



Faculty of Economics, University of Niš, 16 October 2015

International Scientific Conference

CHALLENGES IN BUSINESS AND ECONOMICS:
GROWTH, COMPETITIVENESS AND INNOVATIONS

**CORPORATE ENTREPRENEURSHIP
AND INCREASING COMPETITIVENESS WITH SPECIFIC
REFERENCE OF ENTERPRISES IN MACEDONIA**

Marija Magdinceva-Šopova *

Kiril Postolov •

Lidija Pulevska- Ivanovska •

Saso Josimovski •

Dusko Joseski*

Abstract: *Corporate entrepreneurship is new modern management concept in which essence is management with changing environment and constant innovation. Application of the concept of corporative entrepreneurship enables enterprises successful market appearance and achieving competitive advantage. This concept is focused on preparation of enterprises for achievement of innovative capability in different forms. In the applied part of this paper will be performed standard statistical tests such as ANOVA, frequency analysis, will be tested reliability of the questions (variables) in the questionnaire. Basic contribution in this paper is about expansion of the literature in this area and measurement of the intensity of investment as an indicator for the presence of corporative entrepreneurship and increase in the competitive advantage. On the basis of the results will be proposed directions for overcoming of the known state and improving of the working quality of the enterprises through the corporative entrepreneurship concept.*

Key words: *competitiveness, investment, corporative entrepreneurship, enterprises, quality promotion*

1. Introduction

Improving the work efficiency is a main challenge for every enterprise. A basis for success of enterprises is gaining competitive advantage by implementing organizational

* University Goce Delcev Štip, R.Macedonia;

✉ marijamagdincevasopova@gmail.com, dushkojoseski@gmail.com

• University SS. Cyril Methodius Skopje, R.Macedonia;

✉ kirilp@eccf.ukim.edu.mk, lidijap@eccf.ukim.edu.mk, sasojos@eccf.ukim.edu.mk

UDC 005.961:005.914.3(497.11)

culture that triggers innovations and innovativeness in the work processes. The organizational culture enables acceleration of the innovation process and affirmation of the corporate entrepreneurship concept. Entrepreneurship as a business area is oriented towards finding out how certain individuals discover and create new opportunities, new products or services, new markets, new production processes, new ways of using the existent technology, which are then used and developed in various ways in order to achieve different effects (Shane and Venkataraman, 2000, pp. 217-226).

Entrepreneurial behavior of enterprises is not only related to small enterprises or individual entrepreneurs but to all enterprises that encourage team work, innovative approach in work organization and improvement of the competitive position of the enterprises. Each large enterprise has to be able to do three important things in the same time: promote, grow and innovate (Drucker, 2005, p. 82).

In global work conditions, neither is entrepreneurship a natural creative process, nor are entrepreneurs individuals who are previously destined to become that as a result of innate characteristics they possess. Corporate entrepreneurship is a new management concept oriented towards management efforts to encourage and implement innovations in work processes as an opportunity to gain a competitive advantage. The corporate entrepreneurship concept is present in enterprises that implement new ways of work, new ideas, as well as a whole entrepreneurial philosophy entirely encompassing its processes (Covin and Miles, 1999, pp. 47-63).

Based on the results from our research, we propose directions for change of the existing state and improvement of the quality of work in the enterprises, with implementation of the concept of corporate entrepreneurship.

2. Characteristics of Corporate Entrepreneurship

A foundation for successful working in the current global environment is creating organizational culture which encourages entrepreneurial behavior, innovativeness and work flexibility. The new corporate entrepreneurship is a development strategy and a way for gaining and keeping competitive advantage. A commonly accepted definition on corporate entrepreneurship cannot be found in existing literature. Corporate entrepreneurship includes activities which encompass new ways of work, new resources, new customers, new markets and different, new combinations of resources, customers and markets (Ireland et al., 2009, pp. 19-46).

