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Investigating Factors Impelling the innovation performance: A perspective from Internal Corporate New Business Venturing on Manufacturing Industry.

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Abstract

Today's businesses must innovate to survive in record time to keep up with constant technology advancements and continual customer demand. And organization initially attempts to develop innovation from the inside by leveraging their employees. This study provides insight on effects that influence the entrepreneurial attitude toward the innovation performance in the context of searching for new business through internal corporate new business venturing programs. There are 71 participants of an internal business venture program in manufacturing company responded in regard to their intrapreneur attitude and Corporate Entrepreneurship Climate toward their innovation performance. This model analyzed using Structural Equation Model – Partial Least Square (SEM-PLS) with the result that only internal locus of control and market orientation are two attitudes that significantly relates to innovation performance, and these attitudes are compelled by management support and organization boundary.

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I. INTRODUCTION

Corporate Innovation is vital for the survivability of a company [1], [2]. Especially in recent years, the disruption due to technology shortens the longevity of companies. The research shows that the average tenure of companies in the S&P 500 in 1964 is 33-years. It is narrowed to 24 years by 2016 and forecast to shrink to just 12 years by 2027. [3]. The same research mentioned that 52% of the Fortune 500 companies have gone bankrupt, been acquired, or closed, and 75% of these companies will be replaced by 2027. Innovation is not easy and is not an instant process, it requires continuous reinforcement and integrates all organizational aspects like mission, goals, strategies, structure, processes, value of the organization, and especially the mindset not only of the manager but also employee [4].

Entrepreneurship is the foundation of innovation [5]. It is the way entrepreneurs explore and exploit new or endows existing resources to enhance potential wealth creation [4]. In the corporation, entrepreneurial activities are called corporate entrepreneurship interchangeable with intrapreneurship and the interest in these topics is trending up in recent years. Corporate entrepreneurship could increase company profits and performance. It influences the proactiveness and risk-taking propensity of companies in developing new products and services, new strategies, and business models that become their competitive advantage to win in the competition and survive [6].

The quality of corporate members and the environment are two aspects that will impede or impel the innovation. The quality of the manager and employees which includes knowledge, experience, commitment, and motivation are fundamental and crucial factors required for innovation [7]. These attributes are linked to the entrepreneurial orientation of the employee [8]. The organization environment is the knowledge embedded in organizational routines, structure, process and systems [7].

The internal innovation program is initiated to motivate employees, attract high-quality candidates, foster and stimulate change in organizational culture with the purpose not only to improve an existing product, services, and process but also to create a new portfolio and understand customer's market needs and engagement [2].

Despite the abundance development of theoretical research that studies the relationship of entrepreneurship with innovation, there is still a lack of research on how the

entrepreneurial orientation relates to the innovation performance as part of the Internal corporate innovation program, including as well factors that impede or impede these relationships.

II. LITERATURE REVIEW

2.1. Internal Corporate New Business Venturing

The technology advancement and the customer behavior and customer power change beyond consumption, forces many companies to change their paradigm from building profit maximization that does not sustain external disruption but also able to embraces innovation in a comprehensive and effective way [2]. Organization leverage their customer, employees, suppliers, academic partner, accelerators and incubators [9] with their internal and external innovation program [2] that manifested into corporate accelerator program, open innovation, internal R&D Labs, hackathons and Startup competitions, crowdsourcing and implementing rapid prototyping, spawning internal entrepreneurial ventures just to name a few [2], [10].

The corporate new business venturing is initiative by a company to creates products/services that are different from the products/services produced by the their parent company with purpose to support the current products/services by leveraging existing organization structure and resources.[6], [11]. The result of new business venturing is product/services re-definition, change of business model and new market development and said to be the most significant factor of intrapreneurship [6]. It uses creative processes by recognizing opportunities in the business environment and creating opportunities within the resources of organization[12]. Shaw, A. O'Loughlin, and McFadzean [13] elaborate further the process of corporate new business ventures to recognition of opportunity, appropriation, exploitation, marketing and implementation. This research will focus on the opportunity recognition and appropriation of the new business venture idea.

