

DOI 10.2478/sbe-2018-0017 SBE no. 13(2) 2018

NURTURING INNOVATION PERFORMANCE THROUGH CORPORATE ENTREPRENEURSHIP: THE MODERATION OF EMPLOYEE ENGAGEMENT

AHMED Umair

School of Administrative & Financial Sciences, Gulf University, Bahrain

SHAH Saeed Abbas

Sukkur Institute of Business Administration, Sukkur, Pakistan

QURESHI Muhammad Asif

School of Business Management, University Utara Malaysia

SHAH Muzafar Hussain

School of Economics Finance and Banking, University Utara Malaysia

KHUWAJA Faiz Muhammad

School of Business Management, University Utara Malaysia Sukkur Institute of Business Administration, Sukkur, Pakistan

Abstract:

The objective of the present article is to highlight the concept of innovation performance, its importance and the different elements that could potentially enhance it within an organization. Through critical appraisal of the literature, the paper has attempted to shed light on how innovation performance is essentially important for businesses to thrive in the current global economy via focusing on prospects like corporate entrepreneurship and employee engagement. The review has concluded that Innovation and more importantly, employee performance towards bringing innovative is critical for businesses. Corporate entrepreneurship is an evolving concept that talks about nurturing and establishing such an environment that supports and motivates people to work with initiative mindset, indulging in creativity and innovation within the organization. Notably, past empirical evidence has underscored employee engagement to be highly significant in enhancing performance focused outcomes. The paper had attempted to

establish how corporate entrepreneurship can enhance innovation performance within an organization. Importantly, the paper has also outlined pivotal role of employee engagement as a potential moderator to enrich this relationship. The paper has forwarded research model highlighting severe paucity of research and mature significance for fostering innovation performance at the workplace.

Key words: Corporate Entrepreneurship, Employee Engagement, Innovation Performance, Creativity

1. Introduction

Notable empirical and conceptual literatures highlight that corporate entrepreneurship facilitates individuals to capitalize upon their energy, passion, and vigor to develop new arenas for competitive advantage, business expansion, and above all, doing things differently. Corporate entrepreneurship is not just considered imperative just because it outlines businesses to acquire competitive position in the market but it also adds significant value towards the economy of the country through enhancing productivity level. According to Pinchot and Pellman (1999) that innovation is cost effective will not occur unless the organization starts making healthy, responsive use of the intra-preneurial energy of its people at work. The authors have emphasized on the imparity of giving the 'freedom to act' to employees as only then, the employees will be able to utilize and maximize upon their creative and innovation potential to refine and revamp business strategies to bring considerable competitive advantage and business growth. Enterprises that nurture entrepreneurial culture have certain work manners that play an important role in developing competitive edge. Numerous studies have underscored factors, components, dimensions that manifest the entrepreneurial behavior of the organization. This includes innovativeness (Morris, 2008) pro-activeness (Antoncic & Hisrich, 2003; Zahra & Garvis, 2000) risk taking (Morris, 2008; Kuratko et al., 1990; Antoncic & Hisrich, 2003). Moreover, empirical studies have also outlined that corporate entrepreneurship culture is closely linked with business outcomes including organizational growth and expansion (Antoncic & Hisrich, 2001) performance (Zahra & Covin, 1995) profitability (Zahra & Covin, 1995, Zahra, 1991). These studies outline reasons behind the growing emphasis and significance of corporate entrepreneurship among academicians and industry professionals.

2. Defining Corporate Entrepreneurship

According to Sharma and Chrisman (2007) that it is a holistic process whereby people or groups of people at work, initiate with creativity and innovation to create, renew, and revamp within the organization.

Review of the popular studies outline that ecosystem for healthy nurturing is required within an organization to develop corporate entrepreneurial culture. According

to (Hornsby et al., 1999) that numerous organizational support factors play a critical role in this regard which includes management support, resources, risk taking propensity for the development of intrapreneurial climate, organizational structure, motivation (Hornsby et al., 1990). In a study by Nayager and VanVuuren (2005) that responsive internal environment is critical in establishing entrepreneurial orientations within the organization. Accordingly, Antoncic and Zorn (2004) have outlined that organizational and managerial support is critical to groom entrepreneurial activities. Similarly, work by Hisrich et al., (2005) also outlines organizational support, as an important factor in this regard. The study also suggests that it boosts the morals and also the perception of employees about entrepreneurial mindset of the organization. Organizational support denotes to the management motivation and appraisal towards worker's discretion and empowerment to take job focused decisions, initiate idea champions, formulate procedures to analyze innovative ideas of employees, rewards and persuasion for time and financial resources for the new projects Hornsby, Kuratko & Zahra, 2002).

