



Corporate Entrepreneurship

And Organizational Structure Elements

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Corporate Entrepreneurship: Using Organizational Structure Elements

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Management Summary

Nowadays corporate entrepreneurship has come to be known as an important subfield of entrepreneurship, it is even argued that corporate entrepreneurship has taken an important place in the survival and renewal process of an established corporation (Schildt, Maula & Keil, 2005).

Because of the growing competition and globalization firms are faced with having to change the ways to gain and sustain competitive advantage in order to survive (Dess et al., 2003). One way in which they can achieve this is to incorporate entrepreneurship into the organization, because it is said that if this strategy is followed a firm can actually improve its competitive position and financial performance (Zahra, 1991).

According to Morris, Kuratko and Covin (2007) there are four sources that have to come together to facilitate, support and encourage entrepreneurship within the organization. These sources are; corporate strategy, human resources, organizational culture and organizational structure. One of the obstacles managers face when incorporating entrepreneurial activities within the organization is the structure of the firm (Morris & Trotter, 1990). Hence, in order to be able to create an environment suitable for corporate entrepreneurship, firms need to know how to design their organizational structure. This bachelor thesis deals with the topic of how to create an environment inside the organization that fulfills the demands of corporate entrepreneurship by means of organizational structure elements.

In academic literature scholars have defined corporate entrepreneurship in various ways. However, it comes down to as the process by which members of an established organization create and manage new businesses, strategies and initiatives that are distinct from the parent company or the regular business (Wolcott & Lippitz, 2007). When entrepreneurship is present within an established organization members of the firm are innovative, risk taking, autonomous, proactive and aggressive in light of competitiveness (Lumpkin & Dess, 1996). Corporate entrepreneurship consists of three general forms, namely – corporate venturing, organizational renewal and innovation (Stopford and Baden-Fuller, 1994). Covin and Miles (1999) and Morris et al., (2007) state that the innovation form, also known as entrepreneurial orientation, consists of five forms. These forms are organizational rejuvenation, strategic renewal, sustained regeneration, domain redefinition and business model reconstruction.

Next to these five forms organizational structure elements are identified and it is presented how to design the most important structural elements for the five different forms of corporate entrepreneurship. Organizational structure is defined as the formal pattern of how the jobs are allocated to organizational members and divisions, how the communication flow is structured and how the hierarchical relationships between people are connected (Noorderhaven, 1995). The structural elements - centralization,

formalization and span of control - are considered to have a significant impact on entrepreneurship within an established organization.

This study shows that for *organizational rejuvenation* an organization should have relatively low levels of formalization and centralization and a relatively wide span of control. In pursuing the form of *strategic renewal* the firm has to engage in a moderate level of formalization, a moderate wide to a wide span of control and low to moderate levels of centralization. *Sustained regeneration* requires very low levels of formalization and centralization and a very broad span of control. Low levels of centralization, very low levels of formalization and a broad span of control are characteristics of the form *domain redefinition*. A firm should follow moderate levels of formalization and centralization and has a relatively narrow span of control in the pursuit of *business model reconstruction*.

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1. Introduction

1.1 Introduction

As Morris, Kuratko and Covin (2007) stated, we live in a time where the world is facing an entrepreneurial revolution. Where in every industry, country and market entrepreneurs are changing and playing with current assumptions and creating value to their customers.

This thesis discusses the topic of corporate entrepreneurship. Every chapter starts with an introduction and ends with a conclusion of the chapter. This introduction chapter starts with the problem indication and the relevance of this study in section 1.2, followed by the problem statement. In order to answer the problem statement four research questions need to be answered, which are formulated in section 1.3. In section 1.4 and 1.5 the research design and data collection are discussed, followed by an explanation of how the structure of this thesis is set up.

1.2 Problem Indication

In today's fast moving competitive environment, current movements of the economy and the globalization firms have to find new ways of gaining and sustaining competitive advantage. They are forced to be increasingly rapid, adaptive and they need to incorporate entrepreneurial behavior into their businesses as a source of gaining and sustaining competitive advantage (Ireland & Webb, 2007; Phan, Wright, Ucbasaran, & Tan, 2009).

According to Phan et al., (2009) a long-standing literature has highlighted the importance, shortcomings and benefits of corporate entrepreneurship. They continue to say that 'the scope of corporate entrepreneurship is becoming wider as organizations, not previously recognized as entrepreneurial, need to become so in order to survive and succeed in increasingly competitive and financially constraint environments' (p.197). However, there are various ways in which organizations can influence the entrepreneurial behavior within the organization. One way in which they can achieve this is to design their organizational structure in such a way that it fosters corporate entrepreneurship. Nevertheless, not all organizational structures are suitable for entrepreneurship, once structures evolve and become more bureaucratic, entrepreneurship suffers (Morris & Trotter, 1990).

In academic literature many scholars have tried to find the best organizational structure conducive for corporate entrepreneurship, unfortunately they do not elaborate much on how the elements of organizational structure should be designed for the different forms of corporate entrepreneurship. Furthermore, one of the six obstacles manager face when fostering entrepreneurship within the company is the structure of the organization (Morris & Trotter, 1990). Therefore, light should be shed on how to design the organizational structure elements in order to create an environment suitable for corporate entrepreneurship. Hence, this thesis will discuss how the elements of organizational structure should be

designed in order to eliminate the obstacles when fostering entrepreneurship within an established organization¹.

