

## Barriers of Corporate Entrepreneurship: Case of Iran

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### Abstract

There is no doubt that the development of any economic and social system is based, to large extent, on the development of entrepreneurship. The results of current study highlighted five barriers of entrepreneurship in Iran namely; weak supporting of insurance institutions, difficulty of taking loans, lack of training, an inappropriate governmental support, and unnecessary bureaucracies. With regard to the findings of the study the authors strongly believe that the Iranian government has to take serious actions in order to reducing the barriers of entrepreneurship in Iran.

**Key words:** Corporate entrepreneurship, Barrier, Iran

### 1. Introduction

Among all the necessary attributes required for successful entrepreneurship, corporate entrepreneurship, renewal, innovation, and proactivity, the individual entrepreneur or corporate entrepreneur is the most critical. Corporate entrepreneurship and the behavior associated with it are initiated in established organizations for such reasons as profitability, growth, development, venturing, renewal, and innovation. Since the mid-1980s, entrepreneurship has been increasingly considered an important tool for economic growth and innovation across economies, regardless of stage of economic development. The role of entrepreneurs in economic development may be understood by the contribution they make to the different sectors of economy. Entrepreneurs are the cost-effective agents as they utilize the last bit of resource available at their disposal. When they succeed, they do contribute to the development; otherwise disappear from the market because the market cannot tolerate miscalculation, lack of commitment and incompetencies. Further, in reality visualizes economic development to include increase in productivity, socio-economic equalization, improved institutions and attitudes, and a rationally coordinated system of policy measures and removal of undesirable conditions and systems that perpetuate a state of development. The spirit of enterprising makes man an entrepreneur. Such a spirit has transformed him from a nomad to cattle rarer, to a settled agriculturist, to a trader and to an industrialist. Now, entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit and they combine all factors of

production to supply goods and services, whether the business pertains to agriculture, industry, trade or service. The entrepreneur is a central figure of economic activity and a propeller of development under free enterprise. The role of entrepreneurship in the economy has changed dramatically over the last half century. During the post-World War II era, the importance of entrepreneurship and small businesses seemed to be fading away (Audretsch and Thurik 2001). Giant corporations were seen as the most powerful engine of economic and technological progress in the early post-war period. Large firms were thought to have a competitive advantage over small and new ones, due to scale economies in the production of new economic and technological knowledge. The big importance of entrepreneurship for economic growth in modern 'entrepreneurial' economies is related to the increased importance of knowledge in the economic process. In the old, 'managed' economies, land, labor and capital were the main factors of production. However, globalization and the telecommunications and computer revolutions have drastically reduced the cost of shifting not just capital but also information out of the high-cost locations of Europe and into lower-cost locations around the world. This means that economic activity in high-cost locations is no longer compatible with routinized tasks. Rather, globalization has shifted the comparative advantage of high-cost locations to knowledge-based activities, and in particular search activities, which cannot be costless, transferred around the globe. Knowledge as an input into economic activity is inherently different from land, labor and capital. It is characterized by high uncertainty, high asymmetries across people and is costly to transact (Audretsch, Thurik and Wennekers, 2004).

## 2. Corporate entrepreneurship

Davidson and Klofsten (2003) describe a business platform of eight firm-level cornerstones; the business idea, the product, the market, the organization, core group expertise, core group drive/motivation, customer relations, and other relations. They explain that the cornerstones can be divided into the development process (idea, product, market, and organization), key persons and the flow of external resources. Kakati (2003) finds that entrepreneurial quality plays a critical role in gathering and applying resources.

Corporate entrepreneurship is defined as encompassing several types of phenomena and processes: innovation, venturing, and strategic renewal (Zahra, 1996). Innovation generally refers to the firm's commitment to introducing new products, production processes, and organizational systems, while venturing refers to the creation of new businesses. Strategic renewal refers to the creation of new wealth through new combinations of resources within an organization. Renewal involves revitalizing a firm's operations by changing the scope of business, competitive approach, and building and acquiring new capabilities. Thus, Zahra, Neubaum, and Huse (2000) treated strategic renewal as one kind of organizational innovation. At any rate, corporate entrepreneurship allows an incumbent firm to make full utilization of its resources and capture new opportunities.