The definition outlines that positive perception of employees regarding all these factors would significantly outline the corporate entrepreneurial environment and hence would boost corporate entrepreneurship within the business.

Hornsby et al., (2002) also suggested that higher the degree the perceptions of individuals on the responsive availability of management support, flexible organizational horizons, resources for innovation and work discretion, higher the individual engagement would be towards innovation and creativity. This conceptual paper focuses on the internal organizational climate of corporate entrepreneurship. Therefore, the internal corporate entrepreneurial factors are discussed that could potentially influence employees to act innovatively. Summarizing the work of (Hornsby et al., 1990; Hornsby et al., 2002; Kuratko et al., 1993), the variables include management support, autonomy/work discretion, reward reinforcement, flexible organizational boundaries and time provision.

3. Corporate Entrepreneurship and Innovation Performance

Prominent literature on corporate entrepreneurship has outlined that the internal organizational components of corporate entrepreneurship leads towards innovation performance (Hornsby et al., 2009; Umrani, Mahmood, & Ahmed, 2016; Antoncic & Hisrich, 2001; Zahra & Covin, 1995; Zahra, 1991). Hornsby et al., (2009) has outlined that positive perception about the internal factors of corporate entrepreneurship leads to numerous performance outcomes including innovation performance. According to Ireland et al., (2009) that it is important that the organization brings in right ingredients within the business to reinforce the exploitation and recognition of considerable entrepreneurial prospects for the employees. In the views of Pitt et al., (1997) that corporate entrepreneurship and its internal components are

significantly important not just in manufacturing but also in predicting innovation in the service firms. The author states that employees who perceive positive regarding management support, time availability, discretion at work, resources for entrepreneurial activities, often found engaged in innovation. The research clearly outlines the fact that there employee who experience a significant availability of internal CE factors would result in positively improving their performance in the innovation paradigms.

Study by Goodale et al., (2011) on 177 firms found that the internal factors of corporate entrepreneurship outlined by Hornsby et al., (1999) can play a significant role in enhancing innovation performance. The study has concluded that the internal entrepreneurial climate is core component for enhancing innovation performance in the business. Accordingly, Nasution et al., (2010) suggests that entrepreneurship and entrepreneurial climate within the organization is important in motivating employees to enhance productivity and bringing innovation to the business.

4. Employee Engagement

Studies on employee engagement have mushroomed over the past two and a half decades since Kahn (1990) first conceptualized it. Definition by Schaufeli et al., (2002) is popularly quoted in the academic literature which defines employee engagement as positive work-related psychological state, characterized by absorption, vigor and dedication. Authors in explaining the definition and concept have further written that employee engagement is a more persistent and appealing cognitive state which is not limited to any specific object, event or activity. The definition outlines three important components to measure the levels of employee engagement, vigor denotes to high levels of energy with resilience at work that evokes eagerness to invest efforts at work with persistence. Subsequently, dedication refers to sincere involvement in the work with experiencing enthusiasm, inspiration and pride at work. Lastly, absorption refers to full concentration towards the work whereby, the person does not realize how time fly passed by and the person feel difficult in detaching oneself from the work (Schaufeli et al., 2002), prominent Scales pertaining to employee engagement has come from Utrecht university which has been empirically confirmed for its construct validity across different occupational settings and demographics (Ahmed, Majid, & Zin, 2016a; Ahmed, Majid, & Zin, 2016b; Seppala et al., 2009; Schaufeli et al., 2002; Storm & Rothmann, 2003; Tat & Ng, 2012). Scholars across the different settings have outlined the importance of individual engagement, let it be academics (Ahmed., Umrani, Pahi, & Shah, 2017) or the commercial work settings (Saks, 2006; Salanova, Agut, & Peiro, 2005).

