

Fostering Corporate Entrepreneurial Culture through Performance Appraisal in Organizations

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Abstract: Human resources management (HR) is seldom associated with entrepreneurship or the promotion of entrepreneurial behavior. This accordingly applies to performance appraisal as an aspect of human resources management. However emerging literatures are pointing to a functional relationship between performance appraisal/management and entrepreneurship. This paper uses meta-analysis to examine the concepts and relationship between performance appraisal and corporate entrepreneurship. The examinations showed that, though performance appraisal exercises seldom focus or associated with entrepreneurship, it could indeed be a vital tool of human resource management for fostering corporate entrepreneurship and profit-abilities of people in organizations. Given the importance of this in contemporary organizations, the study advances the reconstruction of the primary and defining role of human resource management as the production of entrepreneurial workforce thereby enhancing the profit-abilities of the organizations. However, to achieve this, it was proposed that performance appraisal exercises should not focus unduly on pay and promotion in the traditional fashion. It should measure, promote and reward dimensions of entrepreneurial work behaviors identified in this study as well as be integrated with other aspect of human resources management for corporate entrepreneurship. In addition, performance appraisal exercises should be managed by competent and approximately certified HR professionals. More specifically, there is a need to design and reward entrepreneurial measures such as innovativeness, proactivity and risk taking behavior, much more than the financial and short term performance measures as is currently the case.

Key words: Corporate Entrepreneurship, Entrepreneurial Culture, Human Resources Management, Performance Appraisal, Entrepreneurial Behavior Intensity.

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I. Introduction

Human resources management (HR) is a tool of enabling the individuals to contribute their best to effective achievement of organization goal (Atiomo 2000). This is done through ability to stimulate appropriate work behavior. Performance appraisal has been variously criticized as focusing unduly on pay and promotion, measuring wrong measures, inappropriate use of measures and the lack of integration with other aspects of behaviors required to promote entrepreneurial behavior (Sadrack, 2011). As a result, there is now a growing shift of emphasis from performance appraisal to performance management among HR experts (Armstrong; 2009). On the other hand, there is the contention that these might be due to low level of proficiency to manage the exercise in the organization (Elradin, 2010). This suggests the need to re-examine the concept and potential of performance appraisal as an instrument of promoting entrepreneurial behavior in organizations or corporate entrepreneurship. To do this, we shall discuss related key concepts, elements of performance appraisal and the conceptual and practical relationship between them. These would be done to establish the potential of performance appraisal to promote entrepreneurial work behavior.

Key Concepts

Entrepreneurship

Entrepreneurship is a multi-faceted phenomenon (Adamawa and Devine, 2002; Nijkamp, 2003). Several definitions and approaches to the study of entrepreneurship exist, many of which are outside the scope of this work. Morris, Kuratko and Covin (2011) defined entrepreneurship as the course of generation value by getting distinctive combination of resources to take advantage of an opportunity. They also assert that entrepreneurship is the capability to generate and realize a vision from virtually zero resources. Lee and Sokoko (2007) argue that the aim of entrepreneurship is to bring something "new" to the market, with most of the "newness" deriving from distinctive mixture of the existing.

Guth and Ginberg (1990) view entrepreneurship as an approach toward management that focuses on innovation, flexibility and responsiveness, driven by the observation of opportunity, while at the same time

providing more sophisticated and competent management. To Markowski and Hall (2007), it is a form of (economic) resource coordination that result in product and process innovation and entrepreneurialism as an organizational culture that supports entrepreneurial conducts. Lumpkin and Dess (1996) opine that there is a shift on the definition of entrepreneurship from mere individual risk taking activities towards the study of the human resource abilities of individuals and organizations to innovate and diversify, to which Zahra et. al, (2000, cited in Ogunsiji, 2017) added that entrepreneurship has proven to be highly important in helping to create and sustain competitive advantages in these times of increasing competitiveness of both local and global markets. This understanding is of particular interest in this paper as the idea is also being used to describe Corporate Entrepreneurship.

