Bachelor Thesis

Organization and strategy

Designing an entrepreneurial corporate culture

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Executive summary
This thesis adapts Hofstede’s dimensions of corporate culture and examines three determinants of corporate entrepreneurship to determine which aspects an organizational culture needs to have in order to be optimally conducive to entrepreneurial activity. Based on literature review, it is found that a culture needs to focus on results, focus on employees, be professional, have an open system, carefully balance control, and focus both on the short- and long-term. In this culture, innovativeness, risk-management, and proactiveness are managed optimally, so that corporate entrepreneurship is encouraged.
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1. Introduction
Corporate innovation and entrepreneurship are imperative for firms to survive (Greiner, 1972; Barringer & Bluedorn, 1999). Traditional management practices have adverse effects towards innovation (Block & Sykes, 1989; Block & MacMillan, 1993). Pursuing management practices that enable and drive innovation and entrepreneurship within companies requires deviation from these traditions, which is possible only when operating in an appropriate company culture (Lounsbury & Glynn, 2001).

This thesis develops a framework for an organizational culture that maximizes the possibilities of entrepreneurship and innovation in a company. Chandler, Keller and Lyon (2000) have made a step towards the design on an “innovation supportive culture”, but more research on the impact of culture on corporate entrepreneurship enables a more thorough understanding on a contemporarily very important topic.

1.1 Problem statement
In order to increase the knowledge on the linkages between the fields of corporate culture and corporate entrepreneurship, the following question is addressed:

"Which aspects of a corporate culture have a positive influence on entrepreneurship in corporations?"

Culture is defined in the New Oxford American Dictionary as “the customs, arts, social institutions and achievements of a particular nation, people, or other social group”. Corporate culture thus encompasses the meta-environment in which the people of a corporation exist and act. Various definitions describe values, structure and company history as important aspects of corporate culture.

Corporate entrepreneurship is a term used to describe entrepreneurial activities occurring within an organization. Entrepreneurial traits of a company include innovativeness, risk-acceptance and proactiveness. An entrepreneurial firm is often active in the fields of innovation and venturing, and these activities can have significant contributions to firm success.

1.2 Research Questions
The main question is answered using the answers to the following research questions:

RQ1: What are the dimensions of corporate culture?

RQ2: What are important determinants of corporate entrepreneurship?
RQ3: What is the influence of corporate culture on the achievement of corporate entrepreneurship?

1.3 Research Design and data collection

This thesis has the form of an exploratory research on the linkages between two fields of study, and the information used was gained through literature review.

For the answer to RQ1, I describe the dimensions of corporate culture mainly as identified by Hofstede, and elaborate upon them where needed for the completeness of this research. This information was gathered from references in contemporary important papers on organizational culture, and their references to influential papers on the subject.

In the answer to RQ2, I provide information on the factors that benefit corporate entrepreneurship. This information is gathered in similar ways from influential papers on corporate entrepreneurship.

The answer to RQ3 is mostly based on the information found in the answers to RQ1 and RQ2. More in-depth papers provide additional information on the implications of the overlap. Where possible I use references to influential papers that write on the combination of both subjects, but influential papers on the linkage between culture and entrepreneurship are scarce because of the specific nature of this research. Therefore other measures than the number of times cited are more important in assessing the value of these papers, for example reliance on influential papers and author reputation.
2. Corporate culture
Corporate culture is a phenomenon which is hard to capture in an unambiguous description. It deals with matters such as values, feeling and identity, which make it a difficult concept to measure. Paragraph 2.1 describes the definition used to conduct this research, and paragraph 2.2 describes each of Hofstede’s six dimensions, which are used to measure cultures on various aspects.

2.1 Definition
Peters and Waterman (1982) describe organizational culture as the shared values in an organization. In management literature, culture is often seen as derived from the founders’ values. Hofstede (1990) explained that a definition of culture should not be limited to values imposed by and derived from management, and defined it instead as ‘the collective programming of the mind which distinguishes the members of one organization from another’. In his definition, he also includes control and organization structure. As studying factors that influence entrepreneurship requires more than just management attitudes, this thesis assumes Hofstede’s definition of culture. Thakur & Hale (2012) classified “cultural rigidity” as a factor internal to the firm. Therefore, for this thesis, culture is assumed to be flexible as long as the firm has the will to change it.