1.3 Problem statement & Research Questions

From the given problem indication, this thesis deals with the following problem statement:

- *How should firms design their organizational structure in order to create an environment suitable for corporate entrepreneurship?*

First of all, it is necessary to understand the concept of corporate entrepreneurship and its different forms in order to answer the problem statement. Therefore, the first and the second research questions are:

- *What is corporate entrepreneurship?*
- *What are the different forms of corporate entrepreneurship?*

After being acquainted with corporate entrepreneurship and after having identified its different forms, it is necessary to define organizational structure and identify its key elements. Hence, the third research question deals with the following question:

- *What is organizational structure and what are its key elements?*

Finally, when the concepts are defined and their different forms and elements are identified, the question which leads us to answering the problem statement is the following:

- *How can organizational structure elements be linked to the forms of corporate entrepreneurship?*

1.4 Research Design

From the different types of research designs, this research can be characterized as a descriptive study.

Sekaran (2003) defines a descriptive study as a research that ascertains and describes the characteristics of the variables of interest in a situation.

This thesis identifies the different forms of corporate entrepreneurship and gives an overview of how organizational structure elements should be designed in favour of the different forms.

The method used is a literature review, the literature used are academic papers from high-quality journals, academic books and sources on the World Wide Web.

The main concepts that are used to fulfil the demands of this research are; corporate entrepreneurship, forms of corporate entrepreneurship, organizational structure and organizational structure elements.

¹ Corporate entrepreneurship' and 'entrepreneurship within an established organization' are used interchangeably

1.5 Data Collection

This thesis makes use of secondary data from previous scientific data. Academic papers from high-quality journals are used on entrepreneurship and organizational structure in general and corporate entrepreneurship and organizational structure elements in particular. Due to time constraints, primary data is not used.

To increase the validity of this research, articles from acknowledged quality journals are used; this list is provided by the department of Organization and Strategy of Tilburg University. The quality of the other articles used is based on how many times they have been cited by using the Web of Science. Accessing these academic papers is done via the search engine of the Tilburg University library, Google Scholar, Web of Science database and Sage Journals Online. The main advantage of identifying these publications with the Tilburg University search engine is that it provides scientific articles from high quality journals in the field of management, strategy and entrepreneurship like; Journal of Business, Journal of Business Venturing, Journal of Management and Journal of Management and Organization. It also provides articles from high quality search engines like; ABI/Inform, ScienceDirect and Jstor. However, downside of this search engine is that it also publishes non-scientific articles. The reference lists of the read articles are used in order to find other useful articles; this is known as the snowball method (Webster & Watson, 2002).

To make sure that the articles are not outdated, most articles that are searched for are recent academic articles. The articles used are published between 1990 and 2010. Articles before this time frame are only used if the particular article makes significant contribution to this thesis. One of the limitations of laying emphasis on recent academic papers is that it rules out articles before 1990 that might be relevant for this research. Next to scientific articles, this research makes use of scientific books and sources on the World Wide Web.

Important key words when searching for data are; entrepreneurship, corporate entrepreneurship, strategic entrepreneurship, corporate entrepreneurship & innovation, intrapreneurship, forms of corporate entrepreneurship, organizational structure, structure & innovation and structure & entrepreneurship.

1.6 Structure of the Thesis

This thesis consists of six chapters. The second chapter explains the concept of corporate entrepreneurship by first explaining what entrepreneurship is and subsequently elaborating on the concept of entrepreneurship within an established organization. The third chapter elaborates on the different forms of corporate entrepreneurship identified by different authors. Further, chapter four defines organizational structure and gives an overview of its key elements. In chapter four it is also discussed which elements have a significant impact on entrepreneurship within an organization. In the fifth chapter emphasis is laid

on the roles of organizational structure elements in entrepreneurial firms. Here the different forms of corporate entrepreneurship are linked with the design of the structure elements. The ending chapter presents the conclusion, limitations and academic and practical recommendations, followed by the reference list.

2. Corporate Entrepreneurship

2.1 Introduction

According to Bull and Willard (1993) more than two centuries of studying entrepreneurship have provided many definitions of the word 'entrepreneur'. In academic literature scholars have also provided many definitions of corporate entrepreneurship.

In order to understand the concept of entrepreneurship in an established firm it is necessary to be acquainted with entrepreneurship in general. Therefore, the first section deals with the concept of entrepreneurship as a new start-up firm followed by an elaboration on the concept of corporate entrepreneurship in section 2.3. The last section provides a summary of the concerning chapter and the answer to the research question; *what is corporate entrepreneurship?*

2.2 Entrepreneurship

Defining entrepreneurship is somewhat difficult since many scholars have tried to explain what entrepreneurship is, it seems that many people are holding different views concerning the definition of an entrepreneur and defining entrepreneurship in particular.

Schumpeter's definition is accepted by many researchers, policy-makers and teachers (Bull & Willard, 1993). Schumpeter (as cited in Bull & Willard, 1993) defines an entrepreneur as 'someone who carries out new combinations, causing discontinuity' (p.186).

Alongside the definition of an entrepreneur, Morris (as cited in Morris, Kuratko, & Covin, 2007) identifies seven of the most widespread perspectives on entrepreneurship from years of academic research; *creation of wealth* (delivering product/service in exchange for profit), *creation of value* (creating value for customers by exploitation), *creation of change*, *creation of employment* (employing, managing and developing the labour force), *creation of enterprise* (founding of new business venture), *creation of innovation*, and *creation of growth* (growth in sales, income, assets and employment).

2.3 Corporate Entrepreneurship

In the '80s of last century, entrepreneurship within an established organization emerged as being the center of interest in organizations aiming at enhancing product innovation, risk-taking and pro-activeness to changes in the external environment of the organization (Zahra, 1991).