5. Antecedents of Employee Engagement

Unlike other employee behaviors and outcomes, very little is known about employee engagement till date. Kahn (1990) was the first one who conceptualized the term employee engagement and underlined that people engage at work cognitively, physically and affectively when they experience meaningfulness, availability and safety in their jobs. According to Saks (2006), there are 6 notable determinants of employee engagement which includes perceived organizational support, perceived supervisor support, rewards and recognition, distributive and procedural justice as the important determinants of employee engagement. Saks has suggested for more study on the topic through incorporating different organizational factors (Saks, 2006). There have been numerous other studies, outlining different determinants of employee engagement such as work climate (Schaufeli & Salanova, 2007) trust in top management (Chughtai and Buckley, 2012) leader communication (Vogelgsang, Leroy & Avolio, 2013) Leadership style (Breevaart et al., 2014). Moreover, lack of study has also been outlined in regards to employee engagement with potential for further research in different individual and organizational prospects by Ahmed, Majid, & Zin (2016b; 2016c) and Shuck & Wollard (2010).

6. Perceived Corporate Entrepreneurship and Employee Engagement

In the view of Hackman and Lawler (1971) that job characteristics and organizational features, objectively does not influence employee attitudes and behaviors but their perception, experience and views about them. The authors outline that apart from what organizations believes, it is important to identify how employees, who view the organization and what it offers. This outlines the empirical significance of employee perceptions and underlines the criticality of ignoring them in the research paradigms.

The connection between entrepreneurship and corporate employee engagement has recently been realized by academicians and practitioners as the concept of engagement has empirically resulted to be one of the key strategic drivers for performance, growth, and competitive advantage (Lockwood, 2007). However, there is a major gap in the research on the relationship between corporate entrepreneurship and employee engagement. Recent study by Kassa and Raju (2015) empirically found that employee perception about internal corporate entrepreneurship factors can significantly enhance employee engagement. This study has notably outlined the direct interaction of corporate entrepreneurship with employee wellbeing at work (engagement) and has concluded that engaged employees exhibit more dedication, vigor and absorption which is necessary for firms to acquire higher levels of performance, growth and competitiveness. The study has also suggested further investigation on the relationship across different occupational settings for the purpose of generalizability.

Corporate entrepreneurship is a tool to create an organizational climate to boost creativity and innovation and thereby it can be implied that people who are motivated and engaged at work would be more energetic and dedicated towards bringing innovation performance in an organization. There is very little evidence available, justifying the empirical significance of employee engagement and its connection with corporate entrepreneurship.

7. Employee Engagement and Performance

Noticeable empirical studies can be found examining the impact of employee engagement on different performance aspects. Demerouti and Cropanzano (2010) have argued that employee engagement is significantly related with job performance as numerous organizational scientists have empirically tested this relationship. Saks (2006) in his notable study on the antecedents and consequences of employee engagement resulted engagement to be positively and significantly resulting in job performance. Accordingly, Halbesleben and Wheeler (2008) have also empirically indicated that engagement harvest psychological capital and enhance work wellbeing due to which, employees result in job performance. In a survey by Robinson et al., (2004) of 10,000 NHS nurses in the UK; the study found that employee engagement develops the sense of being involved, acknowledged and valued. This significantly results in improving work performance.

Study by Rich, Lepine and Crawford (2010) on 245 firefighters found a significant impact of employee engagement on task performance. The study concluded that engaged employees experience high energy, dedication and mental resilience which enables them to give their best at work. Kompaso and Sridevi (2010) have outlined that employee engagement can significantly predict as a key performance predictor. The authors have highlighted that employee engagement is beyond conventional wellbeing aspects and organizations need to work on engagement prospects in order to enhance performance outputs.

From these empirical evidences, it is evident that employee engagement is significantly related with performance based on which is can be inferred that employee engagement would also be related with innovation performance.

8. Moderation of Employee Engagement

According to Baron and Kenny (1986) for moderation, the independent variable (Corporate entrepreneurship) should be related with the moderator (employee engagement). Secondly, the mediator should also be related with the consequences (innovation performance). Thus, upon successful fulfillment of this criterion, the buffering role can be examined.

