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Operations management and corporate entrepreneurship: The moderating effect of operations control on the antecedents of corporate entrepreneurial activity in relation to innovation performance

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ABSTRACT

Research on the topic of corporate entrepreneurship has expanded steadily over the last few decades, in large part due to the increasingly recognized linkages between product-market and technological innovation (i.e., consequences of corporate entrepreneurial activity) and firm success. Likewise, growing evidence suggests that effective operations control is a common quality of successful firms. On the surface the two phenomena—corporate entrepreneurship and operations control—may seem to be inherently at odds. That is, corporate entrepreneurship is aimed at taking the firm in new directions, while operations control is aimed at channeling and often restricting actions. As such, it would be useful to know how operations control variables act in concert with the determinants of corporate entrepreneurial activity to promote the innovation outcomes that facilitate long-term organizational success. In this study of 177 firms operating in a wide variety of industries, we investigate the effect on innovation performance of several commonly-acknowledged antecedents of corporate entrepreneurship, as measured by the Corporate Entrepreneurship Assessment Instrument (e.g., Hornsby et al., 2008, 2002); namely, management support, work discretion/autonomy, rewards/reinforcements, time availability, and organizational boundaries. More importantly, we examine the moderating effects of operations control variables – specifically risk control and process control formality – on the relationships between the antecedents of corporate entrepreneurship and innovation performance. Results indicate that only two of the five antecedents to corporate entrepreneurship have main effects on innovation performance with moderate significance. However, each of the five antecedents significantly interacts with one or both of the operations control variables and, thereby, influences innovation performance. The implications of these results in relation to operations management and corporate entrepreneurship theory and practice are discussed.

1. Introduction

Corporate entrepreneurship refers to the pursuit of entrepreneurial actions and initiatives that transform the established organization through strategic renewal processes and/or extend the firm's scope of operations into new domains, that is, new product-market segments or technological arenas (Guth and Ginsberg, 1990). Firms that exhibit corporate entrepreneurship are typically viewed as dynamic, flexible entities preparing, or prepared, to take advantage of new business opportunities when they arise (Morris et al., 2008). They explore new business domains as well as new ways of conducting business within existing domains. Among such firms, there is a willingness to deviate from prior routines, strategies, business models, and operating environments, and embrace new resource combinations that hold promise as potential enablers of innovation. In general, corporate entrepreneurship flourishes in established firms when individuals are free to pursue actions and initiatives that are novel to the firm. However, to be successful entrepreneurial activity must be integrated into the organization's strategies (Burgelman, 1983).

Operations managers realize that a mixture of formality and discretion is a key to providing both high effectiveness and high efficiency (Naveh, 2007). Yet, the presence of control-related structures, policies, systems, and operating management philosophies

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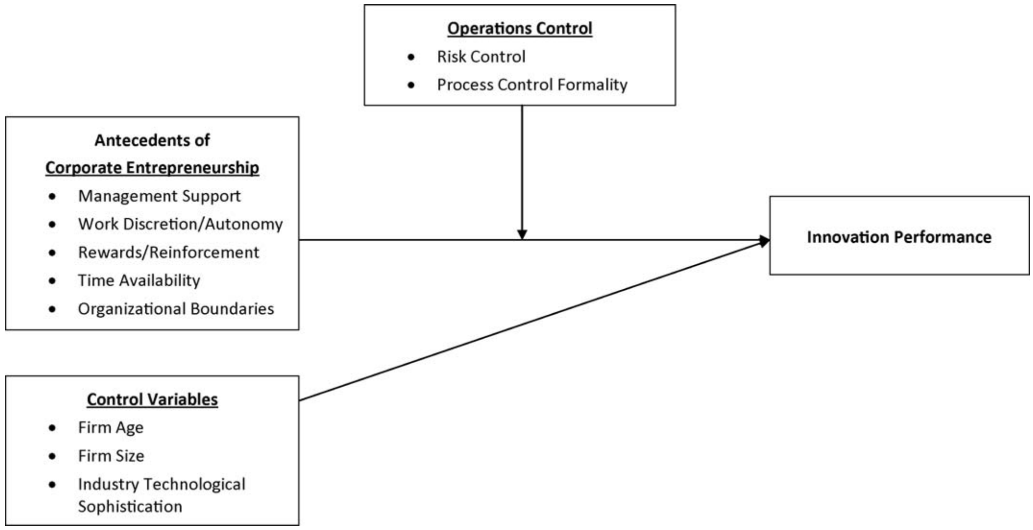