2.2. Intrapreneur Attitudes

Intrapreneurship is an individual entrepreneurship within an organization [14]. Various studies of intrapreneur relates to the characteristics of human resources in the organization [7], [14]. There are similarities and differences between entrepreneur and intrapreneur. Both are innovative people with determination to create value with risk taker behavior with different company culture versus market obstacles, difference in source of funding and risk objects [6].

The systematic literature review by Blanca [14] stated that there are at least 5 intrapreneurship research streams based on the analytical level: (1) individual level either

middle-level manager or non-managerial level that in essence discuss on employee demographics, personality, behavior, leadership, perception, human and social capital, and affiliation. (2) organization level studied research on the structure and processes, support and promoters, rewards and culture. (3) Contextual level that researched firm type, national and environmental characteristic, technology and academic (4) Outcomes that measures behavioral outcomes, intrapreneurial activity, performance. (5) Promoters that analyze the individual level outcomes, process and development support.

There are growing numbers of individual intrapreneurial behavior with focus on the attitudes, subjective norms and perceived behavioural control influence entrepreneurial intentions attitude in the organization [14]. Developing from Jain and Ali [15], this study will use six Entrepreneur Attitude to build and test its model: achievement orientation (AO), risk-taking propensity (RTP), internal locus of control (ILC), innovativeness (INNOV), proactiveness (PROACT) and market orientation (MO). Achievement orientation refers to one character taking responsibility for decision, goals setting and accomplishment, desires for feedback. is a psychological variable which reflects ability of an individual to take calculated risk and achievable challenges and is a characteristic that is very frequently used to describe entrepreneurial behaviour [15]. Internal locus of control is self control based on the personal belief that one has influence over outcome through self ability, effort or skills. Innovativeness refers to a tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result new product services and technological processes [16]. Proactiveness refers to an opportunity-seeking, forward-looking perspective that involves introducing new products or services ahead of the competitors, and acting in anticipation of future demand to create change and shape the environment. Market orientation is the organization-wide generation of market intelligence pertaining to current and future needs of the customers, dissemination of intelligence horizontally and vertically within the organization and organization-wide action or responsiveness to it.

2.3. Innovation Performance

Defining the innovation performance in the corporate venture is difficult and many time leader misled with what to expect[17], There are four issues that leader faced: (i) type of innovation is being sought (ii) coordinating managerial roles (iii) using effectively operating controls and (iv) properly training and preparing individual [18]. To bring the idea to concept to execution requires positive feedback from relevant stakeholders by proof of concept feasibility, desirability and viability. The feasibility analysis comprises preliminary evaluation of an idea to determine whether or not to pursue the idea [19]. The proof feasibility will answer whether the

idea can be produced or functional in the future. The proof of desirability becomes an important aspect and questions whether the customer meets the customer expectation. And lastly the concept of viability will try to prove whether the product/services product is viable economically from a financial perspective [17]. After the idea meet the acceptable level of feasibility, development of business plan that comprises of the planning of people (management and personnel), opportunity (product and services), context (technological, market and industry, competition and government), risk and reward (financial projection on balance sheet, income statement, cash flow, break-even analysis, capital requirement and strategy)[19]. As part of the early internal innovation program, the feasibility and business plan result used as the proxy for measuring the innovation performance of the intrapreneur.

2.4. Corporate Entrepreneurship Climate

The corporate entrepreneurship climate is required to facilitate the support of the current corporate entrepreneurial activities. This study uses Corporate Entrepreneurship Climate Instrument (CECI) to measure the supporting factor of organization [20]. It comprises of several factors: {i} Management Support (MS) relates to support by top-level manager to facilitate and promote entrepreneurial behavior, (ii) Work Discretion (WD) allows commitment to tolerate failure and provide decision making latitude and freedom for excessive oversight and to delegate authority and responsibility to middle and lower level managers, (iii) Reward and Reinforcement (RR) is related to the rewarding and reinforcement systems that encourage pursuit of challenging work, Time Discretion (TD) relates to work load to support the entrepreneurial activity in the organization and Organization Boundaries (OB) is related to the expected from organization works and development of mechanism for innovation evaluation.