At first, study by Kassa and Raiu (2015) have empirically found that corporate entrepreneurship along with its five dimensions is positive related with employee engagement. Accordingly, Kahn (1990) who first coined the term employee engagement has outlined that there is a very special work of human characteristics when it comes to work. When people are engaged, they are not just connected with their work. Instead, they express a continuous investment of their physical and psychological energies towards the work so that they could result in maximum performance outcomes. Following this, research has offered evidence pertaining to acute link of employee engagement with several performance outcomes (Bakker & Bal, 2010; Kompaso & Sridevi, 2010). Likewise, Shuck & Reio (2014) have empirically outlined the moderating potential of employee engagement towards harnessing better employee behaviors and outcomes. Apart from the mediation tests conducted by Rich, Lepine, and Crawford (2010) for the intervening role of employee engagement; what remains untested till date is how employee engagement could buffer the connection between corporate entrepreneurship and innovation performance. Accordingly, Saks (2006) suggests that employee engagement is concerned with factors that provide feelings of control, resourcefulness, control, organizational support and recognition. Due to this employee engagement can be expected to moderate between several work factors and employee outcomes.

There have been no studies, empirically investigating the perception about internal corporate entrepreneurship components on innovation performance with the moderation of employee engagement as per our knowledge and understanding. Additionally, apart from general performance perspectives, there have been no robust empirical examinations, highlighting the relationship between employee engagement and innovation performance in particular.

Henceforth, it is asserted that employee perception about corporate entrepreneurship components including management support, rewards, discretion in work, time availability, and organizational boundaries can significantly result in employee engagement. Furthermore, those engaged employee would considerably further enhance innovation performance.

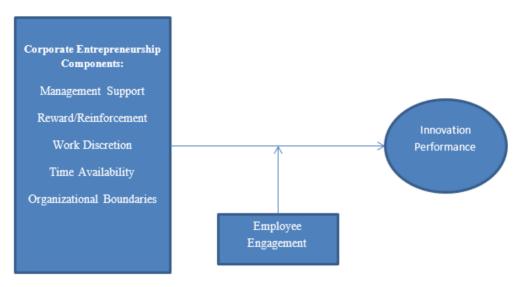
Based on this, the paper forwards the following propositions:

P1: corporate entrepreneurship will be positively related with employee engagement

P2: Corporate entrepreneurship will be positively related with innovation performance

P3: employee engagement will mediate the impact of corporate entrepreneurship on innovation performance

As per the propositions, conceptual model of the paper could be sketched as follows:



Source: The Researcher

This conceptual model marks numerous research significances. The model outlines the research gaps in connection to the relationship between corporate entrepreneurship and employee engagement.

9. Conclusion

The ideas proposed in the preceding paragraphs deserve empirical attention. The paper highlights key ingredients that could notably enhance innovation performance and how employee engagement could contribute towards it. According to Aon Hewitt (2015) survey report, employee engagement harvests vital competitive factors in an organization which ultimately lead towards competitive advantage and achievement of performance targets. In this paper, we have tried to underscore how employee engagement can be interacted in the relationship between corporate entrepreneurship and innovation performance. The paper argues that management support, flexibility and resource provision for creativity and innovation highlight the corporate entrepreneurial values of the company and positive perceptions about them can significantly result in innovation performance. Accordingly, the paper also underscores that the components of corporate entrepreneurship can notably enhance employees' work wellbeing hence resulting in employee engagement. Thus, with some robust empirical evidence, the paper also proposes that employee engagement can significantly mediate innovation performance which is a major gap in the entrepreneurship-performance literatures.

Based on this, the study proposes the model that may considerably go some way towards outlining how employee engagement can be brought in action in this

relationship. The model outlines considerable elements that may empirically highlight how managers can foster employee engagement through corporate entrepreneurship and later on how employee engagement can potentially facilitate towards innovation performance.

