstacle for corporate entrepreneurship because they restrict relationships and reduce personal responsibility for job and its result. These obstacles will cause for distance between workers' layers which creates distrust between managers and workers ([Morris](#) and [Kuratko](#), 2001).

### **Strategic direction**

Direction is the main guide and one of the motivations of the company and workers. Working without strategy, goals and orientation, absence of support from the top and saving existing position of business, all are the killers of innovation and do not support entrepreneurial environment ([Morris](#) and [Kuratko](#), 2001).

### **Policies and procedures**

Needless policies, too many documentation requirements, bureaucracy and long cycle of approval, management reporting requirements and centralization system causes time consuming, losing opportunity and discourage initiation in organization ([Morris](#) and [Kuratko](#), 2001).

### **People**

People are the main source of company and they are major factor of corporate entrepreneurship failure or success. Fear from risk taking, turf protection and lack of and inappropriate skills and talents may become resistant to innovation and change ([Morris](#) and [Kuratko](#), 2001).

### **Culture**

Culture is shared values and belief and bad defined, not encouraged, non-agreed, misfit values becomes disputatious to corporate entrepreneurship ([Morris](#) and [Kuratko](#), 2001).



These hindrances may slow down the process of innovation if preventing and overcoming actions have not been undertaken. Following activities help organization build environment and factors that support corporate entrepreneurship:

**Create suitable environment** – hostile climate for entrepreneurship makes employees to develop within organization and encourage innovation. This environment can be built by changing systems in organization that disturb the development process (Nyanjom, 2007).

**Support risk taking and innovation** – often threat for failure can make person to averse from innovation and lose opportunity. Therefore, employees need to be explained that trying is not dying and if risk will not be faced then there will not be development and innovation (Nyanjom, 2007).

**Establishing entrepreneurial goals** – goal is motivator for innovation. Clear, achievable and entrepreneurial goals can be guide for innovation to employees and encourage them for working effectively, differently and an innovative way (Nyanjom, 2007).

**Nurture entrepreneurial culture** – in order to remove barriers and introduce corporate entrepreneurship, organizational culture should be conformable to innovation. Entrepreneurial culture should be developed by established relative values and beliefs and nurturing appropriate behaviour and manners in employees (Nyanjom, 2007).

**Find, support and retain talents** – as previously mentioned, human resource is one of main factors of organization's success. For this reason, finding talented and skilled employees, encourage them and retain them in organization are key supporting and barrier removing factors in organization (Nyanjom, 2007).





Obstacles are dangerous for innovation, but if it is handled properly it can become motivator for new beginning. They should not be ignored, instead of this they need to be removed.

### **Climate for corporate entrepreneurship of Samsung and Apple**

Corporate entrepreneurship climate is an environment where entrepreneurship is supported. There are number of criterions that can help to determine entrepreneurial environment like trial and error encouraging, more opportunity parameters, new idea encouragement and allowance for failure.

Nowadays, Samsung and Apple are strong competitors for each other, because both of them become world's best smartphone producers. As mentioned above there are many criterions for identifying corporate entrepreneurship climate in organization. We use five major of them to compare two companies' innovative environment.

### **Organization operate in the frontier of technology**

Technology dramatically developed since last decade and technology market become one of the leading markets of the world. Samsung and Apple companies are known in technology market for many years and both of them already achieved favour of customers in this market. Today, these two companies are competing for becoming world's number one smartphone producer (**Worstall, 2012**).

### **Resources available and accessible**

Innovation cannot be done if resources are not available and failure to provide resources means failure to support innovation and lose opportunity. Therefore, each year Samsung and Apple companies spend billions of dollars to provide resources. Until the year of 2012 Samsung invested for company's growth more than Apple Company. However, coming to 2013, Samsung cut its investment on innovation, while Apple increased. In 2013,





Apple's overall investment consisted 10 billion dollar. This means that, Apple expanded more than Samsung for resources as they planned to buy new equipment for invested money (<http://appleinsider.com/>).

### **Volunteer programs**

Volunteer programs allow organization to increase innovation with employee initiation. Both Samsung and Apple established that kind of programs in their companies and support them. In this field two companies are equal because their employees volunteer systems gives desired results for company (<http://www.indiacsr.in/>).

### **Appropriate reward system**

Reward system is one of key factors to set corporate entrepreneurship because it increases employee motivation. Apple Company already understood that and established total reward system and included incentives 3-5% for base salary of directors (**Woods, 2010**). Samsung also knows importance of that and in order to take advantage from employee motivation; it established result-bases reward system and additional incentives. Which system is better cannot be determined because both companies' employees satisfied and motivated with their rewards and making their company competitive in business (**Woods, 2010**).

### **Sponsors and champions available**

Even though, Samsung's CEO Dr. Oh Hyun Kwon is motivator for the company (<http://www.samsung.com/>), Steve Jobs' popularity overshadowed him. Steve jobs became not only the founder of Apple Company but he became idol for its employees (**Warden, 2008**).

Both Samsung and Apple companies operate in innovative way and created good environment for corporate entrepreneurship within the organization. There cannot be



determined the best innovative company because, each company has both strength and weakness in this sphere. If all achievements and failures counted, two companies will be in one range.

### **Effectiveness of corporate entrepreneurship in established company against smaller business**

Smaller companies are very quick, flexible and adaptable for changes and it causes big companies such as IBM, Siemens and DEC to become more competitive and adopt corporate entrepreneurship in order to compete with small firms that offer lower prices and new products (**Roomi, 2012**). From recent times, large organizations start feeling more threat from small entrepreneurs than large competitors because of their quantity. It is difficult for enterprises to identify and compete with each of small businesses. Therefore, corporate entrepreneurship becoming tool for large corporations which helps create strong, innovative and competitive organization that can be stronger over all competitors (**Burns, 2011**).

Corporate entrepreneurship allows the company to construct business model that can lead to significant growth of company and become more entrepreneurial which will powerful weapon against small companies (**Burns, 2011**). Even though, small enterprises own competitive advantages in operation and innovation, large companies may overcome them with the help of corporate entrepreneurship. This is because corporate entrepreneurship allows develop and grow organization using its internal resources, which is stronger and more in large organization comparing to small (**Wolcott and Lippitz, 2007**).

Small businesses may seem weaker and not competitive than large ones, but they have many powerful edges over big companies like being closer to market and customers and innovativeness which are the key strengths of small businesses. For overcoming these



competitions, large companies need include innovation in their operation. Moreover, corporate entrepreneurship helps large companies to achieve leadership continuity in market (Wolcott and Lippitz, 2007). Moreover, corporate entrepreneurship helps to regenerate and revive existing company by making cooperation or joint action from individual innovation in organization. As large organizations have more human resource, they owe competitive edge over small ones (Roomi, 2012).

Large companies have more opportunity to use corporate entrepreneurship comparing with small business. Nowadays, it allows competing even with other companies which is also innovative.

### Conclusion

Corporate entrepreneurship is developing very dramatically and it gives a lot of opportunities to all business owners. The innovation of goods, services, procedures and new business enterprises are very essential for all companies in every economy. Corporate entrepreneurship is a process that is inside an existing company and it controls new business ventures, growth of new goods and services, the renewal strategies and competitive advantages. In short, it is a combination of company's innovation, venturing and renewal efforts.

“...the heroes, the winners, will be the entire companies that have developed cultures that instead of fearing the pace of change, relish it”

**Jack Welch**



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