2.2 Hofstede’s six dimensions of corporate culture
In his 1990 work, Hofstede conducted research among the members of 20 organizations. He defined the dimensions on which he could distinguish the members of organizations from one another as follows:

1. Process oriented vs. results oriented
2. Employee oriented vs. job oriented
3. Parochial vs. professional
4. Open system vs. closed system
5. Loose vs. tight control
6. Normative vs. pragmatic

The sixth dimension describes the extent to which a company guides the market, as opposed to it being guided by the market. It can be understood as a technology push vs. market pull attitude. Following Reid & De Brentani (2004), for research on the effects of cultural aspects on the results of entrepreneurial efforts in companies, the source of the innovation is often unclear, and for a single company various input sources may be equally important. Bearden, Money & Nevins (2006) found long-term orientation to be a more
consistent dimension of corporate culture. As the extent to which a company is occupied with serving its current market as opposed to potential future markets is also more relevant when studying factors that influence acceptance and development of entrepreneurial efforts within the corporation, it will be used as the sixth dimension for this research.

In the next section each dimension is explained.

2.2 Process vs. results orientation

This dimension distinguishes a culture in which means are important from one where focus is on goals. Burns and Stalker (1961) identified mechanic systems as the polar extremity of process orientation.

A key characteristic of a mechanic system is the fragmented nature of tasks. The tasks performed by an individual are abstract on their own and only have meaning in the greater scheme of organizational operations. The individual thus has little influence on the end product. Control in a mechanic system is tight, which means strict rules and procedures are in place (see also paragraph 2.1.5). People involved make sure the processes occur according to guidelines, and the processes are designed to autonomously be able to deliver the desired end product. The company structure is hierarchical, and communications thus pass through multiple vertical layers. Deal & Kennedy (2000) described employees in a process culture as "fence sitters", who are more concerned with how they do things than what they are achieving.

The opposite of a mechanical system is the organic form. In such a system tasks have a realistic nature and the total concern is in the mind of individuals in all layers of the organization. They have leeway in how the end result is achieved. Special knowledge and experience are valued, as they work well in the network structure which commonly occurs in results oriented systems. Authority is often not imposed but it follows naturally from the skills and experience of employees. Direct supervision is less called for as employees are intrinsically motivated by their dedication to the task and company. Employees have a stronger sense of personal achievement as their role in the end result is clear, which is beneficial to employee motivation (Nohria & Groysberg, 2008).

2.2.2 Employee vs. job orientation

Hofstede’s second dimension of organizational culture contrasts a concern for people with a concern for "getting the job done". Blake & Mouton (1964) made this distinction in their "Managerial Grid".
In the 1,9 corner of this grid, management has maximum concern for people and minimal focus on production. This managerial attitude is a good basis for interpersonal relationships and positive work experience. With little focus on production, one needs to be certain that the goals of employees are the same as those of the company. Nohria & Groysberg (2008) showed that the top 20% of firms scored significantly higher on four important aspects of employee drives than the bottom 20%, and thus proved that a focus on employees is beneficial to firm performance.

The 9,1 corner describes a situation wherein management attention is focused on processes and human interference is limited to the necessary minimum. Quality is controlled strictly and resources are used most efficiently, but human resources may not be motivated to put in their best effort when little attention is given to them. An overlap exists between a job orientation and a process orientation as described in paragraph 2.2.1, as control mechanisms in a job-oriented culture are similarly strict and personal achievement is not actively strived for.

2.2.3 Parochial vs. professional
The next dimension opposes people who identify themselves with the organization (parochial) to those who largely derive their identity from their type of job (professional). Merton (1967) recognized this distinction in his analysis of interpersonal influence.

On one end of the scale, the “localite” confines his interests to the organization. Influential people in a parochial setting have interest in people and their feelings. Parochial cultures form communities within an organization. Influences from the outside world are kept outside as much as possible.

In contrast, the cosmopolitan type has a more open point of view and has interest in the world beyond the organization. Less interest is in interpersonal relationships and more focus is on knowledge. The outside world is the source of new information, knowledge and operation methods.

2.2.4 Open vs. closed system
The fourth dimension measures the degree of openness of communication in an organizational environment. A large part of this degree of openness is determined by the approach of managers to communications with subordinates, as is explained in the descriptions below.
Open systems are characterized by flat organization structures and management that is close to the employee. This type of system is described by Beck & Beck (1986) as the “supportive” type, which encourages subordinates to provide feedback and influence decision making processes. In technical areas, employees often have more knowledge and are thus more suited to have a say in decision making processes, making open systems more effective than closed ones. In an open system, managers pose open questions and are open to honest responses of employees. When proposing solutions, a manager should watch his tone of voice not to suggest an attitude of listening for the sake of listening and pursuing his own methods in the end, regardless of inputs from subordinates. Most of these methods are contrary to traditional management training. However, pursuing these techniques leads to an increase of employee satisfaction and motivation (Thomas, Zolin, & Hartman, 2009).

