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Ángeles Montoro-Sánchez, Domingo Ribeiro Soriano

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Human resource management and corporate entrepreneurship

Ángeles Montoro-Sánchez

*Departamento de Organización de Empresas, Complutense University of Madrid,
Madrid, Spain, and*

Domingo Ribeiro Soriano

*Edificio Departamental Oriental, Faculty of Economics,
Universitat de València, Valencia, Spain*

Abstract

Purpose – The aim of this paper is to introduce the special issue on “Human resource management and corporate entrepreneurship”.

Design/methodology/approach – The paper discusses the articles in the special issue, which investigate the relationships between human resource management and entrepreneurship from different points of view, approaches and employing different empirical contexts.

Findings – The papers highlight different human resource management factors of entrepreneurial behaviour and their influence on corporate entrepreneurship. Results from different empirical contexts as small and medium-size firms, case studies, joint ventures, in the USA, China, and Spain, among others, make important contributions to the previous literature.

Originality/value – The paper discusses the intersection and association between human resource management and corporate entrepreneurship. Human resources play an essential role in so far as they can encourage or hinder corporate entrepreneurship.

Keywords Human resource management, Entrepreneurialism, Innovation

Paper type Viewpoint

The importance of innovation for economic and social development is generally accepted. The changes in the environment and an ever-increasing competitiveness among firms, have forced companies to be constantly innovative in order to succeed. Within this context, firms must improve their flexibility and gain competitive advantages by nurturing entrepreneurs through their operations.

Entrepreneurship plays an indispensable role in improving productivity and promoting economic growth. There are many definitions for corporate-level entrepreneurship, although all are based on the seminal papers of Miller and Stevenson. Miller (1983) points out that entrepreneurial behaviour includes innovation, pro-activeness and risk-taking. Stevenson adopts a resources-and-skills perspective, and considers that entrepreneurial behaviour is based on achieving and exploiting market opportunity. So, the literature defines this type of entrepreneurship as corporate entrepreneurship (CE) or entrepreneurship. Thus CE refers to the creation and development of an entrepreneurial culture within businesses in order to increase the firms' innovative capacity.

As has been observed, the commonality in most conceptualizations of CE is the dimension of innovation. As a result, corporate entrepreneurship is considered as the process of enhancing the ability of the firm to acquire and utilize the innovative skills and abilities of the firm's members. This content is inline with the suggestion by many



authors that the corporate entrepreneur continually seeks new opportunities and openly embraces an ever-changing work place. Entrepreneurial activities are often initiated and carried out by individuals within organizations. Organizations by themselves do nothing. Most collective activities that take place within organizations are an amalgamation of the activities of its individual members. Therefore, organizations will be innovative, proactive and take risks through the actions of their members. Thus, examining organizational or work group level innovative skills and abilities require an analysis at the individual level.

During the last decade, an empirical literature has shown the impact of CE on organizational performance, growth and profitability. It also identified some key factors that contribute to good CE. When authors analysed the firm's external environment, organizational culture or structure and human resource management (HRM) comparatively, several of them stressed the relevance of HRM practices as key elements to promote CE and thus facilitating entrepreneurial attitudes towards innovation among employees. So, a small but growing literature has emerged examining the association between human resource management and corporate entrepreneurship.

In increasingly dynamic and demanding environments, established firms need to develop entrepreneurial behaviour – innovation, corporate venturing and strategic renewal – in order to compete successfully and to create value, both for themselves and for the economic system as a whole. Human resources play an essential role in so far as they can encourage or hinder corporate entrepreneurship. Employees capable of innovating, taking risks and exchanging knowledge are necessary, accompanied by reward systems that encourage this type of behaviour.

The importance of this topic, together with the scarcity of empirical studies that analyse the HRM-CE relation has led us to take a more in-depth look at this question within the special issue.

A significant challenge exists for researchers seeking to draw conclusions from this research. Recommended topics included:

- integrative and interdisciplinary theoretical models on human resource management, entrepreneurship, innovation and corporate entrepreneurship;
- classification/influence of human resource management practices according to the firm's activity and its degree of corporate entrepreneurship;
- the role of human resources in the success of entrepreneurial businesses, human resources management and strategic renewal processes;
- recruitment processes in entrepreneurial firms: characteristics and consequences;
- training for workers in entrepreneurial firms;
- professional career development in established entrepreneurial firms;
- identifying and retaining talent on the part of entrepreneurial firms;
- reward systems that enhance entrepreneurial behaviour among employees;
- transfer of "entrepreneurial knowledge" on human resource management from the parent firm to new corporate ventures;
- resource management practices that enable/hinder corporate entrepreneurship;
- corporate entrepreneurship processes and the role of entrepreneurial leaders;
- the management of diversity in entrepreneurial firms;

- comparison of human resource practices (recruitments, selection, training, incentives . . .) between established entrepreneurial firms and newly created firm; and
- innovation in human resource practices to enable the processes of corporate entrepreneurship.

Human resource management and entrepreneurship areas have seldom been studied together in the past. In fact, few studies on HRM in entrepreneurial firms exist, even though HRM plays a key role in entrepreneurial firms as the shaker and mover in firm development and growth (Keating and Olivares, 2007). Research on the role of HRM in the entrepreneurial process is only now beginning to emerge. Comprehensive and rigorous theoretical models that relate both areas do not exist as yet. Although the fields of human resource management and entrepreneurship are well-developed and recognized disciplines by themselves, combining the study of the two has been a fairly recent phenomenon (Katz *et al.*, 2000). Interest in this combined area of HRM and entrepreneurship has expanded greatly since 2000, with the appearance of more rigorous empirical studies. Yet, scholars still face a great challenge to do more with this new field of study: HRM in entrepreneurial firms.

