CORPORATE ENTREPRENEURSHIP FOR CONTRACTING COMPANIES: THE CURRENT/issues

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Entrepreneurship has recently received major attention from many business practitioners and scholars and evolved rapidly in many industries. Due to the project based nature, high competition and business risk characteristics of the construction industry, entrepreneurship is considered very important for sustaining and improving the performance of contractors. An extensive literature review on entrepreneurship, with a particular focus on the implementation of corporate entrepreneurship by contractors, has been carried out. It was found that corporate entrepreneurship is defined by many characteristics. This study adopted the characteristics which are grouped into five categories: innovativeness, risk-taking, competitive aggressiveness, pro-activeness, and autonomy (Lumpkin and Dess, 1996). There is very little research focusing on entrepreneurship in the construction industry, exploring those characteristics together. So far, researches in construction management have only been carried out in innovativeness, risk taking and competitive aggressiveness individually. This study, as part of doctoral study, is aimed at clarifying the entrepreneurship concept and presents a theoretical framework to investigate entrepreneurship in construction in a systematic way in order to illuminate further studies that will investigate the relationships between each characteristic and to explore the outcomes of different combinations of these characteristics in terms of corporate strategies.

Keywords: corporate strategy, contractors, entrepreneurship.

INTRODUCTION

The construction industry has been considered as an industry that drives a country social and economic establishment (Halpin and Woodhead 1998, Winch 2010, Wong et al. 2010). The industry is responsible for providing and maintaining physical assets which are beneficial to the nation to achieve social and economic goals (Gann and Salter 2000, Winch 2010).

High competition and high risk have been considered as the construction industry's challenge (Schaufelberger 2009). However, Chinowsky (2001) points out that

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construction companies tend to apply prudent and conventional management in their businesses in many ways. To achieve long term success, construction companies need to implement the right corporate strategy. This study hypothesizes that entrepreneurship is an important strategy that can be applied in construction businesses.

Over the last few decades, the term entrepreneurship has become very popular, phenomenal and is widely discussed among people around the world (Hebert and Link 1989, Lumpkin and Dess 1996, Yalcin and Kapu 2008). Entrepreneurship has been considered as an important driving factor of business success (Covin and Slevin 1991, Lumpkin and Dess 1996, Wiklund and Shepherd 2003). Many practitioners and scholars have considered entrepreneurship as an important issue and given serious and deep attention to it (Luchsinger and Ray Bagby 1987, Hebert and Link 1989, Sharma and Chrisman 1999, Lazear 2005, Yalcin and Kapu 2008). Consequently, research efforts on entrepreneurship have developed rapidly and significantly, and spread widely into a variety of disciplines, such as history, management, psychology, sociology, economics (Hebert and Link 1989, Schendel 1990, Gartner et al. 1992, Moon 1999, Sexton and Landstrom 2000, Hoskisson et al. 2011, Brandstäetter 2011). The boundaries of entrepreneurship have expanded from 'individuals creating a new venture' to 'a business concept to run an existing company and individuals within that company' (Luchsinger and Ray Bagby 1987, Jennings and Lumpkin 1989, Covin and Dess 1996, Lumpkin and Dess 2001, Antoncic and Hisrich 2003).

This study is aimed at clarifying the concept of entrepreneurship and exploring the implementation of entrepreneurship in construction in a systematic way. In reviewing the literature, it was found that entrepreneurship can be divided into individual and corporate entrepreneurship. This study focuses on corporate entrepreneurship for contractors because corporate entrepreneurship covers the activities within the company, while contractors must deal with high business competition and particular challenges such as maintaining a good relationship with the clients who are actively involved in the construction process (Nam and Tatum 1997), and bringing together numerous independent and diverse companies under one goal (Barrett et al. 2008, Gould and Joyce 2009).

**ENTREPRENEURSHIP**

Despite the numerous studies on entrepreneurship, a coherent and holistic theoretical underpinning of entrepreneurship is still lacking. It is still the concern of many scholars around the world to find one consistent and acceptable definition of entrepreneurship (Jennings and Lumpkin 1989, Gartner 1988, Lumpkin and Dess 1996, Sharma and Chrisman 1999, Moon 1999). Many definitions on entrepreneurship are available from previous research efforts. When these definitions are investigated, it emerged that entrepreneurship has been considered as an action (Hebert and Link 1989, Jones and Butler 1992, Lumpkin and Dess 1996, Sharma and Chrisman 1999) or a process (Bolton and Thompson 2004, Lazear 2005, Yalcin and Kapu 2008); and is related to either individuals in a firm (Hebert and Link 1989, Sharma and Chrisman 1999, Bolton and Thompson 2004, Brandstäetter 2011) or the firm (Jones and Butler 1992, Lumpkin and Dess 1996, Lazear 2005, Yalcin and Kapu 2008).