Enterprises which have implemented entrepreneurial, innovative behavioral culture are able to introduce changes in the organizational structure as well as changes in the way of thinking of the employees and managers. The dynamics in all segments of work, as well as the dynamic conditions in the market is forcing the enterprises to renew their knowledge continuously. The demand for new products, as well, encourages the development of the corporate entrepreneurship, because it obliges enterprises to think about possibilities of providing new products. Because of that many enterprises react on the dynamic change of the technical conditions and customers' demands with entrepreneurial behavior (Antoncic & Hisrich, 2004).

Corporate Entrepreneurship and Increasing Competitiveness with Specific Reference of Enterprises in Macedonia

As a foundation for gaining and keeping competitive advantage is the ability to create organizational structure which encourages entrepreneurial behavior and determination for innovativeness and flexibility regarding the changes and market demands. While according to the traditional concept of entrepreneurship, exclusively the entrepreneur is in charge of all the activities including the capital, idea, risk taking etc., according to corporate entrepreneurship, the enterprise or the corporation is in charge of all the activities.

3. Preconditions for Corporate Entrepreneurship

Corporate entrepreneurship is applied in those enterprises which support innovations and creativity of employees. The existence of organizational culture that encourages innovations provides certain preconditions for implementation of the corporate entrepreneurship concept. An important precondition for encouraging the innovativeness in enterprises is the existence of resources for research and development, open communication and entrepreneurial management. Innovative employees who implement the concept of corporate entrepreneurship are the proponents of the concept of corporate entrepreneurship, organizational concept, development of new products, processes, services and way of work which advance the work of the enterprises. Enterprises that implement corporate entrepreneurship are characterized by five basic elements: autonomy, innovativeness, proactivity, competitive aggressiveness and risk taking (Dess, Lumpkin and Eisner, 2007, p. 454).

According to the modern concept of the entrepreneur, the entrepreneur does not have to be owner of an enterprise, rather an individual who works in a large company and possesses entrepreneurial characteristics. Each enterprise, irrelevant of its size, has to be managed in an entrepreneurial way. The entrepreneurial management concept is a foundation of the entrepreneurship oriented enterprise. The size of the enterprise is not relevant when implementing innovations and entrepreneurial initiative. The dynamic work conditions change the concept of work for large enterprises. The development and the advancement of their work depends on the acceptance of the corporate entrepreneurship concept.

Each enterprise should have an entrepreneurial orientation as a precondition for success in the global market. The entrepreneurial behavior and the encouragement of entrepreneurial organizational culture makes it possible for large enterprises to gain competitive advantage compared to the other enterprises. The entrepreneurial culture accelerates innovative creativity, risk taking and organizational learning, while the basic characteristics of conservative culture are control, great number of rules and avoidance of business risk (Atuahene-Gima and Ko. A., 2001, pp. 54-74).

The enterprise management has little control over the events in the environment, but enterprises have to adapt to the dynamic changes of the conditions and the activities of the competition. The enterprise management has main role in the process of introduction of the corporate entrepreneurship concept. The management is obliged to implement market principles in work which are based on continuous enrichment of employees' knowledge. Entrepreneurial behavior of enterprises implies organizational

behavior oriented towards creating, renewal or innovation (Bhardwaj B.R. and Momaya K.B., 2011, pp. 187-205).

Managers have important role in creating enterprise which understands the value of knowledge and recognizes ways to use employees' knowledge. Competitive positioning of enterprises requires a set of activities and implementation of original innovative processes so that the enterprise compares its advantages to the competition in order to uncover the differences, sustain the desired state and improve the competitive advantage. The improvement of the enterprise competitiveness in prominent globalization processes depends on its ability to adapt to the challenges imposed by the economic integration processes or the ability to apply the corporate entrepreneurship concept. Enterprises are in the middle of new development phase characterized by finding new work opportunities, introduction of innovations, scientific discoveries, use of modern technology and change of the treatment of their employees. Successful enterprises connect their employees' knowledge and experience with the strategy and planned innovations, and as a result improve the profitability, growth and work performance.