Closed systems are often the result of traditional management methods, which have a tendency to chill the communication climate. In a closed system, subordinates tend to be on guard to messages from people higher in the organization. An association exists between a more closed communication climate and a stronger feeling of authority of managers. In a setting with closed communication lines, managers often pose questions in a suggestive way, tend to assume that they are right in the first place, and display their superiority towards subordinates. A closed system may be more effective when targets are strict and authority is necessary in order to ensure a stable performance.

2.2.5 Loose vs. tight control
The degree of internal structuring in an organization forms Hofstede’s fifth dimension. It describes the continuum of tightness of control in a culture. Control is the construct of formal and informal mechanisms that help managers ensure that resources are used effectively and efficiently in an organization (Anthony & Govindarajan, 2007).

In a setting with loose control, employees have some freedom in organizing their activities during work time in order to achieve their goal. Efficiency in processes is sacrificed for autonomy and creativity. Looser control has a positive effect on motivation of employees, and it can enable them to come up with new and more effective products or ways of working.

High internal structuring means strict supervision of activities and a lean use of resources. This causes more resource efficiency in operations. Tight control is common in situations where risk tolerance is low. High internal structuring often occurs in bureaucratic
organizations, where it can cause considerable delay in decision making and a restriction on creative capabilities as a sacrifice for predictability and conformity (Pinchot, 1999).

A means of “controlling the sacrifice of control” is to assign a predetermined amount of slack (in time, resources etc.) to employees. This encourages entrepreneurship and reduces the risk of unseen experimentation. The benefit over a general loose control structure is that there is a quantifiable limit on the amount of resources not directly used for the main process.

2.2.6 Short-term vs. long-term orientation
Bearden, Money & Nevins (2006) identified long-term orientation as a dimension of corporate culture which was not sufficiently covered in Hofstede’s research. Indeed, none of the aforementioned dimensions sufficiently include this aspect. Because it is important for an organization to have the right time span in mind in its everyday activities, it is included in this research instead of Hofstede’s normative vs. pragmatic attitude, which is mostly relevant in determining where the sources of innovation lie rather than how well a company handles its entrepreneurial activities.

A short-term orientation implies a preoccupation with the here and now. Current customers are the main source of revenue for a company, and as such managers may tend to focus mainly on the current business in order to generate revenues. Intuitively, a focus on current business is often seen as a factor opposing long-term thinking in a company. Rewarding short-term results drives managers to refrain from long-term investments in order to maximize their personal income (Narayanan, 1985), which will hurt profitability in the future.

However, a pure focus on long-term results is not likely to have positive long-term effects. Van der Stede (2000) noted the importance of short-term orientation as a part of managerial attention in order to create the budgetary slack required for the right method of control for entrepreneurial activities, as described in paragraph 2.2.5.

It is important to note that the extremes of this scale are not mutually exclusive. As with loose vs. tight control in paragraph 2.2.5, a culture can have aspects of both orientations at the same time. This is a shortcoming of Hofstede denoting his dimensions as linear, which implies mutual exclusivity of the extremes. In the next paragraphs, this and other shortcomings of Hofstede’s research will be elaborated upon, and the reasons why it is a good source for research despite these shortcomings are explained.
2.3 Criticisms on Hofstede’s six dimensions
Hofstede’s six dimensions of corporate culture are likely to be the most influential simplification of the complex principle of culture. The fact that it is, of course, a simplification, has drawn critics. The most notable of these critics is Trompenaars, who conducted a research on culture from a different viewpoint and reached other findings from this research than Hofstede did. This difference in results sparked a series of attacks between the two, which are of no direct interest to this work. In the following paragraph, the main criticisms are explained, and the choice for Hofstede’s dimensions in determining the cultural aspects which affect entrepreneurship is justified.

Hampden-Turner and Trompenaars (1997) summarized the differences between his and Hofstede’s research in four questions. The first of these questions was whether cultural categories are linear and exclusive. Hofstede argues that a culture is either on one hand of the scale, on the other, or in between. His dimensions do not allow for a score that is both individualist and collectivist, for instance. Trompenaars proposed a circular relationship, which allows for expression of the effect of individualism on collective behavior. While this may express more accurately the influences one aspect of a culture has on another, the result is a model that is harder to visualize and in the end still comes to the conclusion that a culture scores “in between”. Rather than mutually exclusive, Hofstede’s dimensions give the final result after such influences have been taken into account.