However, only recently academics have provided empirical evidence that corporate entrepreneurship leads to superior firm performance (Covin & Miles, 1999). So unlike 'entrepreneurship', corporate entrepreneurship is relatively new in academic research.

From the definition of entrepreneurship, as a new start-up firm, it is evident that entrepreneurship can occur in different organizational contexts and in organizations of all sizes and types. Therefore, it is not limited to small businesses or new businesses.

Many definitions of corporate entrepreneurship have been given by scholars. Lumpkin and Dess (1996) have given five dimensions of entrepreneurial orientation within an organization, namely - innovativeness, risk taking, autonomy, competitive aggressiveness and pro-activeness. Wolcott and Lippitz (2007) define corporate entrepreneurship as ‘the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parent’s assets, market position, capabilities or other resources’ (p. 75).

2.4 Summary

Despite the many definitions given by scholars, there are seven most common perspectives on entrepreneurship, namely - creation of wealth, creation of value, creation of change, creation of employment, creation of enterprise, creation of innovation and creation of growth (Morris, as cited in Morris et al., 2007). Schumpeter (as cited in Bull & Willard, 1993) identifies an entrepreneur as someone who acts upon new combinations which will eventually cause discontinuity. His definition is accepted by many scholars, policy-makers and teachers (Bull & Willard, 1993).

Alongside the definition of an entrepreneur and entrepreneurship, the concept of corporate entrepreneurship was explained. Corporate entrepreneurship was defined as people within an organization being innovative, risk-taking, autonomous, competitive, aggressive and pro-active (Lumpkin & Dess, 1996). It also entails starting, fostering, launching and managing new businesses for the company (Wolcott & Lippitz, 2007).

3. Forms of Corporate Entrepreneurship

3.1 Introduction

Academic literature consists of many definitions of corporate entrepreneurship, it also knows different forms of entrepreneurship within an established organization. This chapter starts with the general forms of corporate entrepreneurship. Section 3.3 provides the different forms of corporate entrepreneurship given by Covin & Miles (1999) and Morris et al., (2007). Section 3,3 is followed by a summary of the chapter, alongside the answer of the research question; *what are the different forms of corporate entrepreneurship?*

3.2 General Forms of Corporate Entrepreneurship

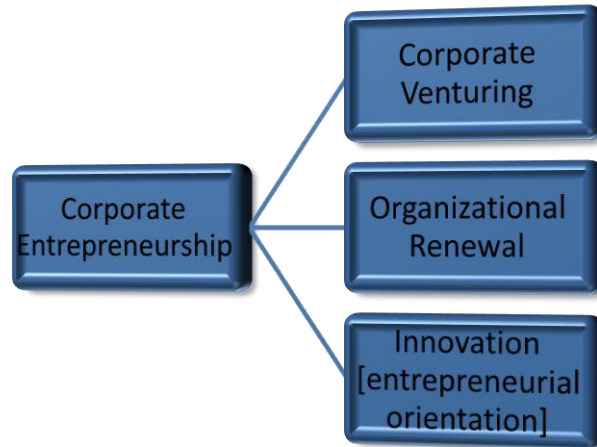
In academic literature scholars differentiate between various forms of entrepreneurship within an established organization. The strategy literature makes a distinction between these general forms; corporate venturing, activities associated with the transformation or renewal of existing organizations and the third one is innovation based on the concept given by Schumpeter (Stopford & Baden-Fuller, 1994).

Corporate Venturing entails creating new businesses within a corporation, either by creating and owning the businesses (*internal corporate venturing* - they typically operate within the corporate structure), creating new businesses together with another external partner (*cooperative corporate venturing* – they exist as external entities that operate outside the organizational boundaries of the partners), or by creating new businesses outside the corporation and then invested in or acquired by the corporation (*external corporate venturing* – these are typically very young ventures or early growth- stage firms) (Morris et al, 2007). Corporate venturing are carried out by small teams (Covin & Miles, 1999) .

Organizational renewal is a more expansive way of organizations that are changing the way resources are specified and distributed in order to achieve better and sustainable overall economic performance (Stopford & Baden-Fuller, 1994). Hence, organizational renewal entails doing business in a completely different way than before.

Innovation, according to Stopford and Baden-Fuller (1994), means behavior transforming the company and the competitive environment or industry into something completely different than what it used to be. It is all about changing the rules of competition for the organization's industry. It often occurs in new industries and usually represents innovations that are associated with new combinations of resources. These different forms are not mutually exclusive; they may co-exist as entrepreneurial activities within a single organization (Covin & Miles, 1999). They should also be considered as sequences of stages. In stage one, corporate venturing is prevalent, renewal follows and this eventually will result in innovation (Stopford & Baden-Fuller, 1994). Figure 3.1 illustrates the general forms of corporate entrepreneurship.