4. Metodology of the Research

In order to perceive and determine whether companies in the Republic of Macedonia are familiar and apply the concept of corporate entrepreneurship as a new management concept and the connection of the level of investment in the acquisition of innovative capability a practical research is conducted. By using questionnaire which consists of fifteen questions 30 companies were examined all of which in private ownership within the country. From the surveyed companies, 25 indicated interest and filled in the questionnaire and the rest did not show any interest.

Based on the data related to the number of employees leaving during the year, the number of employees at the beginning of each year and the number of employees at year end for the period 2005 to 2014, the rate of employee turnover was calculated. The data on the average paid salary and the value of total assets in enterprises accounted for the period from 2005 to 2014 is also calculated. In the applied part of the paper the Cronbach Alpha coefficient is calculated, as well as the descriptive information related to the questions in the questionnaire, a one-way ANOVA was calculated test to determine the connection between questions using the Bartlett test for equal variances. These issues sets the hypothesis that if the value of funds had the same variance with any of the other matters, this would mean that they are mutually connected, which means that specific issue that treats part of the company's operations and has the same variance with the value of the enterprise assets means being respectively associated (affects the value of the enterprise).

**Corporate Entrepreneurship and Increasing Competitiveness
with Specific Reference of Enterprises in Macedonia**

5. Results

Cronbach Alpha coefficients are presented in Table 1.

Table 1. Results for Cronbach Alpha coefficients.

Item	Obs	Sign	item-test	item-test	average inter-item correlation	alpha
Corporate ent.	25	+	0.5677	0.4143	0.0996	0.549
type of business	25	+	0.4749	0.305	0.1084	0.5721
labour turnover	25	-	0.4358	0.2604	0.1121	0.5813
hired manager	25	+	0.3142	0.1266	0.1235	0.6079
specific training	25	+	0.4122	0.2339	0.1143	0.5867
average wage	25	+	0.2668	0.0763	0.128	0.6175
source of finance	25	-	0.4493	0.2757	0.1108	0.5782
value of assets	25	-	0.3826	0.201	0.1171	0.5932
innovation oriented	25	-	0.4944	0.3275	0.1065	0.5674
sector of innovation	25	+	0.3983	0.2184	0.1156	0.5898
innovation fund	25	+	0.6444	0.5083	0.0924	0.5283
Profitis dependent on innovations	25	+	0.3406	0.155	0.121	0.6023
Test scale					0.1124	0.6032

Source: author's research

Column 1 in Table 1 shows the number of observations and the average inter-item correlation between the questions. Beside that, it is presented the average Cronbach Alpha coefficient which estimates the reliability of the questionnaire.

Cronbach Alpha coefficient is acceptable - its value is 0.6032, while the average inter-item correlation is somewhat low - 0.1124.

The results from the descriptive statistics are presented in Table 2.

Table 2. Descriptive statistics

Variable	Observation	Mean	Std. Dev.	Min	Max
corporate ent.	25	0.32	0.476095	0	1
type of business	25	1.92	0.909212	1	3
labour turnover	25	21.69785	12.41527	7.54717	55.81395
hired manager	25	0.28	0.458258	0	1
specific training	25	0.28	0.458258	0	1
average wage	25	9158.8	1392.316	7250	14200
source of finance	25	1.8	1	1	3
value of assets	25	1.17E+06	1.12E+06	2.76E+05	4.13E+06
innovation oriented	25	0.92	0.276888	0	1
sector of innovation	25	1.72	0.979796	1	3
innovation fund	25	0	0	0	0
Profitis dependent on innovations	25	0.8	0.408248	0	1
risk taker	25	0.6	0.5	0	1

Source: author's research

**Marija Magdinceva-Šopova, Kiril Postolov, Lidija Pulevska- Ivanovska,
Saso Josimovski, Dusko Joseski**

According to the results of the descriptive statistics presented in Table 2 and the total number of observations we can conclude that the sample consists of 25 enterprises. On the first question: Do you understand the concept of intrapreneurship/corporate entrepreneurship, the arithmetic average is 0.32, but the standard deviation is 0.47. Significant percent from the enterprises have answered this question negatively.