Corporate Entrepreneurship

Corporate entrepreneurship is conceptualized by several authors as the aggregate of a company's policies, processes, and structures by which it takes on trailblazing innovations leading to the creation of new products/services, processes, structures, and markets thereby enhancing the organization's competitiveness (Hitt et al., 2001; Hornsby et al., 2002 cited in Ogunsiji, 2017). The construct of corporate entrepreneurship has suffered many definitional ambiguities. Many terms have been used to describe corporate entrepreneurship in literatures. Firstly, entrepreneurship and corporate entrepreneurship are used interchangeable as in de Jong & Wennekers (2008). Perspectives from different fields such as entrepreneurship, strategic management and even the human resources management however also provide some elaboration on what they regard as the core essence of entrepreneurship. Corporate Entrepreneurship includes all formal and informal activities of an organisation targeted to uncover and harness new business opportunities through the process of strategic renewal, innovation and corporate venturing (Sharma and Chrisman 1999; Guth and Ginsberg 1990 cited in Bierwerth, etal 2015). Shaw, et. al (2005) in strategic management terms, define it as the effort of promoting innovation from an internal organizational perspective through the assessment of potentially new opportunities, alignment of resources, exploration and commercialization of the said opportunities. From the HRM perspective, it is the process of enhancing the ability of the firm to acquire and utilize the innovative skills and abilities of the firm's members (Holt, etal 2007). Kuratko, etal (2015) describes how Corporate Entrepreneurship has evolved over the last four decades emerging as a strategy that promotes the efforts of organizations' to innovate and thrive in today's global markets. Corporate Entrepreneurship helps to enhance the financial performance of the organisation by improving their profitability, market share and growth (Zahra, 1991; Zahra and Covin, 1995; Lumpkin and Dess, 1996; Behram and Özdemirci, 2014 cited in Elia, etal 2017).

Entrepreneurship Culture

The concept of "Culture" is very complex and is used with various meanings. Under a pragmatic definition one can say that any group of human beings whose thinking and acting differs from that of other group has a "culture" (Frick et al. 1998). Hofstede likewise emphasizes the relationship between culture and group affiliation. He clearly defines culture as "collective programming of the mind which distinguishes the members of one group or category of people from another" Hofstede (2001, cited in Stuetzer, et. al 2017). According to Fukayama (2001), culture encompasses the values, norms, interpretations and modes of behavior that characterize societies or other social groups. The different definitions clearly show culture to be always a collective phenomenon, for it is shared, at least in part, with humans living in the same social environment or belonging to the same group. Accordingly, any human being belongs to different social groups and thus also carries different layers of "mental programming". Going by this meaning of culture therefore, entrepreneurial culture would be described as the deliberate "collective programming of an organization's workforce" as corporate entrepreneurs. In other words, entrepreneurship becomes a culture when everybody in an organization thinks and acts entrepreneurially. Stuetzer, etal (2017) agrees by adding that "entrepreneurship culture is a collective programming of the mind toward entrepreneurial values and norms such as proactiveness, risk taking, accepting failure, openness to new ideas, individualism, independence and achievement, to name a few". Research has also shown that other ways entrepreneurial culture in an organisation is expressed include rigorous attention to details and performance standards, commitment to responsibilities, mutual respect among employees, emotional commitment and eagerness to accept responsibility for results (Cornwall and Perlman, 1990; Timmons and Spinelli, 1999 cited in Bau and Wagner, 2015)

Entrepreneurial Intensity

To the extent that every worker is engaged in the pursuit of self-interest through exchange processes, there are certain levels of entrepreneurship in every organization. Thus the question arises, how do we determine the level or intensity of entrepreneurship in a given organization? Morris (2015) defined entrepreneurial intensity as a function of the degree and frequency of entrepreneurship or entrepreneurial activities. A number of authors (Covin et al., 2006; Kuratko et al., 2011) point out that the degree of entrepreneurship could be

measured, based on three key dimensions: innovativeness, risk-taking, and pro-activeness. The first dimension, innovativeness, refers to the creation of new products, services and technologies (Urban and Sefalafal, 2015). The second dimension, risk-taking, involves the willingness to commit significant resources to opportunities which have an uncertain outcome and return on the investment (Urban and Sefalafal, 2015). These risks can be minimized by the knowledge and entrepreneur or company has of the opportunity by technology and available unique capabilities and networks. The third dimension of entrepreneurship, pro-activeness, reflects orientation towards conclusive implementation of initiatives and includes being adaptable and being able to tolerate failure (Covin& Lumpkin, 2011). Entrepreneurial intensity would therefore refer to the disposition to be innovative, be proactive and take risks.

At organization level, entrepreneurial intensity refers to the number of times organizations deploy innovative, proactive and risk-taking behavior of individual to act entrepreneurially (e.g. develop new products, services, processes or businesses). Thus firms and individuals' level of entrepreneurial disposition do vary in terms of the frequency of entrepreneurship (Morris, 2015).

