Linking Corporate Entrepreneurship with Human Resources Management Practices

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Abstract: Within the growing body of literature on corporate entrepreneurship, there is a need to understand the relationship between human resource management and corporate entrepreneurship. This paper outlines the linkage between human resource management practices with corporate entrepreneurship. In response, we propose a review of the literature that is based on a conceptual reading of corporate entrepreneurship, human resource management practices and the relationship between them.

Keywords: Human resource management practices, corporate entrepreneurship, entrepreneur.

1. Introduction

Corporate entrepreneurship, which has become an important field of management study, was described as « the presence of innovation plus the presence of the objective of rejuvenating or purposefully redefining organizations, markets, or industries in order to create or sustain competitive superiority » [1]. Corporate entrepreneurship which is also defined as « the activities that an organization undertakes to enhance its product-innovation, risk-taking, and proactive response to environmental forces » [2] and as « the sum of a company’s innovation, venturing and renewal efforts » [3] is a facilitator for human resource management practices [4]. Researchers and practitioners found that human resources management practices have a key role in promoting corporate entrepreneurship [5]. Moreover, human resources management is a field of managerial decision making which affects corporate entrepreneurship [6]. Therefore, human resources practices could have a considerable effect on reinforcing corporate entrepreneurship. Chandler et al. propose that human resources management affects creativity and innovation by creating a supporting culture [7]. A high number of policies related to human resources management can affect corporate entrepreneurship [8].

In this article, we therefore focus on relationship between human resources management (HMR) practices and the promotion of corporate entrepreneurship (CE). The paper reviews the literature relating to corporate entrepreneurship and HMR practices and examines the link between them. The paper starts, after introduction, with presenting CE and HMR practices. Following, the paper provides an overview of human resource management practices encouraging corporate entrepreneurship. Thirdly, conclusions are drawn on the research.

2. Corporate entrepreneurship

Even if the concept of Corporate Entrepreneurship already has a few decades, the definition of the phenomenon of Corporate Entrepreneurship is far from making the unanimity of the authors. Burgelman identify that corporate entrepreneurship refers to the process whereby the firms engage in diversification through internal development [8]. Such diversification requires new resource combinations to extend the firm's activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set. For Vesper, corporate entrepreneurship involves employee initiative from below in the organization to undertake something new [9]. An innovation which is created by subordinates without being asked, expected, or perhaps even given permission by higher management to do so. Three major definitions of corporate entrepreneurship are developed by Vesper, which can be identified as (1) new strategic direction; (2) initiative from below; and (3) autonomous business creation [9]. Jennings and Lumpkin defined the corporate entrepreneurship as the extent to which new products and/ or new markets are developed [10]. An organization is entrepreneurial if it develops a higher than average number of new products and/ or new markets. This definition is similar to the definition offered by Spann, Adams and Wortman who define corporate entrepreneurship as the establishment of a separate corporate organization to introduce a new product, serve or create a new market, or utilize a new technology [11]. Another definition developed by Zahra where corporate entrepreneurship: “refers to formal and informal activities aimed at creating new business in establishing companies through product and process innovations and market developments [12]. These activities may take place at the corporate, division (business), functional, or project levels, with the unifying objective of improving a company’s competitive position and financial performance. Corporate entrepreneurship also entails the strategic renewal of an existing business”.

In a global sense, corporate entrepreneurship refers to the development of new business ideas and opportunities within large and established corporations [13]. In this way, Guth and Ginsberg underline that corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them: (1) the birth of new businesses within

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existing organizations, i.e. internal innovation or venturing; and (2) the transformation of organizations through renewal of the key ideas on which they are built, i.e. strategic renewal [14].

Schendel adds that corporate entrepreneurship involves the notion of birth of new businesses within on-going businesses, and . . . The transformation of stagnant, on-going businesses in need of revival or transformation [15]. Recently, Ireland, Kuratko and Morris present corporate entrepreneurship as a process through which individuals in an established firm pursue entrepreneurial opportunities to innovate without regard for the level and nature of current available resources [16]. It describes the total process whereby established enterprises act in innovative, risk-taking and proactive ways [17], [18].

From this definition, we can conclude that many terms are utilised to describe entrepreneurial efforts inside the existing organization, including corporate entrepreneurship [8]; [17]; corporate venturing [19], intrapreneuring [20], internal corporate entrepreneurship [21], internal entrepreneurship [9], strategic renewal [14], venturing [22].

For Zahra, as a result of the process of corporate entrepreneurship can be innovation, venturing and strategic renewal [3]; [23]. Furthermore, Brizek and Khan report that corporate entrepreneurship covers the creation of a new business within an existing organization and strategic renewal that includes innovation and creativity [24]. They described corporate entrepreneurship as “organizational innovation, risk taking, diversification and organizational empowerment” and labelled it in many ways such as corporate venturing; intrepreneuring; internal corporate entrepreneurship; and strategic renewal. From these perspectives, Ling et al. approached corporate entrepreneurship as the sum of a company’s innovation, renewal, and venturing efforts [25].

