Business Horizons (2014) **57**, 37—47

Available online at www.sciencedirect.com

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Diagnosing a firm's internal environment for corporate entrepreneurship

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KEYWORDS
Corporate entrepreneurship;
Measurement;
Internal environment;
Corporate Entrepreneurship Assessment Instrument;
Diagnostic tools

Abstract Apple, 3M, Procter & Gamble, and Google know the importance of an internal environment supportive of innovative activity. But how is that environment identified or measured? As research on corporate entrepreneurial activity has evolved, numerous researchers have acknowledged the importance of internal organizational dimensions to promoting and supporting an environment for innovation. This research has identified five specific dimensions that are important determinants of an environment conducive to entrepreneurial behavior: (1) top management support, (2) work discretion/autonomy, (3) rewards/reinforcement, (4) time availability, and (5) organizational boundaries. If an organization is serious about developing an internal environment conducive to entrepreneurial activity, then it must seek to measure the specific dimensions associated with an innovative environment. In this article we introduce an instrument, the Corporate Entrepreneurship Assessment Instrument (CEAI), as a diagnostic tool used for assessing managers' perceptions of the five major dimensions critical to creating an entrepreneurial/innovative environment. This instrument provides an indication of a firm's likelihood of being able to successfully implement an innovative strategy, and highlights areas of the internal work environment that should be the focus of ongoing development efforts.

1. The innovation imperative

Today, continuous innovation—in terms of products, processes, and administrative routines and structures—is needed to compete effectively in the global markets of the 21st century. Executives agree that innovation is the most important pathway for companies to accelerate their pace of change in the global environment. Yet Apple questions how the

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0007-6813/$ — see front matter
http://dx.doi.org/10.1016/j.bushor.2013.08.009

death of Steve Jobs will impact its internal environment of innovation (Bedigian, 2011); 3M works mightily to regain its former innovative heritage (Gunther, 2010); Procter & Gamble (P&G) develops a special division to cultivate innovations for tomorrow but still wonders how this translates to its internal environment (Brown & Anthony, 2011); and Google is contemplating various strategies for enhancing the innovative prowess of its workforce (Finkle, 2012). It is clear that some of today's most recognized innovative companies are working overtime to figure out the challenge of sustaining an innovative environment amidst constant change. Apple, 3M, P&G, and Google are just four examples of growing firms where the mantras are all too similar: sustain an internal environment of innovation in order to excel in the 21st century. These firms and thousands of others realize there must be elements within their organization that should be managed in order to enhance the innovative capacities of their managers. There are numerous writings about reward systems, management support, and managerial autonomy to encourage the innovative environment. But how are organizational leaders supposed to gauge these elements?

Corporate entrepreneurship—a significant form of corporate innovation—is envisioned to be a process that can facilitate firms' efforts to innovate constantly and cope effectively with the competitive realities companies encounter when competing in world markets. Leading strategic thinkers are moving beyond the traditional product and service innovations to pioneering innovation in processes, value chains, business models, and all functions of management (Govindarajan & Trimble, 2005). Thus, corporate entrepreneurship and innovation are concepts that have captivated the interest of executives in many corporate boardrooms (Morris, Kuratko, & Covin, 2011). All organizations are facing times requiring innovative vision, courage, calculated risk-taking, and strong leadership. As Kuratko (2009) pointed out, organizations must realize the entrepreneurial imperative of the 21st century is now at hand.

Firms that exhibit corporate entrepreneurship are typically viewed as dynamic, flexible entities prepared to take advantage of new business opportunities when they arise (Kuratko, Goldsby, & Hornsby, 2012). They explore new business domains, as well as new ways of conducting business within existing domains. Deviation from prior routines, strategies, business models, and operating environments are typical modes of operation in these innovation-minded companies. In other words, corporate entrepreneurship flourishes in established firms when individuals are free to pursue actions and initiatives, regardless of the 'rules.' As Steven Brandt of Stanford once said: "Ideas come from people. Innovation is a capability of the many" (Kuratko, 2014, p. 68).

Research has shown that there are uncontrollable factors in the external environment which may be related to entrepreneurial activity inside an organization. For instance, hostile and technologically sophisticated environments have been shown to be conducive to developing and implementing a corporate entrepreneurial strategy (Bradley, Aldrich, Shepherd, & Wiklund, 2011; Chattopadhyay, Glick, & Huber, 2001). Hostile environments are characterized by such factors as high firm failure rates, intense competitive pressure, and price-based competition. Technologically sophisticated environments are characterized by such factors as significant R&D investments, frequent product and/or process technology changes, and a reliance on superior technical personnel as key bases of competitive advantage (Bettis & Hitt, 1995). Ireland, Covin, and Kuratko (2009) argue that an organization's top-level managers should exhibit a strategic intention toward entrepreneurial activity for their firms to successfully compete in such environments. This intention finds managers seeking methods under their control that could enhance the organization's internal environment for entrepreneurial activity.

Recognizing the importance of an organization's commitment to the perpetuation of innovation as a strategy, Ireland et al. (2009, p. 21) conceptualized a corporate entrepreneurship strategy as "a vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity." It should be recognized that this type of strategy is hard to create and, perhaps, even harder to perpetuate in organizations because entrepreneurial activity is not inherently focused, cumulative, productive, or strategically relevant. Morris et al. (2011) warn managers that to be successful, entrepreneurial activity must be carefully integrated into the organization's overall strategies. In doing so, the internal environment of an organization—which can be influenced by managers—must be conducive to the initiation and sustainment of innovation-inducing strategies.

2. An internal environment for corporate entrepreneurship

One of a manager's controllable areas of corporate entrepreneurship is creating a work environment