Figure 3.1: General forms of Corporate Entrepreneurship

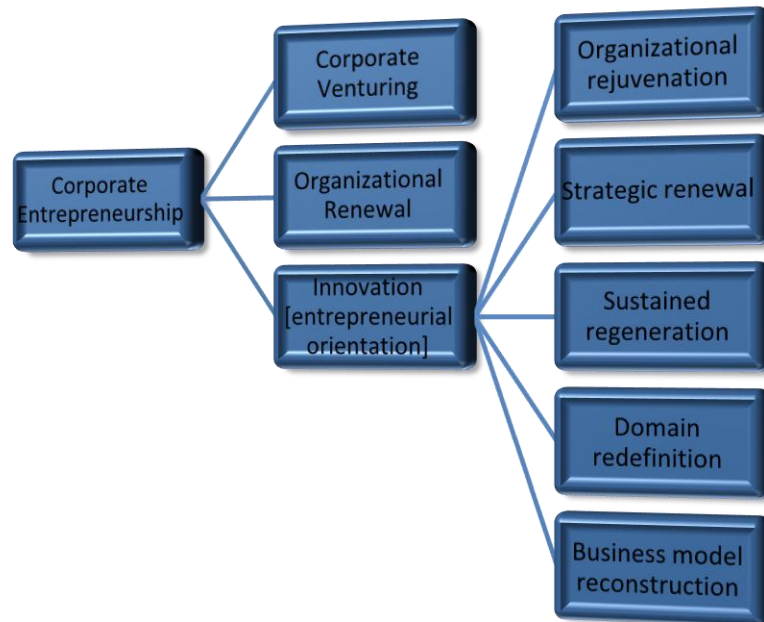


3.3 Five Forms of Corporate Entrepreneurship

Unlike the forms corporate venturing and organizational renewal, the form *innovation* permits the whole organization, and not just a few individuals, to act entrepreneurial (Covin & Miles, 1999). According to Covin and Miles (1999) innovation, also known as entrepreneurial orientation, knows four different forms. As stated in figure 3,2 these four forms of corporate entrepreneurship are; *organizational rejuvenation*, *strategic renewal*, *sustained regeneration* and *domain redefinition*. In addition, Morris, Kuratko and Covin (2007) add the fifth form to entrepreneurial orientation; *business model reconstruction*.

These five forms are manifested by the entire firm rather than by a single individual or team. They are the process of identifying and exploiting new opportunities and in the same time creating and sustaining competitive advantage via opportunity seeking and advantage seeking behaviors (Ketchen, Ireland, & Snow, 2007; Kuratko & Audretsch, 2009). This is also said to be wealth creation (Ireland, Hitt and Sirmon, 2003). Opportunity seeking behavior is about identifying and exploiting (new) opportunities and new sources of value for the firms (Ireland et al., 2003; Kuratko & Audretsch, 2009). Advantage seeking behavior identifies ways in order to create a competitive advantage and the efforts to transform it into a sustainable competitive advantage (Ireland et al., 2003). Companies enjoy competitive advantage when they implement a strategy that creates value and is not being implemented by another (potential) competitor; this strategy is said to be sustained if the other firms are not in the position of imitating the benefits of this strategy (Barney, 1991).

Figure 3.2: Corporate Entrepreneurship



Organizational rejuvenation is the process whereby the organization tries to ‘sustain or improve its competitive standing by altering its internal processes, structures, and/or capabilities,’ where the aim is to improve the implementation of the firm’s strategy (Covin & Miles, 1999, p.52). According to Morris et al., (2007) organizational rejuvenation can entail redesigning the organization in a fundamental way, a single innovation that has a major impact on the firm, or multiple smaller innovations that collectively ‘contribute to significantly increased organizational efficiency or effectiveness at strategy implementation’ (p. 89.). Meaning that the effort in organizational rejuvenation has to have a major impact on the way the firm’s strategy is implemented through internal processes, structures, and/or capabilities. When organizations engage in organizational entrepreneurship they introduce innovations that change major aspects of how the operation is carried out, create value for the customers, and sustain or improve the way the organization implements its strategy (Covin & Miles, 1999).

Strategic renewal is a form of corporate entrepreneurship in which the firm ‘seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes,’ with the focus on the firm’s strategy (Covin & Miles, 1999, p. 52).

Morris et al., (2007) argue that not all firms are pursuing strategic renewal when they opt for a new strategy, it is considered strategic renewal when they ‘represent fundamental repositioning efforts by the firm within its competitive space,’ or new ventures that are based on ‘unique value propositions that deviate from accepted industry strategic recipes’ (p.89-90).

Sustained regeneration, seen as the most recognized and common form, is the process where organizations ‘regularly and continuously introduce new products and services or enter new markets,’ the firm is in constant pursuit of entrepreneurial opportunities (Covin & Miles, 1999, p.51). Unlike the other forms, sustained regeneration cannot be presented by a single type of event; it is an ongoing process of introducing new products and services or entering a new market. Therefore, it will often result in incremental innovation and occasionally resulting in new business creation (Morris et al., 2007). Covin and Miles (1999) characterize firms engaging in sustained regeneration as an innovative organization consisting of cultures, systems, structures and competencies which support innovation. They conclude that these firms often happen to be learning organizations.

Organizational learning is the process of improving actions through better knowledge and understanding (Fiol and Lyles, 1985). So it is about creating knowledge and using this to improve or develop new products or business processes. Learning is important for significant change and innovation because it enables people to deploy new opportunities and create new options without becoming frozen in a rigid environment that disables advancements (Stopford & Baden-Fuller, 1994). It is important that the acquired knowledge through organizational learning is communicated properly throughout the organization in order to facilitate the innovation process without deteriorating the message/knowledge.

Domain redefinition refers to the ‘entrepreneurial phenomenon whereby the organization proactively creates a new product-market arena that others have not recognized or actively sought to exploit’ (Covin & Miles, 1999, p.54). Firms redefining its domain are proactive and they engage in strong entrepreneurial orientation (Dess et al., 2003).

Through domain redefinition firms go into a market where there are (temporarily) no competitors, also called the ‘Blue Oceans’ by Kim and Mauborgne (2004). By this first mover status firms try to achieve a sustainable competitive advantage when competitors follow.

