LEARNING ENVIRONMENT – FRAMEWORK FOR SUCCESSFUL CORPORATE ENTREPRENEURSHIP

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Abstract:

Entrepreneurship is a dynamic form of social and economic behavior in which people respond to environmental signals regarding the availability and significance of opportunities combined with the resource availability. The process of learning can be considered critical for achieving entrepreneurial effectiveness. The general assertion in the article is that a company should combine entrepreneurial orientation with a strong learning orientation in order to achieve the highest synergistic benefits. Learning orientation involves the overall organizational engagement reflected in the value the company places on promptly responding to environmental changes but also constantly challenging procedures, systems and mental models that direct its relationship with the environment. A set of hypotheses are being established linking entrepreneurial orientation implemented within corporate entrepreneurship activities and learning orientation implemented within the learning company framework with the organizational performance. The underlying premise behind the framework is the idea that the entrepreneurial field of research requires a broadening of its research domain. Predominant studies of necessary and/or existing individual entrepreneurial characteristics should be supplemented by inquiries of a context in which entrepreneurial decisions are being made in order to form a coherent body of research of this complex phenomenon which is dynamic and constantly evolving through social interactions.

Keywords: entrepreneurship, learning organization, organizational learning, creativity, innovation

JEL classification codes: L26, D83, M14

Introduction

Large corporations often fail or experience diminishing market influence due to a lack of entrepreneurship activities. Such organizations often prove to be hostile environments for entrepreneurial behavior, especially during the times of stability and sound cash flow. Entrepreneurial proposals often get lost in the web of financial control systems and formal procedures, which represent operating systems for bureaucratic large organizations (Kanter,
Due to their innate characteristic – the degree of newness entrepreneurial activities strongly depend on the supportive environment when faced with inappropriate structural or strategic context. It can therefore be concluded that entrepreneurial capabilities should be carefully examined, nurtured and developed resulting in changes in policies, procedures and often priorities throughout the organization. In the contemporary business continuous change management is a major prerequisite of future effectiveness and efficiency. However, in order to maintain present competitiveness changes should be implemented with a limited set of resources. Such drawback can be compensated by innovations based on the acquired knowledge or in other words learning based innovations.

Although numerous studies have addressed issues dealing with corporate entrepreneurship there is still scope for a more focused examination, particularly exploration of fulfillment of entrepreneurial goals in the learning environment. Research is this area is especially challenging due to a general lack of consensus surrounding the meaning of both concepts. Previous research frameworks have focused on either entrepreneurship or learning, limiting the synergistic utility of their joint application. The whole learning approach to entrepreneurship has its rational on the thesis that the static approach to competitiveness based on the resource availability and low cost labor is no longer appropriate and should be replaced by a dynamic approach to competition based on continuing innovativeness and learning based entrepreneurship (see Frost and Zhou, 2000), enabling constant value chain remodeling.

**Corporate entrepreneurship as a continuous change management process**

In modern companies the term corporate entrepreneurship has become a synonym for various forms of newness leading to desirable outcomes such as increased growth and performance enabling organizational survival (see: Kazanjian, Drazin & Glynn, 2001). The desirable entrepreneurial output is innovation resulting with added value with a certain degree of novelty through the development of new procedures, techniques, methods or solutions. McAdam and Galloway (2005) define the process of organizational innovation as a process of proposing/adopting/developing/implementing a new idea generated internally or taken from outside, which makes it a key dimension of an entrepreneurial orientation (Ireland et. al 2001). The term innovation can therefore represent the process of entrepreneurship, without challenging the essence of the process. Even though innovations can generally be regarded as results of successful entrepreneurship endeavors, scholarly studies have often segregated the two theoretical fields, focusing on either entrepreneurship or innovation as independent processes, limiting the application possibilities of their research (Chesbrough, 2003).

Innovations can have many facets. Product and service innovations are the most obvious, regarding any improvements in the existing value or the creation of a completely new value in the R&D department. Any change in the application of an existing product or service different than the original purpose defined by the manufacturer can also be viewed as innovation. Innovative can also be changes in the market to which a product or service is directed, different from the market originally targeted by the manufacturer. Process innovations should not be underestimated regarding changes in the way a product is created and/or delivered to the market. Process innovations can therefore be operational or logistical. A special category of innovations focuses upon an organization’s improvement or development of its core business model away from its current or previous business model (Johnson, 2001). For the continuous corporate success it is important to continually pursue product/service and process
improvements and innovations, but also occasionally business model innovations. Changes in the product application or changes in the market the product is sold to are usually beyond corporate control and often happen in joint considerations with customers or by customers alone. Companies cannot affect this process significantly and should therefore concentrate on the innovation aspects they can have the highest influence on: product/service, process and business model improvements and innovations.