The second question indicates the industry in which the enterprise operates. Most of the companies included in the sample are manufacturing enterprises.

The interpretations of the key results are as follows. Most of these enterprises do not have hired manager. The average annual labour turnover rate is 21.69%. The average labour turnover rate is calculated with this formula:

$$\text{average labour turnover rate} = \frac{\text{the number of employees that left the enterprise}}{\text{number of employees at the beginning of the period} + \text{number of employees at the end of the period}} \times 100$$

The highest and the lowest annual rates of labour turnover noted in this survey are 55.81% and 7.54%, respectively. Besides that, 62% of the enterprises do not organize specific training for the employees. The average wage in the 25 enterprises included in the sample is 9,158.00 MKD denars per month. The lowest salary is 7,250.00 MKD denars, while the highest salary is – 14,200.00 MKD denars per month. None of the enterprises uses only credit as a source of financing. Most of them have combination of credit and owner financing. The average value of the assets of the enterprises involved in there search is 117,000,000.00 MKD denars.

Additionally, 92% of the companies have respond that they accept and implement innovations. Most of the enterprises have responded that they have invested in new machinery and equipment, while only a few have implemented changes in the supply sector. Besides that, 92% of the enterprises in the sample have stated that they have established organizational unit for innovation, but none of them have innovation fund.

The last two questions are focused on the effects of the enterprise's innovations and innovation activities. 80% of the enterprises in this survey have stated that there are positive effects from implementing innovations, or that their profit level depends on implementing innovations, while the rest 20% of the enterprises do not think that there is an association between profit and innovation activities. The results from the last question have shown that 60% from the enterprises have positive attitude towards taking risks, while the other 40% do not take risks if not necessary.

In Table 3 we represent the results from the one way ANOVA test.

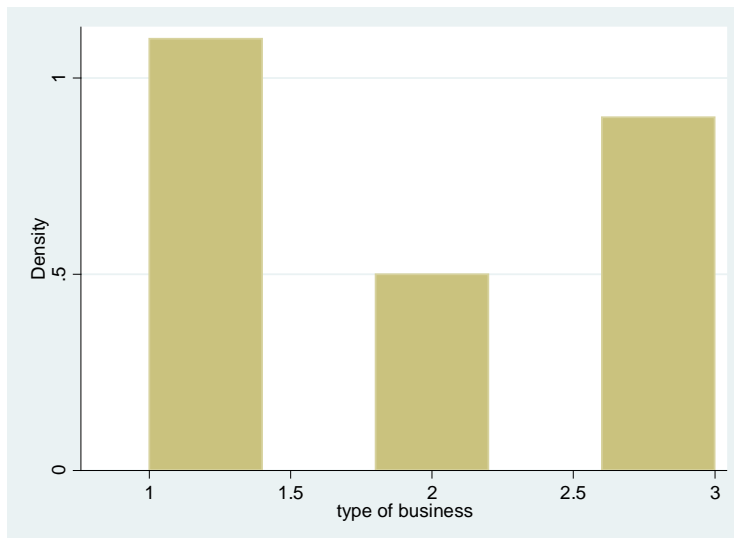
**Corporate Entrepreneurship and Increasing Competitiveness
with Specific Reference of Enterprises in Macedonia**