Entrepreneurship is linked to creating new business (Yalcin and Kapu 2008) or maintaining existing business (Jones and Butler 1992, Lazear 2005) or both (Hebert and Link 1989, Sharma and Chrisman 1999, Lumpkin and Dess 1996, Bolton and
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Thompson 2004). Different aspects are highlighted in the definitions such as opportunity (Jones and Butler 1992), risk (Hebert and Link 1989), creativity (Hebert and Lin 1989, Jones and Butler 1992, Bolton and Thompson 2004, Brandstätter 2011), and innovation or newness (Lumpkin and Dess 1996, Sharma and Chrisman 1999, Lazear 2005, Brandstätter 2011).

**Corporate Entrepreneurship and Individual Entrepreneurship**

Existing work on entrepreneurship suggest that entrepreneurship can be applied at two levels: the individual level and the organizational level. Entrepreneurship at the organizational level has been considered as corporate entrepreneurship (Burgelman 1983, Jennings and Lumpkin 1989, Guth and Ginsberg 1990, Schendel 1990, Sharma and Chrisman 1999) or intrapreneurship (Kuratko et al. 2005, Antoncic and Hisrich 2003). The authors prefer corporate entrepreneurship term since it is more commonly used in the extant literature.

This study has reviewed several definitions of corporate entrepreneurship and found three main aspects in almost all definitions. The three aspects are renewal or extension of on-going business, creating new business and taking place within existing organizations (Burgelman 1983, Jennings and Lumpkin 1989, Guth and Ginsberg 1990, Schendel 1990, Sharma and Chrisman 1999, Antoncic and Hisrich 2003). Entrepreneurship at the individual level refers to entrepreneurs and intrapreneurs. Both are related to individuals involved in business process but in different situations and conditions.

Three different subjects have been identified in previous definitions of entrepreneurs which are: business initiators or creators (Luchsinger and Ray Bagby 1987, Gartner 1988, Sharma and Chrisman 1999, Lazear 2005), or owners (Brockhaus 1980, Gartner 1988), or managers (Brockhaus 1980, Sharma and Chrisman 1999, Luchsinger and Ray Bagby 1987). These subjects were related to the several activities in running a business, such as combining resources (Hebert and Link 1989, Lazear 2005), creating innovation (Hebert and Link 1989, Sharma and Chrisman 1999, Bolot and Thompson 2005), and making judgmental decisions (Hebert and Link 1989).

Additionally, the subjects are also associated to risk and uncertain condition (Hebert and Link 1989, Luchsinger and Ray Bagby 2001), and the principal purposes of profit and company growth (Gartner 1988).

Intrapreneurs are considered as employees of a firm who do not have full responsibility for the business success but are considered important for the business success because ideas of company’s top management to renew the organization are often subsequently implemented by the managers at ranks below top management (Burgelman 1983, Martiarena 2011). Compared to entrepreneurs, intrapreneurs tend to take less risk because they work for owners within corporate boundaries (Pinchot 1986, Ross 1987, Thornberry 2006, Martiarena 2011).

Based on the previous reviews, Table 1 summarizes the definitions of terminologies that are used in this study.

**The Characteristics of Corporate Entrepreneurship**

Since this study focuses on corporate entrepreneurship, this part will review the characteristics of corporate entrepreneurship proposed in previous research. There is a large volume of published studies describing characteristics of corporate entrepreneurship. This study identified several characteristics such as innovation/venturing within existing organizations and strategic renewal of existing
organizations (Guth and Ginsberg 1990), risk-taking, innovative, and proactive (Covin and Slevin 1991), innovativeness, risk taking, pro-activeness, competitive aggressiveness and autonomy (Lumpkin and Dess 1996), new ventures, new business, product/service innovativeness, process innovativeness, self-renewal, risk taking, pro-activeness and competitive aggressiveness (Antoncic and Hisrich 2003). This study adopts the five characteristics suggested by Lumpkin and Dess (1996) because of their comprehensiveness and conceptual clarity. They cover all characteristics which were suggested by other scholars and were followed by some further discussions such as the distinction between competitive aggressiveness and proactiveness (Lumpkin and Dess 2001), and the relationship between each characteristic to business performance (Hughes and Morgan 2007). These characteristics are defined in Table 2.