Radical innovations usually capture the most attention (see Chandy et al., 2003). Such innovations can grant major success but also pave the way for new technological and/or social development, sometimes also modifying the current paradigm. Breakthrough ideas therefore can serve as the starting point for the development of future technologies, products, services, industries and markets (Tushman and Anderson, 1986). However, the term radical can also refer to the introduction of a new process, system, technique, resource and capability the company is or is about to start using. Even though radical innovations can emerge from perceiving new opportunities, they are often associated with ingenious insights that result in new value creation. Incremental innovations on the other hand concentrate on constant improvements of existing products, services and operating procedures resulting in increased quality and product utility, but also decrease in the volume of costs.

Elements from both internal and external environment can have significant impact in the development of innovations. Creative imitations or breakthrough innovations are developed due to environmental factors such as relationship to the market, competitors and industry practices (Ali, 1994). Through scanning of the internal environment organizations evaluate outcomes of novel combinations of existing resources, competences, concepts and technology. According to such definition corporate entrepreneurship can generally be regarded as a process of organizational growth, development and renewal.

Learning environment as a framework for successful corporate entrepreneurship

In this paper corporate entrepreneurship is considered as a process within an existing organization referring to the development of a specific behavior that deviates from the customary way of doing business. Accordingly, specific attention should be given to organizational setup and its general approach to entrepreneurship, which is then reflected in the desired employee behavior. Previous literature acknowledged the role of employees only to some extent. Such relations have usually been viewed through the hierarchy prism leading to one-way relationship following the top-down pattern. It has often been claimed that managers carry the role of primal innovators, while employees should behave creatively when and if ordered by the managers. According to that view the role of employees is regarded as passive. The mere name of the process should then be changed into managerial entrepreneurship. The term corporate entrepreneurship stands for collective, synergistic action of all corporate subjects. Managers are basically responsible for developing favorable organizational conditions and motivational mechanisms that should result in autonomous, risk taking, learning based innovative behavior. It is therefore more appropriate to discuss behaviors than can be labeled entrepreneurial. Johnson (2001) suggests the following:

- motivation to achieve and compete
- taking ownership and being accountable
- making independent and self directed decisions
- being open to new information, people, practices etc.
• being able to tolerate ambiguity and uncertainty
• creative and flexible thinking, problem solving and decision making
• the ability to see and capture opportunities
• awareness of the risks attached to choices and actions
• the capacity to manage and ultimately reduce risks
• persistence and determination in the face of challenge or lack of immediate reward
• considering, discussion and formulating a vision and
• the capacity to make an impact

Morris et al. (2004) identified that entrepreneur’s function within a paradigm of three dimensions: innovativeness, risk-taking, and proactiveness. Innovativeness focuses on the search for creative and meaningful solutions to individual and operational problems and needs. Innovativeness should not be confused with the term invention, which is primarily associated with the implementation of intellect. Even though intellect is naturally important, innovativeness in the entrepreneurial sense is more related to heavy investment of a personal will, proactive behavior looking for opportunities and risk taking due to the fact that it is directed at the innovative organization of production factors.

The stated qualities should be a part of every employee behavior at all organizational levels. However, they can all be based on one founding quality: the ability to act, which is connected with the personal motivation, risk taking, awareness and persistence, but will yield limited if any results if is it is not based on knowledge. Only knowledge can enable employees to spot the opportunity, correctly estimate its potentials and see it through to some desired end point. Therefore the continuous process of internal entrepreneurship requires continuous process of learning. It has been stated previously that the entrepreneurial carriers are employees, which also entails the conclusion that every individual should be engaged in the continuous process of learning. Such environment can best be granted by transforming the company according to the learning organization guidelines.

Learning orientation involves the overall organizational engagement and reflects the value the company places on promptly responding to environmental changes but also constantly challenging patters, procedures, systems and mental models that direct the company’s relationship with the environment. It is directed at stimulating adaptive and introducing generative learning as corporate core competencies. It accentuates the propensity to generate intelligence and knowledge and ensures its organization-wide understanding and implementation. According to Baker and Sinkula (1999) a learning orientation is conceptualized as a set of values that influence the degree to which an organization is satisfied with its theories in use, mental models, and dominant logic, which may or may not have their base in the marketplace. Companies that are implementing the learning orientation therefore constantly question the implemented procedures, assumptions and courses of action embedded in mental models. In that way, it can be stated that the process of learning is at the heart of all forms of corporate entrepreneurship that enable novel forms of response to market challenges.

