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Organizations as biomes of entrepreneurial life: Towards a clarification of the corporate entrepreneurship process

Maria de Lurdes Calisto [a,c,*], Soumodip Sarkar [b,c]

[a] Estoril Higher Institute for Tourism and Hotel Studies, Portugal
[b] Department of Management, University of Évora, Portugal
[c] CEFAGE-UE, University of Évora, Palácio do Vimioso, Largo Marquês de Marialva, 8, 7000-809 Évora, Portugal

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ABSTRACT

In 1983, Robert A. Burgelman published an influential paper in the field of strategic entrepreneurship, holding that the autonomous entrepreneurial initiative of employees and top management's desire for it might be simultaneously present, simultaneously absent, or go in opposite directions, yielding paradoxical results. To the best of our knowledge, this proposition, that translates into four types of organizations with regards to the process of corporate entrepreneurship, has however never been empirically tested before. Our results partially confirm Burgelman's ideas, while uncovering an unexpected transitional organizational archetype. Borrowing from Biology we metaphorically identify these archetypes as biomes of entrepreneurial life. This study takes an important step towards understanding the corporate entrepreneurial process, contributing not only to scholarship in the domain, but also rendering our conclusions particularly relevant for practitioners. The uncovering of a transitional archetype also holds significant implications for the main entrepreneurship literature in what refers to startup teams.

1. Introduction

Till around the early 1980s, internally driven entrepreneurship and top management strategic action were frequently considered as a contradiction in terms (Höglund, 2011). It was held that along with firm growth came increased rigidity and set routines, thus reducing proactivity and firm renewal. It was also believed that new ideas could only be spawned by creating units lying outside the organization, such as through "reservations" (Galbraith, 1982), or "skunk works" (Peters & Waterman, 1982). Today however, there is a much greater recognition of the important role played by entrepreneurship from within organizations, so much so that internally driven entrepreneurship has emerged as an imperative, rather than an irreconcilable goal (Nason, McKelvie, & Lumpkin, 2015, p. 281). It is now generally accepted that within the same strategic framework, strategic action by top management can be integrated with opportunity seeking behavior of firm employees who constitute "the pool of unused entrepreneurial resources" (Penrose, 1968). This shift in thinking, owes much to the pioneering work of Burgelman (1983, 1984, 1985, 1991).

In his seminal article, Burgelman (1983) proposed the existence of two distinct behavioural processes regarding how entrepreneurial activities happen within organizations: induced strategic behavior, which is an outcome of strategy and is considered the official path for innovation; and, autonomous strategic behavior that occurs when operational-level participants see opportunities that exceed those proffered by top management. These operational-level participants are in fact employees who go beyond formal job descriptions, whom Pinchot (1985) termed intrapreneurs.

According to Burgelman (1983, p. 1349), corporate entrepreneurship arises from "the interlocking entrepreneurial activities of multiple participants", and can lead to different organizational configurations. In some cases, entrepreneurial initiative and top management's desire for it might be simultaneously present or absent. However in other cases, two paradoxical situations might occur "if entrepreneurial initiatives emerge but top management has no interest in them or if top management's interest is not matched by a significant number of entrepreneurial initiatives" (1983, p. 1356). Burgelman (1983) then proposed a classification that includes four generic situations of corporate entrepreneurship. These are therefore two non-paradoxical and two paradoxical situations, all arising from the alignment and misalignment of top management and employee behavior with respect to corporate entrepreneurship.

By providing a conceptual integration of the literatures on entrepreneurship in organizations and the strategic process, Burgelman's seminal work has had a strong impact over the last three decades, in the growth and consolidation of the field of corporate entrepreneurship.

* Corresponding author at: Av. Condes de Barcelona, 2769-510 Estoril, Portugal.
E-mail addresses: lurdes.calisto@eshte.pt (M.L. Calisto), ssarkar@uevora.pt (S. Sarkar).

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Yet surprisingly, to the best of our knowledge Burgelman's (1983) suggestion of diverse modalities regarding the interaction between the organization's strategic orientation and the autonomous behavior of employees has never been empirically tested. This neglect has persisted despite Burgelman's call for more models and empirical research to improve our understanding of the differences in the strategic calculus of corporate entrepreneurship, and we suspect that there are at least two reasons for this. The first has to do with the main contribution of Burgelman's article being towards the concept of corporate entrepreneurship itself- both as a conceptual integration of entrepreneurship and strategic management literatures; and to the relevance of the autonomous behavior of operational-level employees in that process. Thus the possibility of paradoxical situations arising in corporate entrepreneurship has remained below the research radar of later scholars. A second reason is related to the usual view of autonomy in management literature, as a feature of organizational design. If autonomy occurs 'by design' – hence considered to be a result of managerial decisions, then there is little stimulus to study the possibility of autonomous behavior as an individual choice, independent of organizational conditions. Yet we believe that there is a difference between autonomy that is granted by the organization, and autonomy that results from the self-governance of the individual that might result from a personal predisposition. While top management may not be able to exert direct control over the autonomous strategic behavior, they can nevertheless attempt to influence the process. Thus corporate entrepreneurship can reflect top management's vision *ex post*, being "governed by a process of experimentation-and-selection spread over multiple, generic levels of management in the firm" (Burgelman, 1983, p. 1360).