Entrepreneurship in established firms is commonly referred to as corporate entrepreneurship (intrapreneurship) which is simply an extension of entrepreneurship and encompasses entrepreneurial behavior exhibited by managers in larger organizations. The concept of entrepreneurial behavior has been

defined in many ways, including by Miller (1983) who posited that an individual displays entrepreneurial behavior if he performs product-market innovations, takes risks, and behaves proactively. Numerous researchers have used Miller's conceptualization in their works, including Covin and Slevin (1989), and Naman and Slevin (1993). It is also valuable to consider Schumpeter's work (1936, 1950) when he argued that the driving forces of economic growth are the entrepreneurs (managers) who introduce new products, new methods of production, and other innovations that stimulate growth and economic activity. He described entrepreneurship as a process of -creative destruction, in which the entrepreneur continually displaces or destroys existing products, processes, or methods of production with new ones. In other words, Schumpeter was one of the first economists to emphasize the importance of business innovation.

### 3. Need for the study

To survive in today's turbulent and dynamic business environment, the need for managers to adopt entrepreneurship when formulating their strategies has become recognized, and many researchers argue that entrepreneurial attitudes and behaviors are necessary for firms of all sizes to prosper and grow (e.g. Dess and Lumpkin, 2005). Managers face an increasingly dynamic, complex, and unpredictable environment, where technology, globalization, resource shortages, wide swings in the business cycle, changing social values, competitors, customers, suppliers, and a multitude of other dynamic forces impact on overall performance (Ward and Lewandowska, 2005). The intensity and complexity of the current changing environment is forcing firms, both large and small, to seek new ways of conducting business to create wealth. So, they have to adopt him self with new adventures so called entrepreneurship. However, it should be identified that why in developing countries like Iran the managers do not have satisfactory entrepreneurship degree. In such condition it should be recognized entrepreneurship barriers. The aim of this study is to identify the major barriers of corporate entrepreneurship in Iran.

### 4. Research questions

The below questions are the research questions in this study:

Q1: do entrepreneurs serve various services by different insurance institution?

Q2: do entrepreneurs serve various training by own-state institutions?

Q3: do entrepreneurs take loan very easy?

Q4: does Iranian government support corporate entrepreneurs?

Q5: do entrepreneurs face various bureaucracies at the starting work?

### 5. Review of literature

There is no doubt that the development of any economic and social system is based, to a large extent, on the development of entrepreneurship (Startiene, Remeikiene, 2008), because small business plays a rather high role in ensuring the country's economic and social welfare (Mickaitis et.al, 2009). Low demand of capital,

quick reaction to the market changes and flexibility while adapting to them, new markets or filling of niches, creating competition for state enterprises, servicing big enterprises, creating new and frequently higher quality products, services, manufacturing processes – these are the main advantages of small or medium size enterprises revealing their effectiveness and importance (Tamosiunas, Lukosius, 2009). Entrepreneurship enhances competitiveness (Vorley, 2010) as it stimulates innovations, which are highlighted how the fundamental factor of the competitive ability by many authors (Melnikas, 2008).

The studies on firms' corporate entrepreneurship have grown rapidly in the last two decades. Increasing intensity of competitiveness in both local and global markets has revealed the significant role of entrepreneurship in established companies to develop a competitive advantage and sustain it (Zahra et al., 2000). One of the contemporary issues relates to the sources of entrepreneurship the issue lies in how the entrepreneurship emerges in an economy. Deolankar (1993) studied the profile of entrepreneurship development. He observed that the entrepreneurship among the weaker sections, tribal people, who constituted the large section, needed to be brought into the main stream of development. The only silver lining has acquired useful experiences in the field of small industries development over the years and with its knowledge, experience, perseverance and determination one can hopefully expect the predictable change in the coming years. The age-old theory the entrepreneurs are born and cannot be developed by human efforts is now falsified and they are made through suitable training programmes.