In this paper corporate entrepreneurship is predominantly being considered through the prism of learning, especially organizational learning. Organizational learning is best conducted in the learning environment provided by the learning company concept. Learning company is an organization, which has implemented systems, mechanisms and processes that increase the ability of achieving sustainable competitive advantages based on the results of learning on the individual, team and organizational level, enabling companies to stay alert to changing
customers’ preferences and providing insight into latent opportunities for product development.

Organizational learning should be viewed as both the key input and outcome of the corporate entrepreneurship process. Furthermore, Zahra et al. (1999, 169) state that formal and informal corporate entrepreneurship activities can enrich a company’s performance by creating new knowledge that becomes a foundation for building new competencies or revitalizing existing ones. Corporate entrepreneurship can therefore be identified as knowledge enabler (von Grogh et al., 2000) because it helps create and subsequently implements the newly created knowledge resulting in the new value development.

In this paper it is suggested that the entrepreneurial orientation should be combined with a strong learning orientation. Corporate entrepreneurship activities should therefore be embedded in the learning organization framework in order to yield a higher positive synergistic effect on the corporate performance. By implementing the adaptive and generative organizational learning routines a company would be able to better challenge the market setup, detect latent needs, provide superior value and more often produce breakthrough innovations with the potential to transform the market.

**Learning oriented corporate entrepreneurship**

There is still no universally accepted definition of entrepreneurship (Chell et al. 1991, p. 1). The majority of models resulting from previous studies tend to assess only a small part of the environmental process with the most observable feature being the concentration on the quantification of tangible outputs, without reference to the essence of the entrepreneurial process itself. That led to ignoring of the social aspects of the entrepreneurial process encompassing suitable socially constructed environment within which entrepreneurs operate. This paper is designed with the intention to fill this void by suggesting the construction of the learning environment suitable to stimulate socially driven processes in entrepreneurial activities.

The proposed framework is based on a set of variables: organizational characteristics reflecting learning organization features that serve as precursors of corporate entrepreneurship activities. The conceptual model underlying the research is shown in Figure 1. The model establishes a set of hypotheses linking entrepreneurial orientation implemented within corporate entrepreneurship activities, learning orientation implemented within the learning company framework with organizational performance.

*Figure 1: Learning oriented corporate entrepreneurship framework*
According to the modern approach based on the idea of a wide employee participation regarding not only every day routines but especially participation in the vision and strategy development, resulting in the emerging strategy based on the common vision, the principal manager’s task is to design favorable conditions that would stimulate the entrepreneurial behavior of all employees regarding various time spans and business aspects. In accordance with Ireland et al. (2006) argued that sustainable entrepreneurship is more likely in companies where individual entrepreneurial potential is nurtured while organizational knowledge is widely shared.

Studies of organizational development suggest that when companies operate in markets characterized by dynamism, complexity and hostility the effective usage of corporate entrepreneurship exhibits a strong positive link to corporate performance (Ireland et al., 2006). The question of dispute is how organizational performance can be measured. Outcomes of corporate entrepreneurship activities are usually measured in economic terms such as an increase in profitability and sales growth. However, organizational performance can be estimated according to several quantitative and qualitative variables. Performance can be measured by quantitative variables such as profits over assets, profits over own resources, profits over sales and sales growth in the main products/services and markets all measured over several years as well as compared with principal competitors. One can also keep track of elements such as sales growth, change in market share relative to the firm’s largest competitor, return on assets, new product success measured in its revenues and market share.

Objective measures are known to provide greater validity although the literature has established a high correlation and concurrent validity between objective and subjective data on performance (Homburg et al., 1999). Therefore it is useful to support the objective data with managers’ and employees’ subjective perceptions to evaluate the contribution of organizational learning and innovation to performance. The collection of qualitative data is especially advisable because managers are often keen to offer general opinion, while showing reluctance when asked to provide quantitative data. The qualitative elements account for the increase in flexibility, adaptability, effective change management, customer satisfaction, customer loyalty, innovativeness, employee satisfaction and the level of satisfaction of other stakeholders. In sum, when determining the outcomes of corporate entrepreneurship initiatives both short and long term effects should be taken into consideration, revealing outcomes in quantitative but also qualitative results.
Learning organization features stimulating entrepreneurial behavior