In this study we test Burgelman's propositions while answering two fundamental questions, which hold both theoretical and practical implications: *First*, do the paradoxical and non-paradoxical situations in corporate entrepreneurship really occur, leading to the existence of four types of organizations? *Second*, if they do exist, what are the implications on innovation and other performance outcomes?

We contribute to the field of strategic entrepreneurship in at least five ways. *First*, this is the first empirical study that we are aware of, to test the existence of Burgelman's (1983) suggestions. Moreover, we also explicitly seek the connection between these organizational types, with innovation and firm performance.

Second, we contribute to a better understanding of how entrepreneurship might stem from different sources - the organization's strategic orientation, employee behaviors, or an interaction of both. Initial research in the field was mostly concerned with exploring either the external antecedents, or the importance (consequences) of corporate entrepreneurship (e.g., Dess, Lumpkin, & Covin, 1997; Zahra & Covin, 1995). This was followed by a second wave of scholarship on the organizational conditions necessary to promote entrepreneurial behavior (e.g., Hornsby, Kuratko, & Montagno, 1999; Hornsby, Kuratko, & Zahra, 2002; Kuratko, Ireland, Covin, & Hornsby, 2005), frequently arriving at contradictory results, though. Consequently, the interaction between the behavior of individuals and organizational circumstances has only recently resurfaced in the literature. As some scholars have observed, "(…) we do not know how entrepreneurship arises, exerts its influence on innovation and competitive advantage, and is subsequently transformed in terms of individual actions and interactions (micro-foundations) which are embedded in an organizational context. More research in this area would likewise be fruitful for entrepreneurship (…) (Hoskisson, Covin, Volberda, & Johnson, 2011, pp. 1154-1155)". Our study therefore represents a third and what we hope to be an emerging, wave of research on corporate entrepreneurship, going back to the roots of the scholarship in the area, by exploring *how* entrepreneurial activities of multiple participants interlock within organizations.

Third, from a managerial viewpoint, our study takes an important step towards opening the corporate entrepreneurship *black-box*. To most practitioners it remains unclear how corporate entrepreneurship develops within an organization, and what should be done to promote it. We believe that by empirically exploring the strategic behavior of top management, and the autonomous behavior of employees, this research would help in the development of new managerial approaches. Managers can take their cues from the outcomes to adopt an "experimentation-and-selection approach". This could lead to the creation of innovative administrative arrangements that could enable the collaboration between top management and the entrepreneurial individuals within the organizations.

Fourth, from our study emerges an important transitional type of organization, which had not formed part of Burgelman's original suggestions. We identify these as "ecotones", which are highly innovative, smaller firms, also revealing the highest levels of employee commitment, and relatively low levels of strategic orientation from the top management. Our work suggests that these firms reflect the spirit of start-ups, and open up a whole new area of corporate entrepreneurship discussion, one which spotlights the relative importance of the founder-entrepreneur and employee motivation.

Fifth, we contribute to the very few extant empirical studies of corporate entrepreneurship in small firms. In their review of the corporate entrepreneurship literature, Nason, McKelvie, and Lumpkin (2015) find only 5% of empirical articles covering small firms, with the overwhelming concentration being on large and public firms, despite the fact that small firms can play a disruptive role in entire industries (Hockerts & Wuestenhagen, 2010). Indeed, some of the most cited studies in the field of corporate entrepreneurship (e.g., Barringer & Bluedorn, 1992; Zahra, 1996), have all considered larger organizations.

2. Research framework

Extant research suggests that corporate entrepreneurship is facilitated by an organization-wide entrepreneurial orientation (Lumpkin & Dess, 1996) that instigates entrepreneurial actions, namely at the individual-level (Hornsby, Kuratko, & Zahra, 2002; Kuratko, Ireland, Covin, & Hornsby, 2005). Burgelman (1983, p. 1355) argues that corporate entrepreneurship depends both on the capabilities of operational level participants who can exploit entrepreneurial opportunities, as well as on the perception of management that there is a need for entrepreneurship at a particular moment in the organization's development. Therefore there seems to be two fundamental internal forces informing a firm's level of innovation: an orientation at the strategic management level towards entrepreneurship, and the autonomous entrepreneurial behavior of individuals at the operational level.

2.1. Entrepreneurial orientation/proclivity

Entrepreneurial orientation (EO) is a construct that has gained importance in the strategic entrepreneurship literature, thus integrating entrepreneurial orientation becomes an obvious choice for researchers interested in understanding the role of top management on corporate entrepreneurship. In its original conceptualization, entrepreneurial orientation is demonstrated by the "extent to which top managers are inclined to take business-related risks, to favor change and innovation in order to obtain a competitive advantage for their firm, and to compete aggressively with other firms" (Covin & Slevin, 1989, p. 77). This conceptualization derives from the seminal work of Miller (1983), who examined the entrepreneurial style of top management teams and went on to suggest that an entrepreneurial firm "... engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (Miller, 1983, p. 771).

Later developments in the area of entrepreneurial orientation (Lumpkin & Dess, 1996) proposed an enlargement to five dimensions, working in tandem, which permeate the decision-making styles and practices of an organization. The additional two dimensions are competitive aggressiveness and autonomy. As Lumpkin and Dess (1996) argue, the five dimensions of EO might vary independently, which could lead