Table 3 One way ANOVA

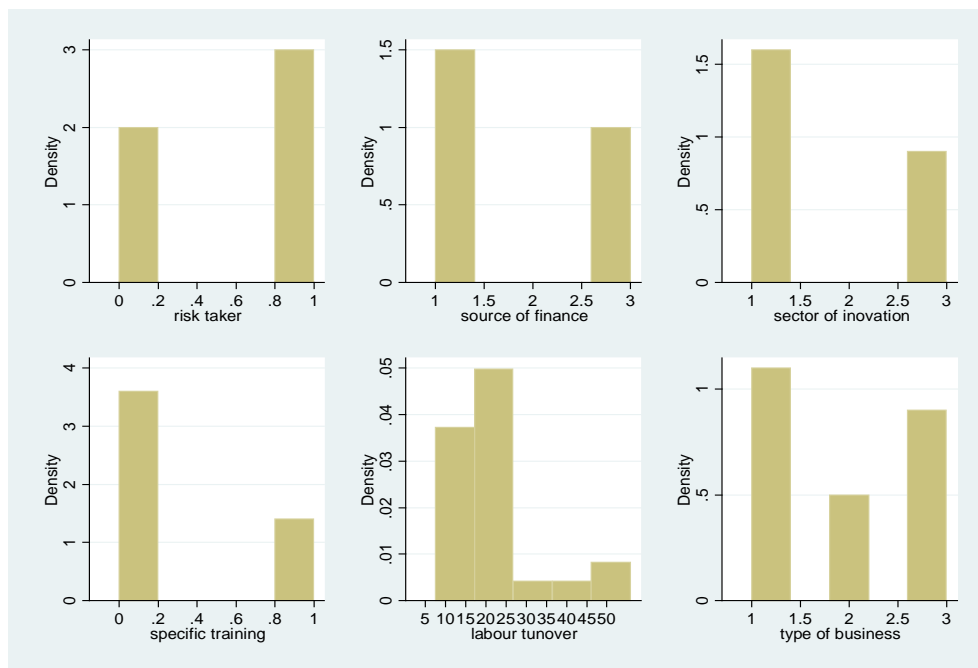
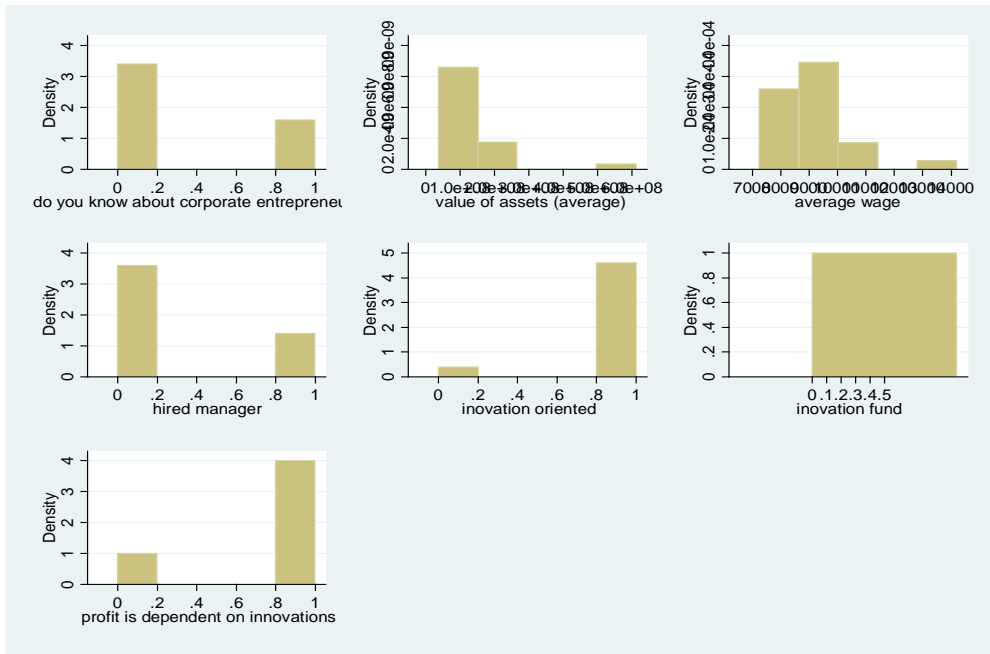
	Bartlett's test for equal variances0-chi(square)
value of assets-corporate ent.	0.017
value of assets-type of business	0.000
value of assets-labour turnover	n.a.
value of assets-hired manager	0.014
value of assets-specific training	0.013
value of assets-average wage	0.943
value of assets-source of finance	0.002
value of assets-innovation oriented	0.458
value of assets-sector of innovation	0.000
value of assets-innovation fund	n.a.
value of assets- profitisdependentoninnovations	0.000
value of assets- risk taker	0.000