Even though the importance of entrepreneurial behavior is widely recognized, the process itself is often prevented by all sorts, especially structural impediments. In order to stimulate learning based entrepreneurship organizational structures should change to become less monolithic. Entrepreneurial behavior can flourish in an organizational environment with relatively small number of layers, which results in a broader span of control (Ireland, 2006). With fewer managerial layers and less formalization, authority and responsibility are decentralized and horizontal or lateral interactions among employees are encouraged. Enhanced lateral interactions enable intense communication and knowledge sharing so proactive entrepreneurial behavior and new ideas can surface at any organizational level. By stimulating knowledge sharing an organization also indirectly stimulates the process of new knowledge acquisition i.e. individual and organizational learning. In order to further stimulate such behavior work should be organized around process teams and should not be highly structured. The following hypothesis can be identified:

H1: Decentralized organization is positively related to entrepreneurial behavior and consequently to innovativeness or entrepreneurship leading to improved organizational performance

Human resource management in the learning oriented corporate entrepreneurship should be aimed at stimulating knowledge acquisition and therefore learning based innovative behavior. The implementation of new knowledge is accompanied by a certain degree of risk, so learning oriented human resource management should be directed at stimulating risk taking, flexibility, adaptability and proactive behavior. Human resource managers should appoint key learners and agents of change entitled to evaluate innovation-based possibilities. Such orientation should also be reflected in entrepreneurially-focused processes related to recruiting, selection, training, development and compensation. The task of learning oriented human resource management is also to develop internal labor market which role would be to match employees with projects that best satisfy their professional desires and take advantage of their knowledge most effectively.

In order to promote project-oriented innovation processes great emphasis should be placed on continuous learning. Training programs should be less structured and tailored according to career prospects of an individual. They should reflect the fact that jobs are broad in scope, while career paths are multiple. Training programs should also focus on building the virtues such as team work, questioning of existing mental models, building common vision and emerging strategy and system thinking as a means of developing visions, goals and strategies. Such processes usually are accompanied by extensive socialization leading to open communication flows.

In such an environment job rotation and job enrichment along with employee empowerment can represent suitable motivational techniques that can be promoted to enhance entrepreneurial behavior. Since entrepreneurs have a strong sense and need for achievement, monetary gains often feature second (Chaganti and Greene, 2002). In addition, in such an environment financially based control should give room to strategic control, primarily concerned with the estimation of the corporate, unit or individual effectiveness.

H2: Learning oriented human resource management is positively related to entrepreneurial
behavior and consequently to innovativeness or entrepreneurship leading to improved organizational performance

Efforts of the learning oriented human resource management should be embedded in the **learning culture**. Learning culture strongly supports entrepreneurial endeavors because it places great value on risk taking, change and learning based innovation. While it promotes success it also gives full freedom to fail and those situations are regarded as valuable learning opportunities. It places high importance on empowerment and team work while stimulating excellence in all efforts. Open communication flows enable constant team debates emphasizing balanced individual-collective approach with the purpose of creating an entrepreneurial mindset. Ireland et al. (2006a) define entrepreneurial mindset as a way of thinking about opportunities that surface in the firm’s external environment and the commitments, decisions, and actions necessary to pursue them, especially under conditions of uncertainty that commonly accompany rapid and significant environmental changes. When adopting an entrepreneurial mindset, organizational actors increase their ability to sense opportunities and mobilize the resources and knowledge required to exploit them.

**H3: Learning culture is positively related to entrepreneurial behavior and consequently to innovativeness or entrepreneurship leading to improved organizational performance**

Managers acting as entrepreneurs should reflect the attributes of both **transformational and charismatic leadership** (George and Jones, 2005). As charismatic leaders, entrepreneurs envision the desired reality and have the ability to communicate it to their associates thereby conveying enthusiasm and proactive behavior. However, since entrepreneurship is fundamentally about changing the current reality, entrepreneurs as leaders should also exhibit strong transformational orientation based on a specific vision that should become a common vision in coordination with associates. There is currently broad consensus on the idea that the transformational leadership style is more likely to encourage organizational learning and innovativeness than transactional styles (Garcia-Morales et al., 2006). The presence of transformational leadership capability has been described as one of the most important ways to develop organizational learning (Slater and Narver, 1995; Wick and Leon, 1995). A transformational leader acts as a catalyst and facilitator of change, a designer, and mentor and servant to the organizational shared vision and employees. Transformational leaders in a learning environment are therefore responsible for developing a context that legitimates innovative behavior and allocate resources to learning and innovative projects.