Kim and Mauborgne (2004) present blue oceans as industries that do not exist yet – the unknown market space that is not yet discovered by and touched upon by the competitor, where the demand is created by the firm rather than competed for. Out of the five forms, domain redefinition is the only form in which it necessarily results in a new business creation (Covin & Miles, 1999).

Business model reconstruction is added by Morris et al., (2007) next to the four forms given by Covin and Miles (1999). Business model reconstruction entails ‘designing or redesigning the core business model(s) in order to improve operational efficiencies or otherwise differentiate itself from industry competition in ways valued by the market’ (Morris et al., 2007, p.92). Business model, according to Margretta (2002), are the ‘stories that explain how enterprises work (p. 87). Miles, Munila, and Darroch (2009) argue that in

order to create competitive advantage via business model reconstruction the organization has to redefine the value proposition of the customer-firm relation.

3.4 Summary

Even though corporate entrepreneurship in academic literature is relatively new compared to the concept of entrepreneurship, scholars differentiate between various forms of corporate entrepreneurship. General forms of corporate entrepreneurship are corporate venturing, organizational renewal and innovation (Stopford & Baden-Fuller, 1994). Innovation, also called entrepreneurial orientation by many authors, consists of five forms that are pursued by members throughout the organization in order to attain and sustain competitive advantage via opportunity- and advantage seeking behaviors (Ireland et al., 2003; Ketchen et al., 2007; Kuratko & Audretsch, 2009). These five forms include *organizational rejuvenation, strategic renewal, sustained regeneration, domain redefinition and business model reconstruction* (Covin & Miles, 1999; Morris et al., 2007). Since the five forms given in section 3.3 are more distinctive and refer to the entire firm, this thesis focuses solely on these forms rather than the general forms of corporate entrepreneurship. Table 3.1 provides the properties of these five forms of corporate entrepreneurship.

Table 3.1: Properties of the different forms of corporate entrepreneurship (Covin & Miles, 1999; Morris et al., 2007).

Forms of Corporate Entrepreneurship	Focus of the initiative	The entrepreneurial Event	Frequency of the entrepreneurial event
Organizational Rejuvenation	Structure, processes and capabilities of the firm	Introducing an innovation that has a major impact on the firm	Moderate
Strategic Renewal	Strategy	Adopting a new strategy	Low
Sustained Regeneration	Products and/or markets	New product in an existing product category or an existing product in a new market	High
Domain Redefinition	New competitive space	Creation of new products or new markets	Low
Business Model Reconstruction	Business model	(re)Designing the business model	Low

4. Organizational Structures

4.1 Introduction

In order to link the different forms of corporate entrepreneurship to the design of organizational structure elements it is necessary to define organizational structure, identify its elements and provide the most essential elements for entrepreneurial organizations.

This chapter starts with defining organizational structure in section 4.2. The section thereafter provides its key elements and the definitions of these elements. In section 4.4 two extreme forms of organizational structure are given in order to determine which structural elements are important for entrepreneurship within an established organization. Section 4.5 provides a summary of the concerning chapter and the answer to the research question; *what is organizational structure and what are its key elements?*

4.2 Organizational Structure

The definition of organizational structure stems from years of academic research, therefore many authors have tried to define organizational structure and have identified its key elements (Morgan, 1996).

Different researchers give their own meaning to organizational structure, but it all comes down to the formal pattern of how the jobs are allocated to people and divisions, how the communication flow is structured and how the hierarchical relationships between people are connected (Noorderhaven, 1995). The most important aim of organizational structure is to make sure that there is logic and order created in the company processes and to make sure that the goals are achieved (Morris et al., 2007; Nelson & Quick, 2005). Well known organizational structures are for example a mechanistic structure, being the least conducive for entrepreneurship, at one extreme and an organic firm, the most appropriate for entrepreneurship, at the other extreme (Miller, 1996). Structures are not static; they change over the lifecycle of an organization due to the fact that a firm evolves through stages of evolution and revolution (Greiner, 1972). Moreover, organizational structure should not be seen as a single phenomenon; rather, it can be split up into several elements (Buchanan & Huczynski, 2004). These elements are discussed in the following section.

4.3 Organizational Structure Elements

In order to be able to design the organizational structure elements in such a way to create an environment conducive for corporate entrepreneurship, it is necessary to identify these dimensions². From years of

² 'Organizational structure elements' and 'organizational structure dimensions' are used interchangeably

academic research Robbins and Judge (2009) state that the most important organizational structure elements are specialization, formalization, centralization, departmentalization and span of control.

Specialization refers to the division of labor within the organization, the more specialized the labor is the more differentiated the organization is (Hall, 1995). The main idea of this dimension is that the entire job is not done by one single individual. Rather, it is divided into several steps among multiple individuals. Depending on the type of entrepreneurial initiative, specialization can differ among entrepreneurial organizations. The more complex the entrepreneurial initiative becomes, the more necessary it becomes to divide the tasks (Morris et al., 2007). However, more specialization complicates communication (Buchanan & Huczynski, 2004).

Formalization is defined as the degree to which the behavior and communication are specified by formal rules and instructions (Hall, 1995). This means that the more formalization, the more rigid an organization becomes. Hence, the individuals are less free to initiate new initiatives, be creative and innovative. When formalization is low employees have a high level of freedom to perform their work as preferred (Robbins & Judge, 2009).

Centralization is the degree to which the decision making unit is centralized at the higher levels of the organization by for example, the management board or the chief executive officer (Noorderhaven, 1995). If the distribution of power is highly centralized a strong coordination is achieved. However, if it is more decentralized, the lower levels of the organization are delegated to take more decisions (Morris et al., 2007; Noorderhaven, 1995). Therefore, the higher the level of decentralization, the more freedom the lower levels have in terms of decision making, new initiatives, innovation and experimentation.