**Table 1: The Definitions of Terminologies for this Study**

<table>
<thead>
<tr>
<th>Terminologies</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Entrepreneurship</td>
<td>activities or processes at personal or organizational level in the context of creating a new business or managing existing business, considering opportunity, risk, creativity and innovation as important aspects</td>
</tr>
<tr>
<td>Corporate Entrepreneurship</td>
<td>entrepreneurial activities or processes within an existing organization to renew on-going business and to create new business</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>owner, not always the initiator, of the company who is running a business, by creating an opportunity, inventing and commercializing creative innovation on new goods and/or services and new methods of production under risk and uncertain conditions</td>
</tr>
<tr>
<td>Intrapreneurs</td>
<td>individual within or work for the organization (employees) that have and use entrepreneurial skills for organization development</td>
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**Table 2: Characteristics of Corporate Entrepreneurship (Lumpkin and Dess 1996 & 2001)**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Autonomy</td>
<td>independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion.</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>a willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&amp;D developing new processes.</td>
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<tr>
<td>Risk taking</td>
<td>a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes, and/or borrowing heavily.</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment.</td>
</tr>
<tr>
<td>Competitive Aggressiveness</td>
<td>reflects the intensity of a firm’s efforts to outperform industry rivals, characterized by a combative posture and a forceful response to competitor’s actions.</td>
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**CORPORATE ENTREPRENEURSHIP IN CONSTRUCTION**

Numerous studies have tended to consider contractors as project based firms (PBFs) which are characterized by temporary project within permanent firm in order to deliver an unique end product to meet client’s need (Gann and Salter 2000, Barrett and Sexton 2006, Blindenbach-Driessen and van den Ende 2006, Bosch-Sijtsema and Postma 2009). In carrying out their activities, contractors need to manage both business and project which have different characteristics. Business processes involve repetitive activities while projects are usually temporary and unique (Gann and Salter 820
Volpe and Volpe (1991) identified two main challenges to be successful in contracting business: to win competitions to get projects and to deliver projects successfully.

This study develops the theoretical framework shown in Figure 1 in order to present the findings of an extensive literature review on corporate entrepreneurship for contractors considering these challenges. The framework illustrates the theoretical relationship between five characteristics of corporate entrepreneurship with the contractors. Factors that influence each characteristic of corporate entrepreneurship and the role of entrepreneurs and intrapreneurs in contractors’ activities are also drawn in the framework. Each part of the framework is discussed below.

**Corporate Entrepreneurship**

- **Enablers**
  - Innovativeness
  - Risk Taking
  - Competitive Aggressiveness
  - Proactiveness
  - Autonomy

- **Barriers**

**Corporate Strategy**

**Entrepreneurs (owner / top management) and Intrapreneurs (Project managers & Supervisors)**

**Construction Business**

**Construction Projects**

*Figure 1: Theoretical Framework of Corporate Entrepreneurship for Contracting Companies*

**Contractors**

Contractors need to integrate construction businesses and construction projects in order to maintain the continuity of tacit knowledge from one project to another project (Blayse and Manley 2004). It was considered that the success of a project cannot be achieved by management of the project alone but by the integration of management of project and management of business. It was also found that technical supports from central resources within contractors are mobilized to projects (Gann and Salter 2000).

**Corporate Entrepreneurship and Contractors**

Pellicer et al. (2010) argued that innovative performance is essential for companies to reach and maintain a successful competitive position in order to develop scientific and technological capacities in a wide range of technical fields. Barrett et al. (2008) suggested that sustainable competitive advantages can be enhanced through successful creation, management and exploitation of appropriate innovation. Innovation outcomes will improve market growth (Slaughter 1998), increase the opportunity to win projects (Blayse and Manley 2004), solve clients’ problems (Blindenbach-Driessen and van den Ende 2006), improve quality (Gambatese and Hallowell 2011b), and improving reputation (Lim et al. 2010). Innovativeness can also increase

Contractors' risk attitude has been considered as an important aspect of contractors' competitive success for survival and growth. Risk attitude is a basis of risk taking behaviour (Kim and Reinschmidt 2011a). Their further study recommended that contractors' risk attitude has a relationship with diversification as the contractors' corporate strategy for survival and growth (Kim and Reinschmidt 2011b). Contractors' risk attitude is also associated to bid decision in an international construction project (Han et al. 2005).