Fig. 1. The Impact of operations control variables on the relationship between antecedents of corporate entrepreneurship and innovation performance.

in organizations would seem to be a deterrent to the freedoms needed to successfully promote entrepreneurial behavior in established firms. After all, the control function in organizations exists, at least in part, to counteract the adverse effects of uncertainty on the organizational system, ensure conformity to established routines, correct deviations from expected behaviors, and promote efficiency and exploitative learning within the confines of established operations (Boyer and Lewis, 2002; Devaraj et al., 2004; Krajewski et al., 2010). Nonetheless, those factors that drive entrepreneurial activity in established firms – including, for example, resource support for innovative ideas and high levels of worker discretion in the performance of tasks – may not result in superior innovation performance at the firm level if operations control mechanisms are not in place. This is true because entrepreneurial activity is not inherently focused, cumulative, productive, or strategically relevant. Much has been written over the years about the importance of "unleashing the entrepreneurial potential" of firms by removing constraints on entrepreneurial behavior (e.g., Brandt, 1986; Pinchot, 2000). However, corporate entrepreneurship's exhibition and its success are two separate matters. In the absence of operations control mechanisms, firms that manifest corporate entrepreneurial activity may "tend to generate an incoherent mass of interesting but unrelated opportunities that may have profit potential, but that do not move [those] firms toward a desirable future" (Getz and Tuttle, 2001: 277). Therefore, the ability of those factors that drive corporate entrepreneurship activity to produce high levels of innovation performance is likely contingent upon a firm's ability to judiciously use operations control mechanisms that select, guide, and possibly terminate entrepreneurial actions and initiatives (Morris et al., 2006).

In the current paper, we explore relationships among the antecedents to corporate entrepreneurship, operations control mechanisms, and innovation performance. As conceptualized here, innovation performance refers to the degree of success attained by the firm at achieving its goals pertaining to product-market or technological innovation. A premise of the current research is that operations control mechanisms are not inherently antithetical to the interests of corporate entrepreneurship. Rather, factors that create entrepreneurship in established firms may operate in concert with operations control mechanisms to promote innovation performance. The purpose of this research is to clarify how and why operations control contributes to the innovation performance of firms with entrepreneurship-facilitating organizational qualities. We examine the moderating effect of certain operational control mechanisms on the relationship between the antecedents of corporate entrepreneurship and innovation performance. Our preliminary hypothesis is that operational control will have a distinct moderating effect. The proposed model is presented in Fig. 1.

The rest of the paper is structured in the following manner. In the next section, the literature on corporate entrepreneurship is examined in order to establish the current view of operational control in this field. We then propose a research model of the relationships examined in the study. The literature on antecedents to corporate entrepreneurship is reviewed, and we link those antecedents through hypothesis development to innovation performance. The possible moderating effects of operations control variables on the linkages between entrepreneurship-facilitating organizational qualities and innovation performance are then presented. The sample, measures, and analytical techniques of the study are discussed in the Methods section. In the Results section, we present our findings. Lastly, Section 7 addresses the implications of our work, limitations of our study, and opportunities for future research.

2. Operational control and corporate entrepreneurship strategy

Product-market and technological innovation have long been known to contribute to firm success (Covin and Slevin, 1991; Damanpour, 1991; Klein and Sorra, 1996). Correspondingly, top-level managers are increasingly recognizing the need to respond to the entrepreneurial imperatives created by their competitive landscapes (Kuratko, 2009). However, managers at all levels of the organization can be instrumental in fostering entrepreneurial activity leading to productive innovation results (Hornsby et al., 2009). Recognizing the role of an organization's broad membership in the perpetuation of innovation, the concept of corporate entrepreneurship-as-strategy has begun to develop. Ireland et al. (2009, p. 21) define a corporate entrepreneurship strategy as "a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity."

Significantly, a corporate entrepreneurship strategy is hard to create and, perhaps, even harder to perpetuate in organizations due to a failure to appreciate how operations control considerations work in conjunction with the drivers of corporate entrepreneurship to facilitate innovation performance. Too often, operations control processes and mechanisms are regarded as, at best, irrelevant to the