Departmentalization specifies the way in which the organization is grouped into subunits (Noorderhaven, 1995). This is usually the case when the organization has grown larger and one or several persons cannot supervise the operation. The grouping of people into subunits is based on several ways, namely- functions, product lines, markets, geographic or workflow processes (Morris et al., 2007). The firm has the possibility to combine the ways to group people. Departmentalization can occur in all types of organizations (Robbins & Judge, 2009). Hence, whether the organization is pursuing entrepreneurial initiatives or not, the organization may or may not be departmentalized.

Span of control determines how many levels and managers the organization has (Robbins & Judge, 2009). The wider the span of control, the more people a manager has to manage. A smaller span of control

indicates a tighter control, less room for maneuver by employees, vertical communication becomes more complicated and it is more expensive, due to the fact that more managers are needed (Robbins & Judge, 2009). If a firm enjoys broad span of controls, it will less likely be the case that the communication will deteriorate during the process of getting the message (new initiative/idea) to the top levels of the firm (Buchanan & Huczynski, 2004). Because there are fewer vertical levels of management who need to transfer the message to the top levels.

4.4 Mechanistic and Organic structure

Not all given structural elements are important for corporate entrepreneurship. Like Robbins and Judge (2009) state, departmentalization can occur in any type of firm. So it can be assumed that this dimension does not have a major impact on corporate entrepreneurship nor does it influence entrepreneurial behavior within an established organization. Whether the other elements are important or not is decided by describing the structural elements of two extreme forms of organizational structure. If the element seems to have an impact on entrepreneurship, this is considered to be important for corporate entrepreneurship. These two organizational structures are the mechanistic- and the organic structure. Where the organic structure is known to be the most effective structure in pursuing entrepreneurship, the mechanistic structure leaves no room for any entrepreneurial initiative (Miller, 1996).

As shown in table 4.1, in mechanistic firms it is found that the degree of centralization and hierarchical levels are high where more coordination and control is involved (Nelson & Quick, 2005). The tasks and behaviors are highly formalized, therefore pursuing alternative and multiple ways in realizing entrepreneurial initiatives are discouraged (Morris et al., 2007). On the other hand, the highest levels of entrepreneurship are found in organic firms, where the employees are encouraged to collaborate and think creative (Slevin & Covin, 1990). The decision making units are not at higher levels, meaning that the employees have a personal sense of empowerment where one can find room for own initiatives (Morris et al., 2007). This type of structure knows a high level of flexibility and quick decision making which causes the span of control to be wider and communication to be more informal and unplanned (Nelson & Quick, 2005). Another typical characteristic of organic firms is that they are able to adapt quickly, this is important since they should be able to respond quickly to environmental changes (Grant, 1996). Due to low levels of formalization and broad spans of control, the organic firm is able to adapt quickly (Nelson & Quick, 2005).

From the given description of the two types of structures it can be stated that the most important organizational structure elements that influence entrepreneurship within an established organization are; centralization, formalization, and span of control. Specialization and departmentalization can occur in

entrepreneurial as well as non-entrepreneurial organizations and do not seem to have a significant impact on entrepreneurial initiatives. Hence, these two dimensions will not be taken into account in the following chapter.

Table 4.1: Organizational Structure Elements

Organizational Structure Elements	Characteristics	Mechanistic Firm	Organic Firm	Influence on entrepreneurial behavior
Specialization	Division of Labor	Often High	Depends on the type of entrepreneurial behavior	-
Formalization	Formal rules and instructions	High	Low	x
Centralization	Decision making unit at higher levels	High	Low	x
Departmentalization	Presence of subunits	Yes/No	Yes/No	-
Span of Control	Number of people at each hierarchical level	Narrow	Broad	x

X=important for entrepreneurial organizations (influences entrepreneurial initiatives)

4.5 Summary

Organizational structure is defined as the formal pattern of how jobs are allocated to people and divisions, how the communication flow is structured and how the hierarchical relationships between people are connected (Noorderhaven, 1995). Organizational structure should be seen as a phenomenon which consists of several dimensions, namely – specialization, formalization, centralization, departmentalization and span of control. It is specified that the most important structural dimensions for entrepreneurial firms are centralization, formalization and span of control. Deciding which elements are most important for entrepreneurial firms was done by using two organizational structure forms and determining how their structural elements influence entrepreneurship. In the following chapter the three structural elements are linked to the different forms of corporate entrepreneurship.

5. Roles of Structure Elements

5.1 Introduction

Now that the forms of corporate entrepreneurship have been discussed in chapter three and organizational structure elements have been elaborated upon in chapter four, this chapter will discuss how the dimensions of organizational structure should be designed in favor of the different forms of corporate entrepreneurship. In section 5.3 a summary of this chapter is provided alongside the answer of the research question; *how can organizational structure elements be linked to the forms of corporate entrepreneurship?*

5.2 Forms of corporate entrepreneurship and organizational structure elements

Strategic renewal

As was stated in chapter two, strategic renewal entails fundamentally altering the way the organization competes by redefining its strategy. Since this entrepreneurial initiative occurs rarely it is not necessary to constantly have an environment conducive for corporate entrepreneurship, innovation and creativity. Therefore, it is not a requisite to constantly have an organization which is decentralized or to have a wide span of control. However, if the organization wishes to follow this strategy it should give the employees/managers the opportunities to come up with new strategic initiatives, therefore during the initiation time the organizational members should be given the moments to brainstorm and not be hindered by formal rules, instructions and procedures. Hence, the level of formalization should be moderate during this time. It can have a low to moderate level of centralization and a moderate wide to a wide span of control.

