International Standard Research Publishing

International Journal of
Advanced Research in Statistics, Management and Finance
Hard Print: 2315-8409 Online: 2354-1644 Vol. 4, No, 1 September 2016

The Impact of Corporate Entrepreneurship (CE) on Company Sustainable Growth: Evidence from Taraku Mills Limited, Benue State

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Abstract

The development, application and enhancement of new technologies are occurring at a breathtaking pace and this has propelled entrepreneurs to challenge existing assumptions and create values in novel ways. Corporate Entrepreneurial thinking and action helps businesses to improve their competitive position and financial performance. This study evaluates the impact of Corporate Entrepreneurship (CE) on Company Sustainable growth in Taraku Mills Limited (TML), Benue State, Nigeria. The study examined if the inability of implementing CE is not responsible for the current comatose state of the company's operation. Primary data was obtained from management and senior staff of the organization through the use of a structured questionnaire and analyzed using logistic regression model., The study found that there is a significant relationship between the application of innovation (change and new initiatives) and sales. There is also an insignificant relationship between new products/services and growth in company assets. In conclusion, the study recommends the introduction of CE as a critical success factor in Taraku Mills Limited so as to resuscitate and revitalize the company for sustainable growth.

Keywords: *Corporate entrepreneurship, innovation, new product/service, sustainable growth.*

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http://internationalpolicybrief.org/journals/science-publishing-corporation-journals/intl-jrnl-of-adv-research-in-stats-mgt-and-finance-vol-4-no1-sept-2016

Background to the Study

In virtually every nation, industry and market, entrepreneurs are challenging existing assumptions and creating values in novel ways. The development, application and enhancement of new technologies are occurring at a breathtaking pace. Entrepreneurial thinking and acting is changing the way business is conducted at every level (Kuratko, Morris & Covin, 2011). They opined that "as the number of new ventures, new products, new technologies and new patents literally explode worldwide, established companies are faced with a fundamental choice. They can either become victims of this revolution as aggressive upstart companies move quickly in undermining their positions in existing markets and in creating whole new markets, or they can join the revolution" (Kuratko, et. al., 2011:3).

For years, researchers have restricted the notion of entrepreneurship to that of individuals creating and growing their own companies. This focus changed with the essay by Peterson and Berger (Peterson & Berger, 1971), "Entrepreneurship in Organizations: Evidence from the Popular Music Industry". The two authors sought to identify the conditions in which entrepreneurship emerges and the organizational strategies adopted to contain its disruptive organizational effects. Employing Schumpeter's (Schumpeter, 1934) definition of the term "entrepreneurship" as a novel recombination of pre-existing elements, Peterson and Berger observed that, "entrepreneurship is a process variable which may be seen in the leadership roles of widely divergent historical and organizational contexts" (p. 103). One of Peterson and Berger's seminal contributions was to link individual initiatives with organizational-level entrepreneurial activities.

This important link served as a key foundation in the early study of Corporate Entrepreneurship (CE) but has been overlooked in the field's recent focus on generating generalizable empirical findings. Fortunately, the intimate link between individual and firm-level CE activities has been rediscovered in the past few years by researchers seeking to unravel and investigate the micro-foundations of CE. Despite the importance of Peterson and Berger's work, it was the publication of Danny Miller's (Miller, 1983) study, "The Correlates of Entrepreneurship in Three Types of Firms" that stimulated and spurred broad interest in CE research. Miller was able to show that firms can behave entrepreneurially. Miller defined CE as having three related dimensions: innovation, risk-taking and proactiveness. The fact that Miller developed standardized measures to identify CE at the firm level further accelerated empirical research in this area. Interestingly, Miller's intention was not to define firm-level entrepreneurship *perse*, but to identify the means by which managers can promote firm-level entrepreneurial behaviour through individual initiatives.

CE today is a term used to describe entrepreneurial behavior inside established medium-sized and large organizations. Other popular or related terms include "organizational entrepreneurship, intrapreneurship and corporate venturing" (Kuratko et al, 2011). Furthermore, some scholars look at corporate entrepreneurship from the prism of ability of some established companies to renew themselves. For instance, Salvato, Sciascia & Alberti (2009), emphasize the capability that allows managers to systematically overcome internal constraints so they can reinvent the company through novel business opportunities. Alternatively, some researchers focus on the ability of the company to create new ventures. Hence, Zahra, Neubaum & Huse (2000) argue that corporate entrepreneurship can include formal or informal activities aimed at creating new businesses inside established companies through product and process innovations and market development.