The second question is on the accuracy of an expression of something clearly unmathematical in mathematical terms. The mathematical expressions used by Hofstede are a means of measurement of something on which there is no commonly agreed scale, which is bound to distort to some extent the interpretation of his results by others. However, any statistical research suffers from this distortion. The relationship proposed by Trompenaars may be closer to the truth, but a research of non-statistical form would not produce results that are easily interpreted, as one would have to analyze every single case rather than draw conclusions from the mean scores on the scales.

Next, he questions whether Hofstede is right in claiming that his research is more empirical than Trompenaars’. Hofstede argued that Trompenaars used questions from other researches, but Hampden-Turner successfully shows that Hofstede’s research, and very likely any other research conducted in sociology, also uses questions based on prior research. The questions are thus not derived from the world “out there”. However, the findings from Hofstede’s research at IBM were found through mass questionnaires in a representative group, and as such are sufficiently empirical to be considered useful.
The final comment is about the usefulness of the dimensions in determining successful business practice. Hampden-Turner and Trompenaars point out that a Japanese company which scores high on masculinity and high on power distance, can perform just as well as a feminine Scandinavian company or an American company with low power distance. While this is obviously true, it does not mean that the analysis of effects of for example masculinity vs. femininity on a narrower aspect of business such as corporate entrepreneurship cannot be useful. Thus, when analyzing a specific aspect of business rather than economic success as a whole, this argument does not hold, and Hofstede’s research is useful for further research.

2.4 Conclusion
Corporate culture is both the product of founders and executives, and an important determinant of the conduct of executives and employees. Hofstede’s six dimensions of corporate culture capture most of the important determinants of culture. The implications of the scores on each scale have now been clarified, with the exception of normative vs. pragmatic and with the addition of long-term orientation. While the expression of culture in the dimensions as presented by Hofstede may have its limitations, it is an expression that allows for clear interpretation and a linkage to narrower subjects than economic success as a whole. In chapter four, each dimension is linked to the achievement of entrepreneurship in a company. In the next chapter the concept of corporate entrepreneurship is defined, and the three main determinants of corporate entrepreneurship is clarified to enable the linkage between the subjects in chapter four.
3. Corporate entrepreneurship

Corporate entrepreneurship is the ongoing process of entrepreneurial activities within a company. It is believed to be imperative for firms to survive in the increasingly dynamic and competitive environment (Greiner, 1972; Barringer & Bluedorn, 1999). Traditional management practices are not sufficient to cope with the increasingly dynamic business environment, and often even have adverse effects on the achievement of entrepreneurship and innovation (Block & Sykes, 1989; Block & MacMillan, 1993).

In paragraph 3.1, the concept of corporate entrepreneurship is defined. Paragraph 3.2 identifies three dimensions in which the entrepreneurial capabilities of an organization can be expressed.

3.1 Definition

Entrepreneurship can be described as the undertaking of the conception, organization and management of a venture, with profit as its main goal. Significant risks are associated with starting up a venture from a mere idea, which is why most individuals and organizations are reluctant to invest time, effort and money in an entrepreneurial idea.

Corporate entrepreneurship studies started with Pinchot’s 1985 work “Intrapreneuring”, which combined the terms “intra” (within) and entrepreneurship, to describe entrepreneurial processes occurring within organizations. Previously, corporations and entrepreneurship were seen as distinct. Executives increasingly started seeing possibilities for employees to bring forth and develop entrepreneurial ideas within the corporation. This development required a radical change in the way of doing business in corporations. In today’s dynamic and competitive environment, companies need to engage in entrepreneurial activities in order to survive.

To clarify the factors that influence entrepreneurship in organizations, three important dimensions of corporate entrepreneurship are described in the following paragraphs.

3.2 Three dimensions of corporate entrepreneurship

The entrepreneurial capability of an organization can be expressed in terms of its score on three dimensions: innovativeness, risk-taking and proactiveness (Rauch, Wiklund, Lumpkin, & Frese, 2009; Miller, 1983). In this section, each of these dimensions is explained in detail.
3.2.1 Innovativeness
The first dimension of entrepreneurial capability is the ability to engage in innovation. This paper limits its contents to radical innovation, as the role of entrepreneurship in incremental innovation is less established and most likely smaller than it is in radical innovation. Innovation consists of three processes: invention, commercialization and diffusion. These processes are first briefly explained, and then, the relevance of innovation to corporate entrepreneurship is discussed.