**H4: Transformative learning leadership is positively related to entrepreneurial behavior and consequently to innovativeness or entrepreneurship leading to improved organizational performance**

**Organizational learning** is a process leading to collective behavior modification, affected by and embedded in the institutions of the organization (Crossan et al., 1997). When discussing the process of organizational learning in large organizations three learning levels can be identified: individual, group and organizational learning, whose joint results ultimately contribute to visible behavioral changes. That is why learning at all organizational levels is being cited as a critical dimension for a firm’s success (Crossan et al. 1999; Richter, 1998).

In general, the three level learning framework assumes that learning is emergent in nature, beginning with the individual’s efforts and contributions, which in turn forms the basis for group learning and action. Synergistic group learning and learning based actions eventually
result in the collective understanding within the organization (Finger, 1999), which marks the learning results as success or failure. The framework is based upon the spiral relationships between individuals and groups within organizations. Stimulus for learning can emerge from the environment or organizational manifestations provoking individual and/or group interest. Sufficient time should be available at each level in order to anchor the learning results and review the resultant behavioral changes at each level before the process can be transferred to the next level. In addition, Watkins and Marsick (1992) note that in order to embed the learning behavior an organization requires reserves of employee knowledge, willingness to learn, technology to support learning, and financial resources dedicated to learning.

It should however be noted that not all individual and even group learning initiatives possess the potential to permeate the organizational level as a whole. On the other hand, it should be stressed that the process of organizational learning predominantly rests upon the individual learning efforts. If an individual is unable or unwilling to anchor learning (Crossan et al., 1999) then the learning objective is likely to fail as training only has use if it can be transferred into changed individual and organizational behavior (Wyer et al., 2000). Without the transition of knowledge into a specific behavior that adds value the process of learning is pointless. It is therefore important to foster individual learning and reflection upon the knowledge acquired, promote knowledge sharing and its implementation in the value creating process. This can best be achieved within the learning environment or more precisely within the learning organization framework.

Guidelines for the development of a learning organization should be considered when building the learning environment, in which the process of organizational learning has the center place. Organizational learning enables organizations to interpret the environment with higher degree of accuracy and design the suitable strategy based on that interpretation. For companies operating in a relatively stable environment adaptive learning may prove to be adequate. That process is aimed at achieving the existing objectives while keeping performance within the range specified by existing mental models/values/norms that remain unchanged (Argyris and Schöon, 1996). When underlying mental models and value systems are prone to change adaptive learning seriously reduces the ability of adaptation and survival and should be supported by the generative learning allowing the organization to reassess and redesign the value system underlying the value creation system.

In addition, the development of new knowledge resulting from the process of organizational learning reduces the likelihood that corporate competencies will become outdated, allowing them to remain dynamic, thus favoring performance improvements (Fiol and Lyles, 1985, Senge, 1990). That is why it can be stated that the organization with entrepreneurial orientation is an organization aimed at promoting learning based innovation. Entrepreneurial behavior in the learning environment involves continuous exploration of alternative possibilities, detecting the patterns in organizational relationships with internal and external stakeholders in order to continuously assess the viability of organizational change to improve organizational performance. In that way the learning environment helps build and reconfigure competences through the process of continuous organizational learning, which represents the backbone of the effective learning environment necessary to promote organizational entrepreneurship.

**H5: Organizational learning is positively related to entrepreneurial behavior and consequently to innovativeness or entrepreneurship leading to improved organizational performance**
Since innovations as an outcome of corporate entrepreneurship result with knowledge that helps redesign organizational features in order to stimulate the entrepreneurial process even further the feedback link can be identified:

*H6: Results of the improved learning based entrepreneurship further improve corporate learning orientation*

**Conclusion**

Managers should approach corporate entrepreneurship in a systematic manner, ensuring the right environment that can enhance human talent and encourage innovative solutions. Entrepreneurial orientation and learning based entrepreneurship can be viewed as the most important contemporary means for performance improvements. Companies exhibiting a strong entrepreneurial orientation should commit to the learning process while building a competitive edge against market rivals. The foundation for innovations or corporate entrepreneurship can only be knowledge together with constant questioning of the validity of the implemented procedures, assumptions and courses of action embedded in mental models.

A number of studies have empirically demonstrated a positive relationship between a company’s entrepreneurial orientation and its successful performance. However, studies indicating a positive relationship between the entrepreneurial and learning orientation and its positive synergistic effect towards the corporate performance are still lacking. This article asserts that a company’s learning orientation and its transformation towards the learning company improves the outcomes of the entrepreneurial orientation leading to a strong joint positive effect on the overall organizational performance. Hence corporate entrepreneurial activities implemented within the learning environment could help achieve the highest synergistic effect.

**References**