Source: author's research

Appendix 1: Histograms of frequencies



Marija Magdinceva-Šopova, Kiril Postolov, Lidija Pulevska- Ivanovska,
Saso Josimovski, Dusko Joeski



Corporate Entrepreneurship and Increasing Competitiveness with Specific Reference of Enterprises in Macedonia

Conclusion

Corporate entrepreneurship is a new management concept in the enterprises' operations, which enables competitive advantage and improves their position on the market. This concept encourages and adopts a new ways of performing the operations through implementation of entrepreneurial and organisational culture. Furthermore, the concept develops innovation capacities of the enterprises. The entrepreneurial behaviour of the enterprises is not exclusive characteristic for small enterprises and for the entrepreneurs, but is also characteristic of all enterprises which encourage team work and innovation as alternative market approach.

Innovative activities could be performed only by motivated workers which have positive perception of the permanent changes in the working activities. According to the conducted survey and the analysis of the variances of the survey questions, the dependences between the questions for the assets value and the rest of the questions could be confirmed. The essential role in the introduction of the concept of corporate entrepreneurship has the management of the enterprises.

The appropriate model for adoption of the corporate entrepreneurship and the required support for this concept are prerequisites for development of the enterprises. The model of corporate entrepreneurship consists of establishing conditions for support of the innovations, motivation of the employees to accept the changes, team work, high level of tolerance and positive attitude for innovations. The primary aim of the model is to ensure support of the management for development of different types of innovations which enable creation of the new values for the enterprises and employees.

Literature

1. Antoncic, B., and Hisrich, R. D. (2004). Corporate entrepreneurship contingencies and organizational wealth creation, *Journal of Management Development*, No.23, pp. 518-550.
2. Bhardwaj B.R. and Momaya K.B., (2011), Drivers and enablers of corporate entrepreneurship case of a software giant from India, *Journal of Management Development*, No.30, pp.187-205
3. Covin J.G and Miles M.P. (1999), Corporate entrepreneurship and pursuit of competitive advantage, *Entrepreneurship: Theory and Practice*, 23 (3), pp.47-63
4. Covin J.G.&Slevin D.P. (1990), New venture strategic posture, structure and performance: An industry life cycle analysis, *Journal of Business Venturing*, No.5
5. Davis T.M.(2006), Corporate entrepreneurship assessment instrument(CEAD): Systematic validation of a measure Ohio: Air Force Institute of Technology, Wright-Patterson Air Force Base
6. Dess G., Ireland R., Zahra S., Floyd S., Janney J.& Lane P., (2003), Emerging issues in corporate entrepreneurship, *Journal of Management*, No.29
7. Drucker P.(2005), Управување во новото општество, Адигес, Нови Сад, 2005, стр.82
8. Hisrich R.D& Peters M.P.(1998), *Entrepreneurship: Starting, Developing and Managing a New Enterprise*, 4th edition, Chicago

**Marija Magdinceva-Šopova, Kiril Postolov, Lidija Pulevska- Ivanovska,
Saso Josimovski, Dusko Joseski**

9. Ireland R.D., Covin J.G. and Kuratko D.F., (2009), Conceptualizing corporate entrepreneurship strategy, *Entrepreneurship Theory and Practice*, No.33, pp.19-46
10. Morris M.H.& Jones F.F.(1999), Entrepreneurship in established organizations: The case of the public sector, *Entrepreneurship Theory and Practice*, No.24
11. Morris M., Kuratko D., &Covin J., (2010), *Corporate Entrepreneurship & Innovation* (3th edition), Mason: South-Western College Pub.
12. Sathe V.(2003), *Corporate Entrepreneurship, Top Managers and New Business Creation*, Cambridge UK: Cambridge University Press
13. Shane S. and Venkataraman S., (2000), The promise of entrepreneurship as a field of research, *Academy of Management Review* No.25, pp.217-226