Invention is the first step towards developing a new product, service or process. It is the process of linking a purpose or need with an effect that can be exploited to satisfy it (Arthur, 2007). This link can arise either from the recognition of a need for which some principle can be used, or a novel principle which itself suggests a new use. Methods of invention vary widely across fields, from technical products which are invented after intensive R&D efforts to simple solutions stumbled upon in serendipity.

Commercialization is the process of turning an invention into a marketable good. Sometimes, an invention fits into a predetermined business model and can easily be marketed by the inventor or, after acquisition, by another firm. In other cases, a new business model may need to be constructed. As Chesbrough (2003) argues: “A mediocre technology pursued within a great business model may be more valuable than a great technology in a mediocre business model”. Factors that need to be taken into account are the value proposition, the target market, the value chain and value network, the cost structure and target margins and the competitive strategy.

Diffusion is a term used to describe the rate at which an innovation is adopted by consumers. The most common model of diffusion is an S-curve which plots time on the horizontal axis and number of adopters on the vertical axis. Various explanations exist as to why this S-shape occurs (Geroski, 2000). The most popular notion is the so-called epidemic model, which states that it takes some time for potential adopters to notice a new innovation initially, and then for every t, a% of non-users is convinced by earlier adopters. It turns out that this model is most effective in depicting information spread such as news, and predicts innovation diffusion most accurately when goals, capabilities and actions of individuals are approximately equal.

Innovativeness is imperative in corporate entrepreneurship, as a firm needs to be novel, unique or different in its ideas in order to stand a chance against competition.
3.2.2 Risk-taking
The second dimension of corporate entrepreneurship is risk-taking. Entrepreneurship is concerned with investing in order to attain future results, and predictions about the future intrinsically have a certain amount of risk. Two important types of risk involved in corporate entrepreneurship are the risk of “missing the boat” and that of “sinking the boat” (Dickson & Giglierano, 1986). These concepts are explained below. Next, the “right” amount of risk involved in entrepreneurial activity is determined. Finally, the importance of risk-taking in corporate entrepreneurship is summarized.

![Graph showing the relationship between Total Risk, Missing the Boat risk curve, and Sinking the Boat risk curve with Planning Time on the x-axis and Total Risk on the y-axis.]

FIGURE 1: "MISSING THE BOAT" AND "SINKING THE BOAT" RISK

The first type of risk associated with entrepreneurial activity is the risk of “Missing the Boat”. This metaphor is used to describe the risk that a company faces when waiting to invest in an innovation of which the profitability is still unsure. It is very rare that an investment opportunity directly shows future profitability, and as such, this risk is present in most innovations. Organizations need to keep in mind that the investment costs of a new technology are often much lower in early stages of development, and the costs of climbing aboard late or the opportunity cost of missing the innovation altogether are likely to be much higher. While actual calculations are only possible in hindsight, it is intuitive that it is a better idea to invest little money in many startups than to run a small risk of becoming obsolete in a market.

The second type of risk is called “Sinking the Boat”. This refers to an investment opportunity to which a company is dedicated, although it is bound to fail in the long run. This imminent failure is often either not possible to predict accurately or people in the company become over-attached to a project. As can be seen in Figure 3, the risk of sinking
the boat is high at first and converges to a stable level over time. This means that there is always a chance that a project can fail, and this risk cannot be avoided by timing investment right. It can however be minimized by postponing investment until the potential of the opportunity becomes more clear.

The best moment to invest becomes clear from Figure 3: TR (total risk) is at a minimum just after the initial drop in both types of risk. The arguments for investing at this point are threefold: investment costs are low as the development is still in an early stage; SBR is relatively stabilizing from here and thus is not reduced significantly by waiting longer; and finally MBR is at a minimum, and “Missing the Boat” is a risk that can be devastating even to a previously very successful business.

Risk is managed through control systems. Control often seeks to reduce the risk in the actions of organizations. This contrasts with the general (individual) entrepreneurial approach to control, which often boils down to a complete lack of it (Morris, 1998). Flexibility and adaptability are more valuable to entrepreneurs than risk management, which makes entrepreneurial activity inherently risky. A complete lack of control is unthinkable in an organizational setting however. Instead, organizational control mechanisms need to be reduced to a “no surprises” philosophy of control (Stevenson & Jarillo-Mossi, 1986), in which control mechanisms serve not to check up on people but to provide early indicators of problems before they occur. This gives employees the freedom they require in order to engage in entrepreneurial activities.