Bell, Moore, and Al-Shammari (2008) examine the listing of firms from emerging economies in mature equity markets. They find that firms that come from countries with higher economic freedom have lower under pricing, which generates more value for entrepreneurs. A firm can mitigate this negative impact by having higher levels of international operation prior to seeking to list. Yiu and Lau's (2008) paper empirically examines the role of network-based resources and corporate entrepreneurship by firms in China. The authors show that the mediating effect of corporate entrepreneurship is of crucial importance in transforming network-generated resources into business results.

## 6. Research methodology and results

According to the objectives as well research questions the below hypotheses were postulated in this study.

H1: weak supporting of insurance institutions leads inappropriate corporate entrepreneurship in Iran.

H2: lack of training leads inappropriate corporate entrepreneurship in Iran.

H3: difficulty of taking loans leads inappropriate corporate entrepreneurship in Iran.

H4: An inappropriate governmental support leads inappropriate corporate entrepreneurship in Iran.

H5: unnecessary bureaucracies lead inappropriate corporate entrepreneurship in Iran.

Data for the present study has been collected from both primary and secondary sources. Secondary data was collected from various textbooks, journals, reports, magazines, dailies and has also been collected from web sources using the popular search engines like Google, yahoo and powerful databases such as

Emerald, Ebsco and Elsevier. Primary data on corporate barriers entrepreneurship was collected from participants of the study.

Five-point likert's scale questionnaire instrument was employed in this research while the questionnaire consisted of two sections. The first section contained data relating to demographic variables of the sample respondents and the second section contained the some technical questions. The respondents were required to tick their perceptual levels on five-point Likert's scale with '5' as strongly agree, '4' as agree, '3' as moderately agree, '2' as disagree and '1' as strongly disagree for both the actual level and the expected level. Sufficient space was provided for giving comments and suggestions at the end of the questionnaire.

The questionnaire was designed to ensure that the precise data required would be collected from respondents to achieve the objectives of the present study. The items in this questionnaire were essentially identified after having reviewed the literature on the problem. The items have face validity, as the concepts to be measured are clearly specified in each question. In this regard if the measure clearly measures another concept then obviously it does not have face validity. However, if the item does not seem to be measuring any recognizable concept other than the one it is supposed to be measuring, the instrument can be said to have face validity. In this study, the questions have high face validity in addition to being developed from the auditing literature and thereof are based on clear and familiar concepts. These pre-test steps for questionnaire were followed. A rough pilot questionnaire was developed. Concepts were discussed and debated and wordings were changed as necessary. The order of some of the statements was also changed. Some questions were eliminated because they appeared redundant. Consequently some additional statements were added. In reviewing the statements, some statements were felt to contain more than one concept. So in those cases the statements were revised into separate statements to allow for different responses to each concept. The second phase of the pre-test was the administration of the revised survey to respondents, who were informed that this was a pre-test and specifically asked about questionnaire. Feedback was revised on the effect of the original format. This revised survey was gone over carefully and revisions were made before the final administration of the final questionnaire.

At last the final questionnaire was distributed among the Iranian managers. 180 respondents were completed the research questionnaire. According to Table 1 out of 180 participants 55 were male (30.60 percent) and 125 were female (69.40 percent). Further, 135 participants were younger than 40 (75.00 percent) and 45 participants elder than 40 (25 percent). Among these 52.50 percent had less than one year experience, 36 percent had experience between 10 to 20 years and 21.50 percent had more than 20 years experience. As Table 1 reveals the majority of participant had sufficient academic degrees. Out of 180 participants 131 participant, were holding bachelor degrees in accounting or related subjects (62.50 percent) and 67 were holding M.A or PhD degrees (47.50 percent). Demographic characteristics of participants are summarized in Table 1.