10. References

- Ahmed, U., Umrani, W. A., Pahi, M. H., & Shah, S. M. M. (2017). Engaging PhD Students: Investigating the Role of Supervisor Support and Psychological Capital in a Mediated Model. Iranian Journal of Management Studies, 10(2), 283-306. doi: 10.22059/ijms.2017.220219.672364
- Ahmed, U., Majid, A. H. A., & Zin, M. L. M. (2016a). Construct Validation of 17-item Utrecht University Work Engagement Scale Amongst the White Collar employees of Malaysian Universities. *International Journal of Academic Research in Business and Social Sciences*, 6(5), 306-312.
- Ahmed, U., Majid, A. H. A., & Zin, M. L. M. (2016b). Meaningful Work and Work Engagement: A Relationship Demanding Urgent Attention. *International Journal of Academic Research in Business and Social Sciences*, *6*(8), 116-122.
- Ahmed, U., Abdul Halim Abdul, M., & Zin, M. L.M. (2016c). Moderation of Meaningful Work on the Relationship of Supervisor Support and Coworker Support with Work Engagement. *The East Asian Journal of Business Management*, *6*(3), 15-20.
- Antoncic, B., & Zorn, O. (2004). The mediating role of corporate entrepreneurship in the organizational support-performance relationship: An empirical examination. *Managing global transitions*, 2(1), 5-14.
- Bakker, A. B., & Bal, M. P. (2010). Weekly work engagement and performance: A study among starting teachers. *Journal of Occupational and Organizational Psychology, 83*(1), 189-206.
- Bakker, A. B., & Bal, M. P. (2010). Weekly work engagement and performance: A study among starting teachers. *Journal of occupational and organizational psychology, 83*(1), 189-206.
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of personality and social psychology, 51*(6), 1173.
- Breevaart, K., Bakker, A., Hetland, J., Demerouti, E., Olsen, O. K., & Espevik, R. (2014). Daily transactional and transformational leadership and daily employee engagement. *Journal of occupational and organizational psychology, 87*(1), 138-157.
- Chughtai, A. A., & Buckley, F. (2013). Exploring the impact of trust on research scientists' work engagement: Evidence from Irish science research centres. *Personnel Review, 42*(4), 396-421.
- Demerouti, E., Cropanzano, R., Bakker, A., & Leiter, M. (2010). From thought to action: Employee work engagement and job performance. *Work engagement: A handbook of essential theory and research*, 147-163.
- Goodale, J. C., Kuratko, D. F., Hornsby, J. S., & Covin, J. G. (2011). Operations management and corporate entrepreneurship: The moderating effect of operations control on the antecedents of corporate entrepreneurial activity in relation to innovation performance. *Journal of Operations Management, 29*(1), 116-127.

- Hackman, J. R., & Lawler, E. E. (1971). Employee reactions to job characteristics. *Journal of Applied Psychology*, *55*(3), 259.
- Halbesleben, J. R., & Wheeler, A. R. (2008). The relative roles of engagement and embeddedness in predicting job performance and intention to leave. *Work & Stress,* 22(3), 242-256.
- Hewitt, A. (2015). 2015 Trends in Global Employee Engagement. Aon Hewitt Corp, Retrieved from: http://www.aon.com/attachments/human-capital-consulting/2015-Trends-in-Global-Employee-Engagement-Report.pdf
- Hisrich, R.D., Peters, M.P. & Shepherd, D.A. (2005), *Entrepreneurship*, 6 th ed. NYC; McGraw-Hill
- Hornsby, J. S., Kuratko, D. F., & Montagno, R. V. (1999). Perception of internal factors for corporate entrepreneurship: A comparison of Canadian and US managers. *Entrepreneurship Theory and Practice*, *24*(2), 9-24.
- Hornsby, J. S., Kuratko, D. F., & Zahra, S. A. (2002). Middle managers' perception of the internal environment for corporate entrepreneurship: assessing a measurement scale. *Journal of business Venturing*, 17(3), 253-273.
- Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of management journal*, *33*(4), 692-724.
- Kassa, A. G., & Raju, R. S. (2015). Investigating the relationship between corporate enterpreneurship and employee engagement. *Journal of Entrepreneurship in Emerging Economies*, 7(2). 148-167.
- Kassa, A. G., & Raju, R. S. (2015). Investigating the relationship between corporate entrepreneurship and employee engagement. *Journal of Entrepreneurship in Emerging Economies*, 7(2), 148-167.
- Kassa, A. G., & Raju, R. S. (2015). Investigating the relationship between corporate entrepreneurship and employee engagement. *Journal of Entrepreneurship in Emerging Economies*, 7(2), 148-167.
- Kompaso, S. M., & Sridevi, M. S. (2010). Employee engagement: The key to improving performance. *International Journal of Business and Management, 5*(12), p89-96.
- Kompaso, S. M., & Sridevi, M. S. (2010). Employee engagement: The key to improving performance. *International Journal of Business and Management, 5*(12), 89.
- Kuratko, D. F., Montagno, R. V., & Hornsby, J. S. (1990). Developing an intrapreneurial assessment instrument for an effective corporate entrepreneurial environment. *Strategic management journal, 11,* 49-58.
- Lockwood, N. R. (2007). Leveraging employee engagement for competitive advantage. Society for Human Resource Management Research Quarterly, 1, 1-12.
- Morris, M., Kuratko, D., & Covin, J. (2008). Corporate entrepreneurship & innovation 2nd ed. *Mason, OH: Cengage Learning-Thomson-South Western.*
- Nasution, H. N., Mavondo, F. T., Matanda, M. J., & Ndubisi, N. O. (2011). Entrepreneurship: Its relationship with market orientation and learning orientation and as antecedents to innovation and customer value. *Industrial Marketing Management*, *40*(3), 336-345.
- Nayager, T., & Van Vuuren, J. J. (2005). An analysis of an organisational strategy, structure and culture that supports corporate entrepreneurship in established organizations: management. South African Journal of Economic and Management Sciences= Suid-Afrikaanse Tydskrif vir Ekonomiese en Bestuurswetenskappe, 8(1), p. 29-38.
- Pinchot, G., & Pellman, R. (1999). *Intrapreneuring in action: A handbook for business innovation*: Berrett-Koehler Publishers.