So, under this definition, it is clear that innovation, strategic renewal, and corporate venturing are all important and legitimate parts of the concept of corporate entrepreneurship. Hence, innovation refers to creating and introducing products, production processes, and organization systems. Renewal means revitalizing the company’s operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders [3]; [23], and venturing refers to firm behaviors such as entering new businesses through the creation or purchase of new business organizations [26]; [27].

3. The Human Resource Management (HRM)

We hardly find any satisfactory definition of the term "human resources management".

Continuing on this point review manuals we notice that some of them ignore on such a definition [28]; [29], they treat HRM without specifying the meaning they accord to the concept.

Others - the majority - give to the term a very broad meaning: it concerns "the human and social" [30] (p. 8), "structures and men" [31] (p. 9), or it relates to "the regulation of work in organizations" [32] (p. 31) the "management of labor and employment" [33] (p. 36), the "people management in organizations" [34] (p. 9) or to "all practical planning, the direction, organization and control of human resources within the organization " [35] (p. 4).

According Legall, human resource management is "one of the specialties of the great field of management" [36]. It is also for him, "a corporate function that aims to achieve effective and sustained over time between employees and jobs in terms of numbers and qualifications match. It aims, further optimizing skills to the business strategy ".

Godonou argued that HRM is the set of measures (policies, procedures, etc.) and the activities or practices (training, recruitment etc.) involving Human Resources and aiming to efficiency and optimal performance on the part of individuals and the organization [37].

It is clear from these definitions that importance of human potential is necessary for the proper functioning of a company and that particular attention should be paid to human resources because they value all other forms of company resources.


The implementation of certain practices within companies as human resource planning, recruitment process (recruitment, selection and reception), compensation, career planning, and evaluation yields (Staff Appreciation), training, dissemination of information... [38], falls under the human resource management (HRM). Although there are several approaches to define and identify the various HR practices, we will analyze some so-called traditional practices presented in the following [39]. To analyze these HRM practices, Garand and Fabi propose a framework of analysis both practical and simple [40]. According to these authors, HR practices affect different aspects namely: acquisition of human resources, conservation of human resources and development of human resource.

4.1 The acquisition of human resources

It passes through job analysis and recruitment process.

- Job analysis

According to Anderson AH, job analysis is to collect, classify and examine the data relative to what make assigned to specific positions [41]. It serves not only to the position descriptions for recruitment but also to establish the qualification of labor, that is to say, to determine the "value" of each position.

- Recruitment

This is a very important step in the search for efficiency and performance in any organization because the
consequences of poor recruitment are huge and can be probably fatal to the company. Martory and Crozet affirm that "the demarche of recruitment is essential part of the human resources policy of the company; it may in fact influence the directions completely contrary to the state of human potential one" [42].

4.2 The conservation of human resources

The conservation of human resources passes through employee motivation through good compensation practices, career management and performance evaluation.

- The motivation
  According to Patrice Roussel, work motivation is "a process that involves 1) the willingness to make efforts to orient and support sustainable energy towards achieving the objectives and workload, 2) and to realize this intention in actual behavior better personal skills" [43]. According to Nadler and Lawler, motivation is a mathematical combination of efforts, performance and results [44]. Thus the employee will be motivated when he believes he is able to deploy the efforts to work at the level of performance desired, that his behavior will lead to certain results, finally, and that the results are attractive. Consequently, this theory reinforces forms of remuneration related to performance, forgetting that human behavior is not always rational and the man does not work only for money.

4.3 The development of human resources

It relates to the formation of human resources and the diffusion of information within the company.

- the formation/ training
  Training is a vital part of the engine and the HRM is a catalyst for human development of the company. It aims to develop human resources through anticipation and satisfaction of training needs [38]. It increases their individual capacities and promotes their development. In addition, the training helps maintain the competence and effectiveness of HR by the adequacy job/position.

- Communication and information
  Communication in the company is even more vital that information is recognized as a raw material for the decision. Practice of communication within a company consists above all in the development of practice of information circulation. Inform it know, help understand, find a balance between lack and excess [45]. A slit exists in both the entrepreneurship and human resources literature, and this slit should be addressed by examining the role of HRM in entrepreneurial firms [46].

5. The link between HRM Practices and Corporate Entrepreneurship

HRM theory and practice can contribute to understanding issues faced by the entrepreneurial firm [47]. The entrepreneur, as explained above, operates in contexts with which he made in order to conduct the project. His action led to boost an organization with which he is in a symbiotic relationship and the organization, which can develop, is composed of resources that crystallizes to serve his vision [48]. Moreover, the company is seen as a portfolio of resources and skills ([49]; [50]). From this perspective, the entrepreneur is the first human resource of the nascent organization [51]. Indeed, the development of entrepreneurial initiative expressed as in the creation phase than in existing organizations raises questions about the conditions of control and human resource development.