This study develops Research Theoretical Framework as depicted in Figure 1 and explore the impending moderating factor of Corporate Entrepreneurial Climate on the relationship between Intrapreneur Attitude toward the Innovation performance in the Internal Corporate New Business Venture.

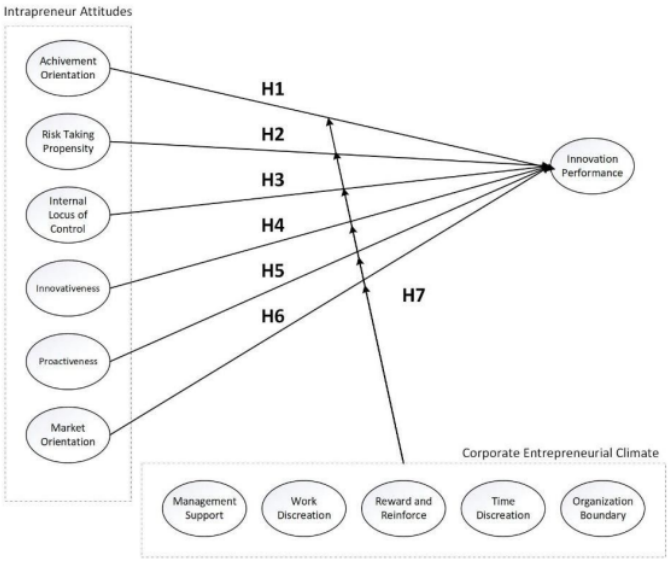

Figure 1. Research Theoretical Framework

H1: The Achievement Orientation has a significant relationship with the Innovation Performance.

H2: The Risk Taking Propensity has a significant relationship with the Innovation Performance.

H3: The Internal of Locus has significant relationship with the Innovation Performance

H4: The Innovativeness has significant relationship with the Innovation Performance

H5: The Proactiveness has significant relationship with the Innovation Performance

H6: The Market Orientation has significant relationship with the Innovation Performance

H7: The Corporate Entrepreneurship Climate (MS, WD, RR, TD, OB) will moderate the relationship between Intrapreneur Attitudes (AO,RTP,ILC, INNOV,PROACT,MO) with the Innovation Performance.

III. RESEARCH METHODS

The study has purpose to investigate the relationship between intrapreneur attitudes variable's relationship with the Innovation Performance, and to identify which Corporate Entrepreneurial climates that will mediate the those relationships between intrapreneur attitudes and Innovation Performance.

A. Data Collection

The online survey was carried out with purposive sampling targeting the participant of internal Internal Corporate New Business Venturing on one manufacturing company. The questionnaire with 30 questions were sent to 82 individual participants with only 71 responding to measure the perception of individual intrapreneur attitudes and the corporate entrepreneurship climates in the organization.

The judge evaluation result of the feasibility study and business plan of individual participants are used to reflect the Innovation performance of responding participants.

B. Measure in Questionnaire

As a quantitative research, the respondents were asked to answer close-ended questions with 1-5 Likert scale Strongly-Agree to Strongly-Disagree The first part of the questionnaires consists with the demographic questions and the second part of the questionnaires consist with the research questions

C. Method of Data Analysis

To evaluate the research model construct, Partial Least Square Structural Equation Model (PLS-SEM) method is used. The model needs to go through two stages: (i) measurement model evaluation where the latent variable indicator reliability and validity indicators are measured. (ii) structural model evaluation., the variance of relationship between latent variables are measured. This study measured the significant relationship between constructs of intrapreneur attitudes with innovation strategy, and continued with the moderating effect of corporate entrepreneurial climate on the significant relationship between entrepreneur attitude and innovation performance.