- Pitt, L. F., Prendegast, G., & Berthon, P. (1996). Does Corporate Entrepreneurship Influence Innovation in Service Firms?: Henley Management College.
- Rich, B. L., Lepine, J. A., & Crawford, E. R. (2010). Job engagement: Antecedents and effects on job performance. *Academy of management journal*, *53*(3), 617-635.
- Rich, B. L., Lepine, J. A., & Crawford, E. R. (2010). Job engagement: Antecedents and effects on job performance. *Academy of Management Journal*, *53*(3), 617-635.
- Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology*, 21(7), 600-619.
- Salanova, M., Agut, S., & Peiró, J. M. (2005). Linking organizational resources and work engagement to employee performance and customer loyalty: the mediation of service climate. *Journal of Applied Psychology*, *90*(6), 1217.
- Schaufeli, W. B., & Salanova, M. (2007). Efficacy or inefficacy, that's the question: Burnout and work engagement, and their relationships with efficacy beliefs. *Anxiety, Stress, and Coping*, *20*(2), 177-196.
- Schaufeli, W. B., Salanova, M., González-Romá, V., & Bakker, A. B. (2002). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness studies, 3*(1), 71-92.
- Seppälä, P., Mauno, S., Feldt, T., Hakanen, J., Kinnunen, U., Tolvanen, A., & Schaufeli, W. (2009). The construct validity of the Utrecht Work Engagement Scale: Multisample and longitudinal evidence. *Journal of Happiness Studies, 10*(4), 459-481.
- Sharma, P., & Chrisman, S. J. J. (2007). Toward a reconciliation of the definitional issues in the field of corporate entrepreneurship* *Entrepreneurship* (pp. 83-103): Springer.
- Shuck, B., & Reio Jr, T. G. (2014). Employee engagement and well-being: A moderation model and implications for practice. *Journal of Leadership & Organizational Studies, 21*(1), 43-58.
- Shuck, B., & Wollard, K. (2010). Employee engagement and HRD: A seminal review of the foundations. *Human Resource Development Review*, *9*(1), 89-110.
- Umrani, W. A., Mahmood, R., & Ahmed, U. (2016). Unveiling the Direct Effect of Corporate Entrepreneurship's Dimensions on the Business Performance: A Case of Big Five Banks in Pakistan. *Studies in Business & Economics*, 11(1).
- Vogelgesang, G. R., Leroy, H., & Avolio, B. J. (2013). The mediating effects of leader integrity with transparency in communication and work engagement/performance. *The Leadership Quarterly*, 24(3), 405-413.
- Zahra, S. A., & Covin, J. G. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of business Venturing, 10*(1), 43-58.
- Zahra, S. A., & Garvis, D. M. (2000). International corporate entrepreneurship and firm performance: The moderating effect of international environmental hostility. *Journal of business Venturing*, *15*(5), 469-492.