Performance appraisal

Performance appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development. This evaluation, according to Shadrack (2011), involves “the systematic, periodic and impartial rating of an employee’s excellence, in matters pertaining to his present job and his potential for a better job”. In a more specific terms, it comprise of a process of measuring, developing and enhancing the work performance of staff (Akinyele, 2010). Mamonia (1995) identified the under listed items and procedure for the conduct effective performance appraisal:

Performance Evaluation Procedure



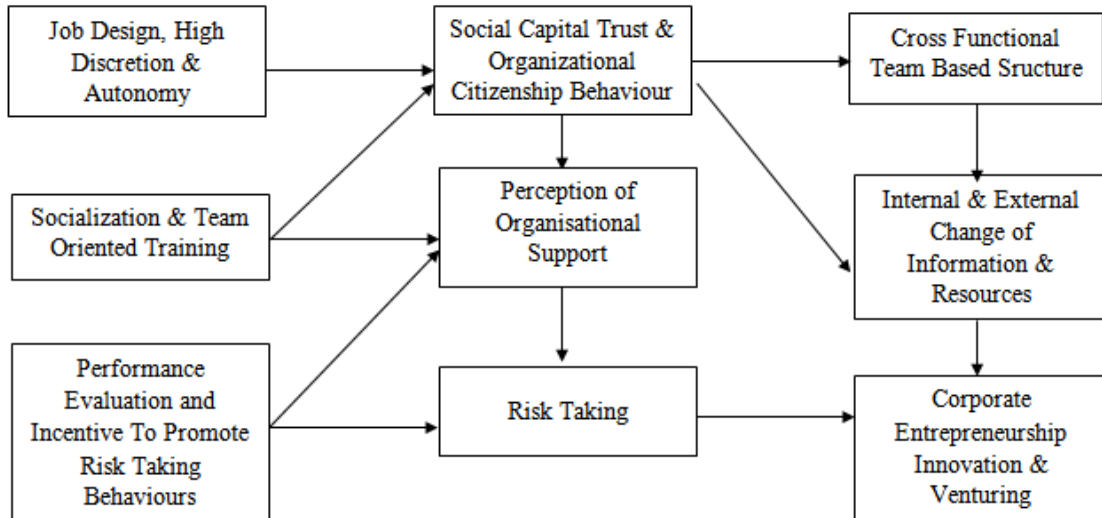
Source: Mamonia (1995).

Performance Appraisal helps to clarify decision about the human resources of an organisation especially as it relates to promotion, demotion, or retention, in addition to helping to enhance employee development through feedback or training (Kim and Holzer, 2014) in order to improve organisational efficiency. Such appraisals become a tool to determine reward, development and training of individuals, communication and advancement decisions. By this ability, it can be used to promote desirable behaviours including entrepreneurial behaviours. Mamoria (1995) and Atiomo (2000) however stress that although performance appraisal is usually thought of in relation to one specific purpose, which is pay, it can, in fact serve a wider range of objectives including identifying training needs, improving present performance of employees, improving potentials, improving communication, improving motivation and aids in pay determination for the purpose of fostering entrepreneurial work behavior.

Human Resource Management and Corporate Entrepreneurship

Performance appraisal is a sub-set element of human resource management. Hayton (2005) proposed a model which directly link elements of human resources management (job design, training and performance evaluation) with corporate entrepreneurship as follows:

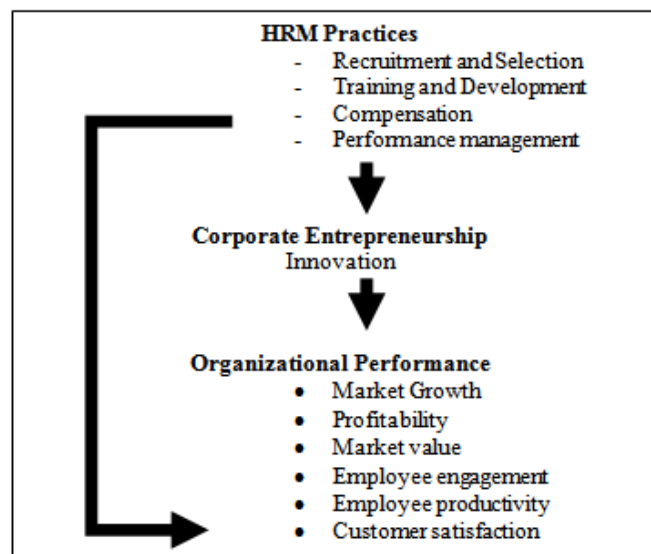
Human Resource Management and Corporate Entrepreneurship