Table 1. Bio- data of participants

Case	Item	Frequency	Percent
Gender	Male	55	30.60
	Female	125	69.40
Age	Less than 30	28	35.60
	30 to 45	98	54.60
	More than 45	18	9.80
Experience	Less than 10	75	42.50
	10 to 20	64	36.00
	More than 20	38	21.50
Education	Bachelor degree	113	62.80
	Master	58	32.20
	PhD	3	1.70

### 6.1. Testing of hypotheses

The results of hypotheses testing are summarized in Table 2. As mentioned before the first hypothesis is as following:

H1: weak supporting of insurance institutions leads inappropriate corporate entrepreneurship in Iran.

According to the results of Table 2, the first hypothesis is confirmed; alternatively the null hypothesis is rejected. So, we can claim that the weak supporting of Iranian insurance institutions leads inappropriate corporate entrepreneurship.

The second hypothesis is postulated as below:

H2: lack of training leads inappropriate corporate entrepreneurship in Iran.

According to the results of Table 2, the second hypothesis also confirmed and null hypothesis is rejected, in other word, lack of appropriate training leads inappropriate corporate entrepreneurship in Iran.

H3: difficulty of taking loans leads inappropriate corporate entrepreneurship in Iran.

With regard to the results of Table 2, it is shown that the third research hypothesis is accepted and the null hypothesis is rejected, i.e. financing problem leads inappropriate corporate entrepreneurship in Iran.

H4: An inappropriate governmental support leads inappropriate corporate entrepreneurship in Iran.

The results of below table shows that the fourth hypothesis is confirmed viz., the Iranian government is not supporting the corporate entrepreneurship in Iran.

H5: unnecessary bureaucracies lead inappropriate corporate entrepreneurship in Iran.

Table 2 shows that the last hypothesis also confirmed and null hypothesis is rejected.

It can be said that unnecessary bureaucracies lead inappropriate corporate entrepreneurship in Iran, in several stages.

Table 2. The results of hypotheses testing

Hypotheses	D.f	Chi-Square	Asymp.sig.	Result
weak supporting of insurance institutions	4	63.333	0.000	Confirmed
lack of training	4	38.167	0.000	Confirmed
difficulty of taking loans	4	54.167	0.000	Confirmed
An inappropriate governmental support	4	34.167	0.000	Confirmed
Unnecessary bureaucracies	4	20.667	0.000	Confirmed

In this stage after confirming the hypotheses we want to rank the hypotheses according to the importance in Iranian economy. So, in this part the Fireman Test is employed in order to ranking the research hypotheses. The results of this part are presented in Table 3.

Table 3. Friedman test results

Mean Rank	Independent Variables
4.33	weak supporting of insurance institutions
3.10	lack of training
4.11	difficulty of taking loans
2.91	An inappropriate governmental support
2.39	Unnecessary bureaucracies

According to above table the main barrier of corporate entrepreneurship is weak supporting of insurance institutions, followed by difficulty of taking loans. Lack of training stood at third stage and follows by lack of training and the last reason is unnecessary bureaucracies.

## 7. Conclusion

Understanding basic innovation barriers for entrepreneurs will be a very useful for Iranian environment. The role of entrepreneurship in the economy has changed dramatically over the last half century. During the post-World War II era, the importance of entrepreneurship and small businesses seemed to be fading away (Audretsch and Thurik 2001). Entrepreneurs are the king pin of any developing economy. More specifically, the technical entrepreneurs are responsible for socioeconomic improvements which in turn, play a crucial role in fostering the development of the developing countries. The results of current study highlighted five barriers of entrepreneurship in Iran namely; weak supporting of insurance institutions, difficulty of taking loans, lack of training, an inappropriate governmental support, and unnecessary bureaucracies. With regard to the findings of the study the authors strongly believe that the Iranian government has to take serious actions in order to reducing the barriers of entrepreneurship in Iran.

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