Entering international market has been considered as a contractors' strategy to deal with construction market change (Han et al. 2010), to avoid domestic market recession (Jung et al. 2010) and to counter the domestic business cycle (Abdul-Aziz and Wong 2010). Contractor's strategy to enter the international market can be considered as a contractor's competitive aggressiveness.

Factors influencing corporate entrepreneurship characteristics

A variety of factors that influence innovativeness, risk taking and competitive aggressiveness in construction have been identified in the literature review. Blayse and Manley (2004) identified the factors influencing innovativeness in construction as clients and manufacturing firms, the structure of production, industry relationship, procurement system, regulation and standards, organizational resources (e.g. leadership, communication, etc.). Their finding was supported by other authors (Barrett and Sexton 2006, Blindenbach-Driessen and van den Ende 2006, Bosch-Sijtsema and Postma 2009). Meanwhile risk taking is influenced by consequences of decision making, personal condition of decision maker (such as: psychological traits and experiences), condition of project (such as: completeness of project information, uncertainty in cost estimates, contract size), condition of company (such as: urgent need for work, the availability of required cash) (Wong and Hui 2006, Wang and Yuan 2011, Acar and Göç 2011). Finally experience in bidding, support of government for international market expansion, worldwide demands, and high competition in domestic market are considered as factors that influence competitive aggressiveness (Fu et al. 2002, Zhao and Shen 2008).

No studies focusing on the factors that influence proactiveness and autonomy have been found during the literature review. This is identified as one of the gaps in the current corporate entrepreneurship research and will be investigated further in the following stages of the doctoral study.

Entrepreneurs and Intrapreneurs in Contractors

Entrepreneurs and intrapreneurs are considered as an important factor that support innovativeness and risk taking in construction. Gambatese and Hallowell (2011a) mentioned that the specific characteristics of Project Managers and Supervisors are the most impactful factors of innovativeness in construction, support of upper management is also considered as enabling factor of innovation in construction (Gambatese and Hallowell 2011b). Meanwhile decision makers’ attitudes towards risks play an important role in risk-based decision making (Wang and Yuan 2011).

FUTURE RESEARCH

This study posits that there is very little discussion about entrepreneurship in construction literature. The study on entrepreneurship at the individual level to date
has tended to focus on the characteristics of entrepreneurs and intrapreneurs. However, no study was found to consider the involvement of entrepreneurs and intrapreneurs in contractor firms even though they have been considered important for contractors' success.

Previous research efforts in construction management focusing on entrepreneurship at the corporate level have investigated only three characteristics of corporate entrepreneurship: innovativeness, risk taking and competitive aggressiveness. Several research efforts are found on innovativeness, whereas there is very little research on risk taking and competitive aggressiveness could be found. Previous research focused mostly on risk management instead of risk taking behaviour and competitive advantage instead of competitive aggressiveness. No research has been found that explored proactiveness and autonomy.

In addition, there is no research that addresses the five characteristics together. Integrating several characteristics at once will provide more accurate idea of corporate entrepreneurship than focusing on one single characteristic. This doctoral study will focus on bridging these gaps in corporate entrepreneurship research and will investigate the relationship between entrepreneurship and success of business and project with an ultimate aim of developing a model that will guide contracting companies in successful implementation of corporate entrepreneurship.

In order to identify the relationship between characteristics of corporate entrepreneurship and how they influence the success of contractors business, interviews will be conducted with the key parties in selected contractor firms. Two groups of resources will be interviewed in order to get the idea from firm level and project level. The first group are contracting firms' top management and the second are project managers. The results of the interview will be analysed using grounded theory in order to identify findings that are perceived to be most significant by the interview respondents. Subsequently, quantitative measures, specifically Structural Equation Method would be useful for supplementing and extending the qualitative analyse. The findings from these analyses would be used to develop the corporate entrepreneurship model.

CONCLUSIONS

This study has reviewed the concept of entrepreneurship and the specific nature and challenges for contractors. Appropriate definitions of several terminologies that are related to entrepreneurship have been derived for this study. The application of corporate entrepreneurship has also been investigated. Finally the theoretical framework of corporate entrepreneurship for contractor firms has been developed to underpin the further study on how the performance of entrepreneurship in construction is affected through integration of several characteristics at once. A wider study aimed at developing a framework for entrepreneurship development in contracting firms is ongoing.

REFERENCES


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