Source: J.C. Hayton (2005)

Elaborating on Hayton (2005), Edralin (2010) study clearly established that there is a relationship between entrepreneurship and human resources management practices. Based on this study, he proposed the under listed Model showing more clearly, how human resources impact the bottom line through its impact on corporate entrepreneurship:

Conceptual framework for the relationship between human resource management and corporate entrepreneurship J.C Hayton (2005)



Source: Edralin (2010)

Performance Appraisal and Corporate Entrepreneurship Development

As highlighted above, performance appraisal is an element of human resources management. It has traditionally been a tool for appraising the performance of employees for the purpose of determining their training needs, reward and counseling etc. Jones et al., (1995) stressed the need to monitor performance and

reward for contribution of innovation solutions, assumption of risk taking. Effectively applying Human Resource Development practices helps to motivate employees to create ideas for producing innovative products and services in order to achieve organisational goals while on the other hand neglecting both psychological and economic needs of its employees will limit both individual and corporate entrepreneurship in that organisation (Ziyae, 2016). In another study focusing the influence of Human resources management practices on corporate entrepreneurship, Shokunbi (2013) found that there is a significant relationship between HRM and entrepreneurship characteristics of workers. Specifically he found that 74% of the respondent workers believe that performance appraisal could promote corporate entrepreneurship.

Performance Appraisal and Corporate Entrepreneurship Measurement

Performance appraisal is also about the measurement of performance and how this measurement is being used. According to Turning Point Guidebook for Performance Management, 2010 (cited in Lane County, Oregon, 2017), performance measures are the specific qualitative representation of a capacity, process or outcome deemed relevant to the assessment of performance. It measures something usually progressing towards an objective or goal.

For several years both academics and practitioners have stressed the importance of well-functioning systems of performance measurements in order for firms to thrive or even survive in an increasingly competitive environment (Bititci, Turner and Begemann, 2000). However, much criticism has been directed at the traditional system of performance measures and their sole focus on financial result and inability to consider the strategic aspect of business (Hayes and Abernathy, 1980; Dixon et al., 1990; Bititci, 1994 cited in Yadav, et al 2013). This led to the development of new concepts like balanced score board (Kaplan and Norton, 1996 cited in Bititci, Turner and Begemann, 2000); Integrated Performance Measurement Systems Reference Model (Bititci and Carrie, 1998 and Bititci et al, 1998a cited in Bititci, Turner and Begemann, 2000) among others which broadened the scope of performance measurement to also include non-financial measures that align with all organisational objectives ((Kaplan and Norton, 1992, 1996, 2001; Gates, 1999; Stewart, 1991; Young and O'Byrne, 2001) cited in Ittner, et al 2003). Much of these efforts however concentrated in large organizations and not applied in connection with entrepreneurship (Mattila and Ahlqvist, 2001). The issues have however centered on what (type of) measures are being used in entrepreneur high performing and entrepreneurial organizations. Mattila and Ahlqvist (2001) studies shows that firm with higher entrepreneurial orientation and workforce are characterized by the used of more non-financial measures than financial measures. They concluded that performance appraisal system play a significant role in entrepreneurial organization and is positively related to entrepreneurial orientation and firm performance. The message here is that for performance appraisal to promote corporate entrepreneurship, it must be designed to measure and reward entrepreneurial measures such as innovativeness, proactivity and risk taking behavior, rather than mere financial measures.

II. Conclusion

We have discussed the concepts and relationship between performance appraisal and corporate entrepreneurship. The discussion so far has shown that though performance appraisal is not commonly associated with entrepreneurship, it could be a vital tool for fostering corporate entrepreneurship in organization. By this it can become a vital tool by which human resource management can achieve a primary role of the production of entrepreneurial workforce and enhancing the profit-abilities of the organization. However, to achieve this, it should not focus unduly on hierarchical pay structure and promotion, as it is presently the case. It should measure and properly use measures as well be integrated with other aspect of human resources management in a way to promote entrepreneurial work behavior required for corporate entrepreneurship. In addition, performance appraisal exercises should be centrally managed by competent and approximately certified professionals. Finally, there is a need to deliberately design performance appraisal exercise to measure and reward entrepreneurial measures such as innovativeness, proactivity and risk taking behavior, rather than mere financial measures.

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