Sustained regeneration:

Since this form of corporate entrepreneurship knows a high level of (incremental) innovation, formal instructions, rules and procedures should be eliminated as much as possible to allow the employees to be entrepreneurial, innovative and creative. This is due to the fact that the organization is in constant pursuit of entrepreneurial opportunities (Morris et al., 2007). Covin and Miles (1999) indicate that this form of corporate entrepreneurship tends to be a learning organization. Therefore, the communication channels should be highly informal and decision making should be taken quickly (Fiol & Lyles, 1985) causing a flatter organization. This indicates a very broad span of control.

To encourage own initiative, innovation and experimentation people at lower levels should be empowered as much as possible and they should not be hindered by formal rules and instructions. Hence, a very high degree of decentralization and a very low level of formalization are necessary for sustained regeneration.

Domain redefinition

Since domain redefinition entails creating new product-market arena, not yet discovered by the competitor (Covin & Miles, 1999), this strategy involves a high entrepreneurial behavior, innovation and creativity. So it means coming up with something completely new, indicating that this initiative requires a very low level of formalization. Because it is necessary to make sure that the relationships are informal, communications are fluid and creativity is stimulated.

As communication is an important element in this entrepreneurial initiative it is important that the span of control is broad so that the communication does not deteriorate during the process of getting the message (new initiative/idea) to the top levels of an organization (Buchanan & Huczynski, 2004). In order to facilitate the process of making sure that the message does not deteriorate, the organization should have a low level of centralization so that the lower level managers can decide on the new entrepreneurial initiative. Also, to encourage the organizational members to be entrepreneurial a sense of empowerment should be present (Bull & Willard, 1993), again indicating a low level of centralization.

However, domain redefinition typically results in a new business creation (Covin & Miles, 1999). If it stays within the structural boundaries of the parent company it has to follow the structural design elements stated above (low centralization, very low level of formalization and a broad span of control). But if the new business resides outside the structural boundaries (typical for cooperative and external corporate venturing), it can follow its own organizational structure regardless of the structural design of the parent company.

Organizational rejuvenation

Because organizational rejuvenation entails altering the internal process, structures, and/or capabilities (Covin & Miles, 1999), this entrepreneurial event may not require a breakthrough entrepreneurial initiative and it usually indicates adjusting supporting activities of the value chain given by Porter (Dess et al., 2003). Therefore, there should be some decentralization, a wider span of control and a lower level of formalization than mechanistic firms. However, these degrees are somewhat lower than e.g. sustained regeneration and domain redefinition.

Business model reconstruction

Business model reconstruction is explained as (re)designing the core business model(s). Compared to the other four forms of corporate entrepreneurship, business model reconstruction is the least entrepreneurial. Therefore, compared to the other forms it is not necessary to have a wide span of control, a low level of formalization and to be highly decentralized. However, since it actually is an entrepreneurial initiative, the organizational structure dimensions should leave room open for entrepreneurial actions. Meaning that

there should be some degree of decentralization, rules, procedures and instructions need not to be too formalized. Also, no extreme narrow spans of control should be present. So the levels of centralization and formalization are moderate and the span of control is relatively narrow.

5.3 Summary

It was shown that the important structural elements which influence entrepreneurial orientation are span of control, formalization and centralization. It was also discussed that the five different forms of corporate entrepreneurship are organizational rejuvenation, strategic renewal, sustained regeneration, domain redefinition and business model reconstruction.

This chapter elaborated on the link between the different forms of corporate entrepreneurship and the dimensions of organizational structure.

The previous section showed that for *strategic renewal* the span of control should vary between moderate wide to a wide span of control. It should engage in moderate levels of formalization and low to moderate levels of centralization. *Sustained regeneration* was shown to be the most entrepreneurial; therefore it requires a very broad span of control, very low levels of formalization and centralization. *Domain redefinition* was characterized by a broad span of control, a low level of centralization and very low level of formalization. For *organizational rejuvenation* an organization has relatively low levels of formalization and centralization and a relatively wide span of control. The least entrepreneurial form of corporate entrepreneurship was shown to be *business model reconstruction*. It was explained that a firm has, compared to other four forms, moderate levels of formalization and centralization and that the organization has a relatively narrow span of control. Table 5.1 summarizes the finding of this chapter.

Table 5.1: Roles of organizational structure elements

	Span of control	Formalization	Centralization
Strategic Renewal	Moderate Wide -Wide	Moderate	Low-Moderate
Sustained regeneration	Very broad	Very low	Very low
Domain redefinition	Broad	Very Low	Low
Organizational rejuvenation	Relatively* wide	Relatively* low	Relatively low
Business model reconstruction	Relatively* narrow	Moderate	Moderate

*Compared to the other four forms of corporate entrepreneurship

6. Conclusion and Recommendations

6.1 Introduction

In the last chapter of this thesis the conclusion, limitations and recommendations are presented. The problem statement was split up into several research questions in order to be able to answer the problem statement. In section 6.2 the answers to these research questions and the problem statement are discussed. Section 6.3 sheds light on the limitations of this thesis. Academic recommendations for future research on corporate entrepreneurship and organizational structure elements and practical recommendations are provided in section 6.4

6.2 Conclusion

This thesis discussed the topic of corporate entrepreneurship and organizational structure elements. The problem statement that need to be answered is; *How should firms design there organizational structure in order to create an environment suitable for corporate entrepreneurship?*

The problem statement was split up into several sub questions by first elaborating on the concepts of corporate entrepreneurship and organizational structure elements. Secondly, different forms of corporate entrepreneurship were given and key elements of organizational structure were presented.