5.1 The importance of HRM practices

The requirement of HRM being created seems to be obvious. The entrepreneur is soon confronted with the issue of recruitment, compensation, especially when the project is part of an entrepreneurial team. Entrepreneurship is not just for the sole entrepreneurship. Existing organizations, whatever their size, can favor an entrepreneurial orientation. Developing and maintaining this orientation is an organizational and HRM practices specific valuing autonomy and risk-taking [52]. For each human resource practice there exist design options that are, in fact, options to promote and reinforce different employee characteristics and behaviors [53]. Furthermore, Schuler precise that HRM practices can reflect an organization’s culture [54]. Specifically, many authors ([55]; [56]) suggested that Corporate Entrepreneurship requires a culture built around emotional commitment, autonomy, empowerment, earned respect, and a strong work ethic.

On the other side, “the companies founded by entrepreneurs who are unable or unwilling to deal effectively with HRM-related issues find it difficult to attract and retain top employees, are unable to motivate those who remain, and in general, fail to maximize the value of their human resources—often with dire consequences for their survival” ([57], P. 253-254).

Moreover, the ability to pursue new opportunities that can be described as entrepreneurial ability supposes to have human resources that understand and exploit such opportunities. In this regard, recruitment policies, remuneration and promotion influence the entrepreneurial potential [58].

The policies of human resources management: recruitment, selection, training, performance appraisal and compensation are intended to guarantee the employees’ possession of necessary features for effective organizational performance and to provide the appropriate behavioral index and reinforcements to guide and motivate desired behaviors [59].
Various HRM practices must be consistent with each other ([51]), while the differences in human resource practices are likely to be associated with changes in the level of entrepreneurship observed across organizations, as is consistent with contingency theories of organizations [61]. Earlier studies on recruitment practices of entrepreneurial firms make known that informal recruitment, or, more specifically, recruitments through networks are more frequently adapted and are considered more effective than formal practices [62].

5.2 The characteristics and behaviors favorable to employees an EO strategy

The skills of the founder, his culture, motivation, behavior, learning and experiences are all themes to which the researcher may be interested in HR [51]. “As newly founded organizations grow and mature, their human resource requirements and needs change rapidly, creating a host of challenges for entrepreneurs and organizational leaders on all levels” ([63], p. 23). In this way, an organization must indeed maintain its entrepreneurial dynamism if it wants to stay alive, to grow, to improve its performance and renew itself [64]. In this way, there are many factors, related with HRM practices, which contribute to motivate employees and create entrepreneurial spirit. Based on his examination of the literature, Schuler recommended the following employee characteristics were associated with successful entrepreneurial efforts: creative and innovative behavior, risk taking, a long-term orientation, a focus on results, flexibility to change, cooperation, independent behavior, tolerance of ambiguity and a preference to assume responsibility [54]. These characteristics have been summarized in the following table.

### Table 1: Organizational incentives to entrepreneurship ([65], p. 26)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solicit ideas</td>
<td>Encourage employees to propose and develop</td>
</tr>
<tr>
<td>Autonomy</td>
<td>Generates the spirit of managing a project, solve problems and strengthen the initiative in decision making</td>
</tr>
<tr>
<td>A reward system based on performance</td>
<td>Encourages employees to assume the risk of their projects.</td>
</tr>
<tr>
<td>Valuing risk taking</td>
<td>The company encourages its employees to undertake even if there is a risk of failure</td>
</tr>
<tr>
<td>Training</td>
<td>Gives companies the opportunity to strengthen the mentality and entrepreneurial culture desired</td>
</tr>
<tr>
<td>Job rotation</td>
<td>Stimulate their perception of new business opportunities</td>
</tr>
</tbody>
</table>

Hayton emphasizes that the two main issues remain those of the role of risk-taking and autonomy of action ("discretionary behavior") individuals [66]. The first factor can be encouraged by certain HRM practices such as recruitment of individuals showing a tolerance for ambiguity and the implementation of a compensation system recognizing risk-taking. When the second factor, it can be stimulated by incentives and support of middle management.

6. Conclusion

The Human Resources Management (HRM) is a major concern of the leaders of Small and Medium Enterprises (SMEs). Indeed, the more the company grows, the entrepreneur tends to disappear behind the leader of the company to manage the current activity, including employees hired to respond. This article aimed to explore the relationship between the fields of study of HRM and entrepreneurship. Thus, the literature we have mobilized is positioned at the intersection of the fields of HRM and organizational Entrepreneurship. Thus, the analysis of the literature led us to explore the possible roles of the entrepreneur in organizations with regard to HRM practices.