To conclude, risk is an inherent feature of entrepreneurial activity. Risk can be reduced in an organizational setting through control systems, but it cannot be eliminated without eliminating all opportunities for entrepreneurship altogether. Management of risk in corporate entrepreneurship is mostly about timing of investment and appropriate selection through good criteria and an appropriate stage-gate process.

3.2.3 Proactiveness
The final aspect of corporate entrepreneurship is proactiveness. It can be contrasted to reactiveness or “emerged behavior” in that it is the act of anticipating changes and acting upon them, or causing changes in the environment (thus being the first mover in this new environment) (Sandberg, 2002). In this paragraph, product development proactiveness and market proactiveness are first explained and then linked to corporate entrepreneurship.

The product dimension of proactiveness refers to R&D, engineering and manufacturing efforts (Urban & Hauser, 1993). It is often hard to distinguish proactive from reactive
behavior in this dimension, as competition causes firms to experience the evolutionary Red Queen Principle: they have to do all the running they can, just to stay on the spot (Hansin, 1996). Product development proactiveness is seen in the invention stage of innovation, where a novel idea is developed before assessing the potential market value. Proactiveness in this sense means that one has to search for ideas in areas that haven’t been searched for this purpose before.

Market proactiveness is the anticipation of changes in the market, which occurs in the commercialization stage of innovation (Sandberg, 2002). For disruptive innovations, this anticipation goes further than mere forecasting of demand. It also includes market preparation, which is the building of awareness of the upcoming product in the market, and anticipation of the changes that follow upon launch, which can to an extent be inferred from the changes as awareness spreads. Market proactiveness is an important determinant of successful entrepreneurial activity in an organization, as probing the marketability of a new development can help in deciding whether or not to continue investing, and there is a clear constraint on time to act in most situations where competitors are involved.

The conclusion can be drawn that proactiveness is mostly important through the mechanisms of innovativeness. It is however a distinct phenomenon in the sense that an entrepreneurial event can have a high rating of innovativeness to a company, but a low rating on the dimension of proactiveness. An example would be a late mover that adopts a technology which is unproven and radically new.

3.3 Conclusion
Entrepreneurial activity is imperative for firm survival. In a corporate setting, high innovativeness, the acceptance of risk and high proactiveness are the best configuration to attain results from entrepreneurial efforts. This configuration does not logically follow from traditional management, but rather requires an environment in which each of these factors is actively pursued and supported. In the next chapter, the insights gained in chapter 2 and 3 are used to develop the culture in which entrepreneurship is fostered, and thus maximal results from entrepreneurial efforts in a company can be attained.
4. Impact of culture on entrepreneurship

Now that the framework of organizational culture and three most important determinants of corporate entrepreneurial ability have been established, the two subjects can be linked together. In the following chapter, for each dimension of culture, the “best” score for enabling entrepreneurship is discussed, with explanations for every determinant of entrepreneurship.

4.1 Process vs. results orientation

In an organic system, radical innovativeness is enabled by the availability of slack resources. When all resources are directed towards the achievement of current goals, employees have no time or other means to develop ideas that are new to the company.

Risk-taking behavior is often not tolerated in a process-driven organization. Deal & Kennedy (2000) described risk avoidance as one of the most important aspects in a process culture. Strict targets and predefined processes ensure minimization of risks. Therefore, a results-driven culture is more effective at taking risk. One should beware though that this risk is managed, as employees who do not feel like they are managed at all will most likely not behave in ways that are beneficial to the company. A focus on results is still the best choice of the two, because the risk that is created there can be managed, while in a process-driven culture there is by definition little risk tolerance.

Proactiveness is also best fostered in a results driven culture. The network structure that is often a feature of organic systems enables people with valuable knowledge to meet and discuss their ideas, enabling the recombination of the latest ideas in various areas. The slack resources which are present when the focus is on the result rather than the processes also enable investments in ideas which are not yet developed enough to ensure payoff, which allows an organization to be active on the frontier of innovation rather than to look for projects which guarantee results.

An orientation on results is beneficial to entrepreneurial activity in a company. Slack is an important enabler of innovativeness and proactiveness. A certain degree of risk-taking is needed in order to develop ideas without a promised payoff. While the focus should be on results, it is always important to keep in mind the efficiency and effectiveness of current processes in order to remain competitive.