Sustainable growth on the other hand refers to the realistically attainable growth that a company could maintain without running into problems. A business that grows too quickly may find it difficult to fund the growth and a business that grows too slowly or not at all may stagnate. Finding the optimum growth rate is the goal. A sustainable growth rate (SGR) is the maximum growth rate that a company can sustain without having to increase financial leverage. In essence, finding a company's sustainable growth rate answers the question: how much can this company grow before it must borrow money? The search for sustainability can lead to innovation that yields cost savings, new designs, and competitive advantage.

Statement of Problem

At inception, the TML had an installed capacity of 72,000 tons of soya beans, 120,000 tons of maize and 172,300 tons of animal feeds annually. It is also reported that the factory has the capacity of providing over 600 jobs and creating massive wealth to Benue farmers. Taraku Mills Limited company was also reported to be one of the largest oil flour and feed mills in the West African Sub-region with good products courted and sorted by consumers within its operating environment and target market and above all, huge potentials to grow in bounds (http//www.dailypost.ng/2015/06/20). Products such as soya bean oil, corn and vegetable oils, corn flour, brewers' grit, animal and other feeds were launched and successfully patronized by consumers, resulting on commercial scale with a reported commercial to domestic consumption ratio of 80:20.

However, realities on ground presently do not support the above facts. Unable to effectively manage the mill, the state government leased the outfit to Growrich Resorts Limited, and under new the management team, the company is undergoing restructuring and repositioning for industry leadership. Facts show that the company has undergone pathetic stages of abject neglect in the hands of successive administrations, hence the need to investigate if the present parlous state of the company is not attributable to the non-implementation of corporate entrepreneurship.

Corporate entrepreneurship in this study will be represented by management support for policy/ structural changes, creative and pro-active ideas by management and employees, which entails ability to change and create new initiatives, and management ability to introduce new products/ and or services when and if necessary. Sustainable growth will be seen from the prism of increase in sales and ultimately increase in assets. TML has been chosen as a case study because it has suffered many challenges ranging from unskilled and incompetent corporate entrepreneurs, financial indiscipline as a result of poor management, and the pathetic stages of abject neglect it has undergone in the hands of successive government administrations. This research is also expected to serve as a reference point to other companies in the industry.

Objectives of the Study

The main objective of this study is to examine the impact of CE on sustainable company growth. Other specific objectives are:

(a) To examine the effect of new products/services on company assets.

(b) To determine the effects of innovation adoption on company sales.

Hypotheses

HO1: There is no significant relationship between introduction of new products/services and increase in company assets.

HO2: There is no significant relationship between the adoption of innovation and sales.

The study operationalized sales (dependent variable) in this context to mean either low or high sales respectively, while innovation (independent variable) as defined in this context, to mean management change and initiative.

Literature Review

Corporate Entrepreneurship (Ce)

A number of authors have celebrated CE from several standpoints, perspectives and notions. Some of them are prescribed here.

CE is known universally as intrapreneurship (Chang, 1998). It refers to the development of internal markets and relatively small and independent units designed to create internal ventures and expand innovative staff services, technologies and methods within a large organization. Guth and Gerisberg (1990) believe that CE encompasses two types of phenomena and processes surrounding them: The birth of a new business within existing organization i.e. internal innovation or venturing; and the transformation of organizations through renewal of the key ideas on which they are built i.e. strategic renewal.

Ling, Simsek, Lubatkin & Veiga (2008) appear to have combined the various perspectives by approaching corporate entrepreneurship as the sum of a company's innovation, renewal and venturing efforts. Through this explanation, innovation (which is concerned with introducing something new to the market place), strategic renewal (concerned with organizational renewal involving major strategic and /or structural changes) and corporate venturing (entrepreneurial efforts that lead to creation of new business organization within the corporation) are all important and legitimate parts of the concept of corporate entrepreneurship.

CE in organisations is reflected in such factors like innovation (initiatives, changes in structures/processes), introduction of new products/services, proactive and creative initiatives, policy/structural changes, process/ performance improvement to (Huse, Neubaum & Babrielsson, 2005)

Sustainable Growth

The concept of sustainable growth (SG) has received growing recognition, but it is a new idea for many business executives. For most, the concept remains abstract and theoretical. Protecting an organization's capital base is a well-accepted business principle. Yet organizations do not generally recognize the possibility of extending this notion to the world's natural and human resources. If sustainable growth is to achieve its potential, it must be integrated into the planning and measurement systems of business enterprises. And for that to happen, the concept must be articulated in terms that are familiar to business leaders.