VI. RESULT AND DISCUSSION.

4.1. Measurement Model Evaluation

In evaluating the measurement model in this study, there are several rules of thumb used to ensure reliability and validity of the mode as depicted in Table 1.

Table 1 Measurement Model Rules of Thumb

Criteria	Parameter	Rule of Thumb
Indicator Reliability	Loading Factor	0.6-0.7 is still accepted for the exploratory research

Internal Consistency Reliability	Composite Reliability	0.6-0.7 is still accepted for exploratory research
Convergent Validity	Average Variance Extracted	>0.5 for confirmatory and exploratory research
Discriminant Validity	Square Root of AVE and Correlation between latent construct	Square Root AVE > Correlation of latent construct

Source: Ghazali and Latan [21]

There are 17 of 60 indicators are removed because below the value of loading factors below 0.6 after the evaluation. All of constructs' composite reliability are above 0.7, the Average Variance Extracted above 0.5 and Square Root AVE are larger than the correlation of latent construct.

4.2. Structural Model Evaluation

In the structural model evaluation, the relationship between hypothesis variables was built using resampling procedure. The significant value is using two-tail with P-value 0.05 (significant level 5%). The results are as depicted in Table 2.

Table 2 Structural Model Evaluation Direct Effect

Hypothesis	Path Cooefisien (β)	P value (P<0.05)	Accepted/ Rejected
H1:AO□IP	0.07	0.26	Rejected
H2:RISK□IP	0.11	0.16	Rejected
H3:INNOV□ IP	0.08	0.24	Rejected
H4:ILC□IP	0.33	<0.01	Accepted
H5:PROACT□IP	0.05	0.34	Rejected
H6:MO□IP	0.049	<0.01	Accepted

Source: Author

The result of hypothesis testing shows that only H4 Internal Locus of Control and H6 Market Orientation are two constructs that have significant relationship with Innovation Performance.

Table 3 Structural Model Evaluation Moderating Effect

Moderating effect by	H4:ILC□IP		H6:MO□IP	
	Path Coefisien (β)	P value (P<0.05)	Path Coefisien (β)	P value (P<0.05)
Management Support (MS)	0.36	<0.01	0.39	<0.01
Work Discretion (WD)	0.08	0.24	0.02	0.42
RR (Reward Reinforcement)	0.27	<0.01	0.24	0.04
Time Discretion (TD)	0.13	0.13	0.69	<0.01
Org Boundary (OB)	0.25	0.01	0.45	<0.01

Source: Author

4.3. Discussion and Conclusion

The aim of this research is to investigate the intrapreneur attitude of internal corporate new business venturing participants in respect to their innovation performance. There are only two intrapreneur attitudes that have significant effect on innovation performance, which is internal locus of control and market orientation. The previous study on the internal locus of control and innovation performance shows that the "control believes" will have impact to the innovation performance of a company [22]. The majority of the participan is young people which have higher locus of control following the conventional argument drawn from the upper echelon theory, that as age increases, flexibility decreases, resistance to change rises and values such as security become more relevant. As a result, the intrapreneur will tend to adopt more conservative strategies, which will translate into lower innovation performance.

The market orientation also becomes an important aspect in increasing the innovation performance looking at the behavior of internal new business venturing. The previous study related to the culture of startups shows that the result oriented and pragmatic approach toward the customer are two practices done by startups which are rich with innovation [23], basically they need to be aware of where the market and customer will go. The risk propensity is not significantly related to innovation performance, this is very surprising but understandable since they are currently in the early stage of innovation program. Proactiveness is also considered insignificant to the innovation performance due to the portfolio of the idea generated and

measured as the innovation performance is more idea replication from the current market business idea without no significant difference. In regard to the moderating effect of Corporate Entrepreneurship Climate factors, there are only two factors that moderate the entrepreneur attitude in this study which is management support and organization boundaries. Management support will bring the confidence that driving increases the confidence of the participant and also provides initial insight in regard to the market orientation on which market to pursue and what product to develop.

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