4.2 Employee vs. job orientation

Innovativeness requires a broader view than one focused on current activities. Therefore, a focus on production is counterproductive to innovative activity. For employees to help bring
their company to new successes, they need to be given special attention by management. Creating the entrepreneurial mindset in employees calls for empowerment, training and creative payment schemes. This is not achieved by creating a job and putting just any person in that position; rather, the people need to be motivated to act outside of the scope of their normal jobs. De Chambeau and Shays (1984) argued that it is impossible to appoint an entrepreneur; it is best described as an act of emerging.

A focus on jobs rather than on the people in those jobs would be the most secure means of achieving targets. However, the risk-taking factor which is required for entrepreneurial activity in a company cannot be designed into these jobs. It needs to be activated in employees. This means that a focus on employees is better for harnessing entrepreneurship.

4.3 Parochial vs. professional
It is important for innovativeness in a company to flourish to create the right atmosphere for interpersonal relationships, which might lead people to expect a parochial culture to be the most beneficial for entrepreneurship. However, new ideas mostly are not formed by just thinking really hard about creating something novel. Influences from outside the organization are invaluable. For example, a company may be great at production and incremental innovation of hard disk storage, but when solid state drives, a completely new product, comes along, it requires a complete shift from the old way of doing business. This may require project management skills that are usually not found in production-focused companies. Because of this, a more cosmopolitan orientation will lead to more innovativeness.

Parochial systems tend to be very reluctant in taking risks. When recruiting people into the organization for example, focus tends to be on whether they fit in with the current group of people rather than which new skills, insights and opportunities they may bring. The organization and its employees act in secretive ways and they are reluctant to share information with outsiders, hampering the development of alliances or joint ventures which may be very valuable to the company in the long run, so that no risk is run that trade secrets leave the organization.

In his 1990 research, Hofstede measured professionality with among others the statement “Think three years ahead or more”. Professionality is an important determinant of entrepreneurial thinking in an organization. In order to stay on the edge of innovative activity, one needs to welcome and even actively seek influences from the outside. A strong
positive relationship between a professional system and organizational learning exists (Kreiser, 2011). If information about technology and market developments needs to be found within organization borders, one can expect an organization to experience considerable lag in their findings when comparing to organizations that cooperate and share their information with other organizations. A parochial culture will be less likely to welcome outsiders with ideas which are nothing like the current business, but may prove to pay off in the long run. Proactiveness is thus best encouraged in a professional culture.

4.4 Open system vs. closed system

When managers communicate in an open manner, often described by the popular term “open-door policy”, it is much easier for subordinates to provide their inputs to people with the means of developing those ideas (Prati, McMillan-Capehart, & Karriker, 2009). If a company wants to make use of its internal competitive advantages, it is thus a requirement that the culture promotes openness of communication. The open door is a sign of mutual trust, which is a major factor in employee involvement (Thomas, Zolin, & Hartman, 2009). Involvement encourages employees with experience in the company to bring their innovative ideas to management.

An open communication system is also the best option for both risk management and proactiveness. Employees often have knowledge about problems on the work floor that a manager cannot observe directly, and as such the communication lines need to be short in order to resolve practical problems in early stages. This practical knowledge can also be the source of innovative ideas, and a short communication line supports managers’ abilities to act fast on these ideas.

4.5 Loose vs. tight control

A company in which control is exercised tightly is likely to excel at current activities, but it will face difficulties in staying successful in the long run. When management is constantly monitoring their employees, they are unlikely to feel motivated or even free to come up with innovative ideas. The assignment of slack resources and time gives people the possibility and motivation to come up with novel or different ideas.

Control is sometimes interpreted as the polar opposite of risk. However, too much control can smother innovativeness, resulting in a great risk of “missing the boat” as described in chapter 3. When control is very loose, a company runs both the risk of “sinking the boat” and the risk of not being efficient enough to perform profitably, exposing the company to risk of bankrupt or takeover. Therefore, a controlled amount of slack is advisable to give
employees the resources they need for entrepreneurial activity without exposing the company to the risk of becoming too inefficient to operate properly. One could say the amount of control that is given up, is controlled, which makes it hard to express on a linear scale of loose vs. tight control. However, a score in the middle of the scale can be expected to result in better performance regarding entrepreneurship in a company than a score on either extreme of the scale.

4.6 Short-term vs. long-term orientation
Manso (2011) argues that for a manager to focus on innovative activities, an incentive scheme with a focus on the long-term works best. This is consistent with the general assumption that entrepreneurial activities are the source of future revenues. Van der Stede (2000) described the importance of a short-term component in managerial orientation in creating the slack required to engage in innovative activities. There appears to be a contradiction in literature as to which orientation to encourage in managers’ minds.