The business dictionary defines SG as the sales growth rate a firm can finance from its internal sources (increases in retained earnings) without resorting to debt or new stock issue (Businessdictionary.com).According to the Economist, For the business enterprise, sustainable growth means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future (Economics online.co.uk). For this study, proxies used for sustainable growth include sales and growth in asset

Theoretical Framework

Two theories believed to be in alignment with this study, namely; the discovery theory and creative theory. The Discovery theory which is typically called the individual/opportunity nexus view focuses on the existence, discovery and exploitation of opportunities and the influence of individuals and opportunities (Venkataraman, 2003). The individual/opportunity nexus suggest that opportunities are objective, individuals are unique, and that entrepreneurs are risk bearing. The creative theory on the other hand focuses on the entrepreneur and the creation of the firm (Venkataraman, 2003; Loasby, 2002). This theory suggest that opportunities are objective, individuals are ordinary and entrepreneurs are uncertainty bearing.

Empirical Review

Corporate entrepreneurship has been studied by different authors before. According to Sebora and Theerapatvong (2009), companies need continuous innovation, risk taking, and pro-activeness in order to stay competitive. The presence of Corporate Entrepreneurship among company managers leads to positive outcomes (Ireland, Covin & Kuratko, 2009). Top managers need to have an entrepreneurial strategy and be able to cascade this through different levels within the company.Wiklund (1999) has studied the impact of corporate entrepreneurship on company performance and the findings showed a positive relationship. In Wiklund (1999), the survey results showed a strong relationship over time, which meant that the corporate entrepreneurship is effective within the organisation over a certain period.

Zahra and Garvis (2000) found that corporate entrepreneurship is positively associated with company performance. It was found that one corporate entrepreneurship dimension - innovation - had a more positive relationship with company performance, especially in a company that is international. The company that innovates a lot tends to be more entrepreneurially- oriented than the one that does it seldom (Zahra and Garvis 2000). These companies have a culture that allows individuals within the organisation to act autonomously and to be able to suggest new ideas that can lead to efficiency of operations.

The common trend in the published research on CE is the predominance of data from large manufacturing companies conducted particularly, in the US market (Zahra, Jennings & Kuratko, 1999) while companies from other business sectors received only a modest attention. Thus, the main purpose of this study is to assess the impact of corporate entrepreneurship (CE) and sustainable growth in Taraku Mills Limited (TML), Benue State, Nigeria. This study departs from the previously mentioned researches by examining data from top management and senior managers of an existing company that appears to be suffering and unable to achieve its potentials.

Methodology

The non-availability of TML published audited reports has restricted the study to the use of primary data. The population for the study is the entire 60 senior staff of Taraku mills, which also constituted the sample used for the study. The primary data was collected using a self-administered questionnaire which comprise of both close-ended questions. The nature of the questionnaire used for this study was the Likert scale type of questionnaire. A five-point Likert-scale which ranges from "strongly agree" to "strongly disagree" (5 = 'Strongly Agree', 4 = 'Agree', 3 = 'Undecided', 2 = 'Disagree' and 1 = ' Strongly Disagree') was used to reflect the agreement of the respondents.

Reliability test was used to test for the internal consistency of each of the questions (variables) in the questionnaire. The most convenient method for testing for the internal consistency is the Cronbach's Alpha. The reliability measures show that Cronbach's Alpha value is .0.764. This indicated that the questionnaire is valid and reliable. Based on the result, the questionnaire was considered for further analysis.

All the senior staff were given the questionnaires, out of which, only 56 questionnaires were returned and used for this study. Data were entered into SPSS version 22.0. Logistic regression was used in this research work to test for the stated hypotheses and to determine the impact of Corporate Entrepreneurship (CE) on company sustainable growth in Taraku Mills Limited (TML).

Data Analyses And Results

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.764	12

Source: SPSS 21.0 output

Model Specification

$$L_i = In\left(\frac{P_i}{1-P_i}\right) = \beta_1 + \beta_2 NPS$$

Where:
L is the logit.
P_i, the probability of increased company assets denoted as one 1
(1 - P_i), the probability of decreased company assets denoted as 0
Ln = log
NPS=New Product/service

$$L_i = In\left(\frac{P_i}{1-P_i}\right) = \alpha_1 + \alpha_2 INV$$

Where:
L is the logit.
P_i, the probability of increased sales denoted as one 1
(1 - P_i), the probability of decreased sales denoted as 0
Ln = log
INV=Innovation adoption

Model 1
Table 2 Dependent Variable Encoding

Original Value	Internal Value
Decreased Asset	0
Increased Asset	1

Source: SPSS 21.0 output

Table 2 shows the value of the binary dependent variable. The responses low extent and very low extent are labeled 0, while extent and very great extent are assigned 1.

Table 3: Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	1.389	1	.239
	Block	1.389	1	.239
	Model	1.389	1	.239

Source: SPSS 21.0 Output

Table 3 shows the Goodness-of-fit statistics, which helps to determine whether the model adequately describes the data. The Hosmer-Lemeshow statistic in table 6 indicated model is a slightly fit because 0.239 is greater than 0.05.