Corporate entrepreneurship is the process by which members of an established organization create and manage new businesses, strategies, and initiatives that are distinct from the parent company. When entrepreneurship is present within an established organization members of the firm are innovative, risk taking, autonomous, proactive and aggressive in light of competitiveness. The five forms of corporate entrepreneurship used in this thesis are; organizational rejuvenation, strategic renewal, domain redefinition, sustained regeneration and business model reconstruction.

In order to be able to create an environment suitable for corporate entrepreneurship, firms need to know how to design their organizational structure. Organizational structure is defined as the formal pattern of how the jobs are allocated to organizational members and divisions, how the communication flow is structured and how the hierarchical relationships between people are connected. From years of academic research on organizational structure, authors give five main elements of which the organizational structure is comprised of. These dimensions are formalization, specialization, span of control, departmentalization and centralization. It was presented that not all dimensions influence entrepreneurial orientation within an established organization. By showing the key elements of the mechanistic structure (least entrepreneurial oriented) and of the organic structure (most entrepreneurial orientated), it was stated that the organizational structure elements that have a high impact on entrepreneurship within an established organization are formalization, span of control and centralization.

By means of presenting the characteristics of the different forms of corporate entrepreneurship and describing the organizational structure elements, it was shown how these structural elements should be designed in favor of entrepreneurship. Organizations pursuing *strategic renewal* should ascertain that they have low to moderate levels of centralization, a moderate level of formalization and the span of control should vary between moderate wide to a wide span of control. When engaging in *domain redefinition* an organization should have very low levels of formalization, a low level of centralization and should have a broad span of control. *Organizational rejuvenation* was characterized by relatively low levels of formalization and centralization and a relatively wide span of control. Since *sustained regeneration* is the most entrepreneurial among these five forms, it requires a very broad level of span of control, and very low levels of formalization and centralization. On the other hand, the least entrepreneurial was shown to be *business model reconstruction*. This form of corporate entrepreneurship knows moderate levels of formalization and centralization and it is characterized by a relatively narrow span of control.

So, in order to create an environment suitable for corporate entrepreneurship, one should follow the designs of the structural elements stated above for each different form of corporate entrepreneurship.

6.3 Limitations

This research has shown some interesting limitations. Due to time constraints it was solely focused on secondary data. Therefore, no precise answer can be given to the problem statement. It cannot be said to what extent the organizational structure elements should exactly be designed in order to fit with the different forms, since no primary data was used to measure it. If empirical data was used, it could more accurately be predicted what the levels of the structural elements should be.

When pursuing one of the five forms of corporate entrepreneurship one can not only take the organizational structure and their elements into consideration. Other factors should also be taken into account to effectively implement the desired form. Other factors, among others, include the organizational culture, the individual firm members, corporate strategy and the external environment. These factors were not taken into account in this thesis but may influence the results and the effective implementation of the different forms of corporate entrepreneurship. Another limitation is that in academic literature on entrepreneurship and organizational structure the authors only portray how corporate entrepreneurship in general can be linked to a particular type of organizational structure. Therefore, not many useful articles were found on particular forms of corporate entrepreneurship, e.g. the five forms presented in this thesis, and their link to the key dimensions of organizational structures.

Further, the goal of this thesis was to link the different forms of corporate entrepreneurship to the elements of organizational structure. It was out of scope of this research to investigate which form is the

best one, i.e. which form has the most positive impact on overall economic performance of the organization.

6.4 Recommendations

This thesis leaves ample room for future research on corporate entrepreneurship and organizational structure elements. The focus of this thesis was on secondary data, future research should focus on the empirical side of designing for different forms of corporate entrepreneurship. This can be achieved by searching for empirical results of organizations that have successfully incorporated one or more of the different forms of corporate entrepreneurship and find out how their structural elements are constructed. This is recommendable because, via the empirical study one can more accurately predict how the levels of structural elements should be designed for each form of corporate entrepreneurship. Moreover, more insight is needed in the five different forms of corporate entrepreneurship identified by Covin and Miles (1999) and Morris et al., (2007). Research has focused on entrepreneurship within an established organization as a single dimension, but emphasis on the different forms, in particular the forms discussed in this thesis, is somewhat left aside.

Also, progress is needed in identifying which different elements of organizational structure are most important for each different form. Given that the different organizational structure elements may not share the same level of importance for the different forms of corporate entrepreneurship. Another interesting recommendation for future research could be; investigating the side effects of the organizational structure elements. For example, changing the levels of the different structural elements may be extremely costly or impossible for an organization.

This thesis has given a clarification of how the levels of the structure elements should be, however, future research on these topics might want to focus on what steps exactly should be taken by an organization to arrive at the desired form of corporate entrepreneurship. Future research can also focus on identifying which form of corporate entrepreneurship is the best one in terms of overall economic performance.

When conducting research on incorporating the different forms by means of designing for structural elements one should also take other factors into consideration. Therefore, managers should be aware of the fact that in pursuing a particular form one cannot only design for organizational structure. Other factors can also influence the success of implementing the desired form, like the organizational culture, human resources, corporate strategy and the external environment. Furthermore, managers should interpret this thesis and the conclusions presented with caution, because they first need to find out which form they are pursuing and what exactly is needed, in terms of various resources, in order to successfully integrate the form into the organization without many pitfalls.

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