As in paragraph 4.2.5, the optimal solution seems to be a balance between short-term and long-term orientation. Indeed, if a company is occupied with looking for future results, it is likely to be overrun by competitors in its current market, which means it will not have the resources available in the long run to develop these entrepreneurial ideas. If instead it does well in its current business but focuses too little on the future, it will be overrun by competitors. A company that is both successful in its current market and actively using the revenues from this market to develop future ideas will have the best results in terms of innovativeness. Proactiveness is also achieved by an aim for success in the long-term, supported by financial resources that are gained by performing well in the short-term.

To conclude, entrepreneurship is encouraged most in a long-term oriented culture, but it needs to be enabled through short-term results in order to be effective. Therefore, both orientations have to coexist in a successful entrepreneurial corporate culture.

4.7 Conclusion
After analysis of each of Hofstede’s dimensions of corporate culture and their linkage to three important determinants of innovation, the “best” culture for entrepreneurship can now be described.

A focus on results rather than processes is best for innovativeness, risk-taking and proactiveness. A company which sees employees as more important than the jobs they fulfill is most beneficial to innovativeness and risk-taking, and it does not hinder proactiveness. A professional culture rather than a parochial culture is most conducive to
innovativeness and proactiveness. An open system is a requirement for every aspect of entrepreneurial behavior. Control needs to be balanced and carefully managed in order not to lose track of or smother entrepreneurial activity. Finally, a culture needs a careful balance between long-term and short-term orientation to be motivated to be innovative and able to develop these ideas.
5. Conclusions and recommendations

5.1 Conclusion
To reiterate, the problem statement of this thesis was the following:

"Which aspects of a corporate culture have a positive influence on entrepreneurship in corporations?"

After researching the various aspects of corporate culture and the most important determinants of corporate entrepreneurship, the optimal corporate culture that fosters entrepreneurship was found to encompass the following characteristics:

- A focus on results rather than processes,
- A focus on employees rather than jobs,
- A culture that is professional rather than parochial,
- An open system rather than a closed one,
- A balanced tightness of control with some assignment of slack,
- A focus on both the short and the long term.

5.2 Discussion
The aforementioned characteristics of the optimal entrepreneurial company are useful in shaping a company culture which is not yet rigidly formed, or one that is flexible enough to change into one that is a stronger enabler of entrepreneurship. The need for innovation and entrepreneurship has been shown in many previous researches (e.g. Michael & Pierce, 2009). The fact that a company can change its culture was also confirmed by research (e.g. Thakur & Hale, 2012). The findings of this research explain how a company can design or redesign its culture to benefit from the development and implementation of entrepreneurial practices which are of vital importance to a firm’s success.

5.3 Limitations
There are some limitations to this research. First and foremost, culture is a concept which is difficult to measure. Hofstede’s six dimensions of corporate culture are widely used, but there are some valid criticisms as explained in chapter 2. Besides the aforementioned criticisms, it is worth noting that the results of Hofstede’s research are derived from a survey in the Netherlands and Denmark, and thus their applicability outside these countries is debatable.
Second, there are many known and unknown factors which influence the level of entrepreneurship that is achieved in an organization and corporate culture is but one of the known factors. Because of the ambiguity surrounding the causes and effects of both phenomena, it is difficult to identify the strength of the relationship between the two.

A third limitation is found in the selection of the three determinants of entrepreneurial activity in an organization. They are important, but there are many other factors that have some influence on corporate entrepreneurship; some might even have adverse effects when an organization possesses all the characteristics described in the conclusion.

5.4 Recommendations
This research is partially based on Hofstede’s 1990 research, which has its limitations. More research on the determinants of corporate culture should further clarify which aspects of culture have which effects. A better understanding of culture would not only have applications in culture research, but also in researches such as this one and many other cross-topical researches, as culture has widespread effects on business.

It would also be useful to perform more research on the determinants of corporate entrepreneurship, as there is no clear overview of the factors that influence it. Some research has been done on determinants of corporate entrepreneurial intention in small and newly established firms (Fini et al., 2010), but especially for large and established firms there is a lot left to learn. This is a prerequisite for determining how to change an established culture to become more open to entrepreneurship in order to stay competitive.

Culture is undoubtedly an important determinant of the facilitation of entrepreneurship in an organization, but it needs to be flexible in order to adapt to the factors required to facilitate entrepreneurship. Research on how to change an organizational culture, such as the recent book by Cameron & Quinn (2011), could be combined with the findings of this thesis, in order to derive a method of improving the entrepreneurship achieved in established businesses.
References