Table 4: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	New_product	.665	.601	1.225	1	.268	1.944
	Constant	-4.231	2.618	2.612	1	.106	.015

Source: SPSS 21.0` Output

Test of Hypothesis one

HO2: There is no significant relationship between introduction of new products/services and increase in company assets.

The result of the regression in Table 4 shows that new products and services have a positive relationship with company assets. This means that increase in new product and service by a unit will increase the level of company asset. However, the p-value associated with new product and service is (0.268) and is high. The p-value is compared to the alpha level set at 0.05 and, if smaller, we can conclude that there is no significant relationship between the introduction of new products/services and increase in company assets, and if otherwise then the research hypothesis will be retained. In this study, the P-value is higher than the level of significance at 0.05. Hence, the null hypothesis is therefore upheld and the alternative hypothesis is rejected.We thus conclude that there is no significant relationship between introduction of new products/services and increase in company assets.

Model 2

Table 5: Dependent Variable Encoding

Original Value	Internal Value
DecreasedSales	0
Increased Sales	1

Source: SPSS 21.0 output

Table 5 shows the value of the binary dependent variable. The responses low extent and very low extent are labeled 0, while extent and very great extent are assigned 1.

Table 6: Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	4.450	1	.035
	Block	4.450	1	.035
	Model	4.450	1	.035

Source: SPSS 21.0 output

Table 6 shows the Goodness-of-fit statistics, which helps to determine whether the model adequately describes the data. The Hosmer-Leme show statistic in table 3 indicated model has a good fit because 0.035 is less than 0.05.

Table 7: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Innov	1.001	.485	4.270	1	.039	2.722
	Constant	-2.271	1.972	1.326	1	.249	.103

Source: SPSS 21.0 Output

Test of Hypothesis two

HO1: There is no significant relationship between the adoption of innovation and sales.

The result of the regression in Table 7 shows that adoption of innovation has a positive relationship with sales. This means that increase in innovation by a unit will increase the level of sales. However, the p-value associated with innovation variable is (0.039) and is low. The p-value is compared to the alpha level set at 0.05 and, if smaller, we can conclude that there is a significant relationship between the adoption of innovation and sales and if otherwise then the research hypothesis will be retained. In this study, the P-value is lower than the level of significance at 0.05. Hence, the null hypothesis is therefore rejected and the alternative hypothesis is accepted. We thus conclude that there is a significant relationship between the adoption of innovation and sales.

Discussion of Findings

In this study, the hypotheses test has shown first, that there is no significant relationship between introduction of new products/services and increase in company assets. This could be adduced to the fact that the mere introduction of new products does not automatically translate to increased sales. By extension, new products are meant to be marketed and accepted by consumers. Thereafter, increased sales as a result of the new product will increase company assets in the long run. The findings are in support of previous research studies by (Miller 1983; Steffens, Davidsson & Fitzsimmons 2009; Moreno & Casillas 2008; Lumpkin & Dess,1996). This implies that companies need continuous innovation, risk taking, and pro-activeness in order to stay competitive. Secondly, there is a significant relationship between the adoption of innovation and sales. This conforms with the study of Zahra and Garvis (2000) which found that one corporate entrepreneurship dimension - innovation - has a more positive relationship with company sales, especially in a company that is international. The company that innovates a lot tends to be more entrepreneurially- oriented than the one that does it seldom. This could be attributed to the fact that innovative companies have the capabilities of increasing their production and in effect, increase sales.

Conclusion

In conclusion, to argue that firms must learn to act entrepreneurially is no longer a novelty and the reasons they could benefit from doing so are generally well known. Large business systems are characterized by bureaucratized organization, which discourages entrepreneurial behaviour both at individual and organizational level, and without creative and innovative potential, large companies are becoming outdated and extinct.

The current research results suggest that companies need to focus on identifying and implementing appropriate entrepreneurship elements such as innovation, proactiveness, policy/structural changes and process/performance improvement which could be useful in the pursuit of CE effectiveness and a corporate sustainable growth. The failure of TML to adopt CE in all its ramification has no doubt affected the growth and sustainability of the organization.

Recommendations

1. The organization and other related companies in Nigeria to consider introducing and implementing some CE dimensions into their businesses. It may be advantageous for a company first to look at efficient means of being more pro-active, innovative and able to take bold actions in implementing new projects in an uncertain environment with the intention of capturing new markets. The finding of this study has shown that a high level of CE leads to high performance and sustainability.
2. Furthermore, the study recommends the need for government to consider privatizing the company completely. This will lead to private sector initiatives that will encourage CE introduction at all level of operation.

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