The objective of this special issue is to provide theoretical and empirical evidence that relates human resource management with entrepreneurship. Following a call for papers after a double-blind review process, eight papers were selected for inclusion within this special issue.

The paper “Human resource management in entrepreneurial firms: a literature review” by Marina Dabic, Maria Ortiz-de-Urbina-Criado and Ana M. Romero Martínez reviews the literature on human resource management in entrepreneurial firms and tries to determine how far this line of research had progressed. It analyses the topics studied in this literature and identifies the limitations of this research, while looking for future lines of research. The final aim of this paper is to help scholars orient future research in HRM in entrepreneurial firms by enabling them to better understand the direction in which the field is going and what gaps remain.

Moreover, this review of the literature on HRM and entrepreneurship has practical implications and academic relevance. HRM is crucial for the success of entrepreneurship, thus HRM practices should focus as much on building relationships among employees as they do on matching individual employees to job situations. Hayton (2004, 2005) observes that while the traditional model of HRM encourages matching employee contributions to organizational needs and inducements, a more relevant perspective to corporate entrepreneurship would encourage the building of relationships among employees, between employees and the organization and between employees and key organizational stakeholders. These inter-relationships are necessary because they represent essential channels for the flow of knowledge and information, which are the building blocks of innovation and entrepreneurial opportunities.

Although HRM practices are recognized as a key mechanism for stimulating entrepreneurial initiatives within firms, most studies have approached the phenomenon within the context of large corporations but little is known about its characteristics in small and medium-sized enterprises.

In the article by Gary Gastrogiovanni, David Urbano and Joaquín Loras, entitled “Linking corporate entrepreneurship and HRM in SMEs”, the authors analyse the HRM practices adopted in SMEs for promoting CE in Spain, using a multi-case study approach. Specifically, the research questions are:

- What HRM practices are most beneficial to promote CE in SMEs?
- How do HRM practices promote an appropriate working environment for CE in SMEs?

The main findings of the study show that the creation of personal relationships and the development of an open communication between owner-managers and employees, and among employees themselves, can help to explain the dynamics of entrepreneurial behaviours within small firms. The openness in the communication is important, not only for promoting CE activities, but also for creating the most appropriate work environment to carry out other resource management practices that stimulate entrepreneurial behaviours. So, the paper contributes on the integration of the literature about CE and HRM practices in the context of SMEs in Spain. The study shows, in the light of a resource based view approach, that there is sound evidence supporting the importance of analysing the factors leading to the emergence of CE, including intangible resources such as the human resource practices that increase the employees’ entrepreneurial attitudes.

In the same line, the paper titled “Corporate entrepreneurship and human resource management: theoretical background and a case study” by Sang M. Lee, Marta Peris-Ortiz and Rafael Fernández-Guerrero, examines the case of Montalt-Valencia (Spain), a car dealer for Ford-Espana. It examines the firm’s external and internal entrepreneurial activity and the way human resources are organized.

The difficulty of this case study lies in the environment that surrounds these firms with regards to technology and the characteristics of the product, which is largely determined by the main firm (Ford-Espana). It appears that little room remains for external entrepreneurial activity, and even less for those related to the entrepreneur or with regards to corporate entrepreneurship. However, the social and institutional capital of Montalt, in its excellent relations with Ford-Espana, implies external economics for expanding a dealer of this nature. On the other hand, if we understand corporate entrepreneurship as a continuous action of organizational renewal and marginal innovation that allows for continuous improvement, this paves the way for combinations of human resource practices that could lead to sufficient levels of innovation and could allow a dealer of this nature to obtain competitive advantages over other car dealers of the same brand name.

What may seem at first glance, a company with limited possibilities for innovation because it can only be marginal and gradual, on closer examination, it became apparent that accumulated small improvements, both organizational and technical, had secured the status of sector leader and five Chairman’s Awards, given by Ford-Spain between 2002 and 2007.

The article discusses the theoretical bases of entrepreneur and corporate entrepreneurship. It serves as a framework to examine the Montalt case. It shows the theoretical framework for human resource practices, as an indispensable instrument of corporate entrepreneurship. In conclusion, in the Montalt case study, external entrepreneurial activity and the way in which the firm organized its human resources were examined.

Based on an individual approach, and the orientations of Covin and Slevin (1989) and Miller (1983) the paper “Entrepreneurial success and human resources” by Fernando Peris Bonet, Carlos Rueda Armengot and Miguel Angel Galindo Martín was intended to serve as a tool that will enable the authors to determine the human resource management factors that have had an influence on the entrepreneurial success of small and medium-sized enterprises.

Although modelling human resource management from an entrepreneurial perspective involves difficulties that are not easily overcome (De Saá Pérez and García Falcón, 2004), this work contains an excellent knowledge and understanding of the literature that provided the items chosen as the object of the statistical research. It also lays down guidelines by which small and medium-sized European enterprises may be characterized. The possible relationships between the character of the business person who creates an innovative small and medium-sized enterprise and the success of the business, was established. Thus it provides a reasonably fine-grained examination of the link between entrepreneurship, businesses, human resource management and success (Kidwell and Fish, 2007).

In the case of the paper by Yu Zhou, Yingying Zhang and Ángeles Montoro-Sánchez, interest focuses on the innovative and creative side of employees as a dimension of their entrepreneurial behaviour. Among different systems of human resource management, the reward system is seen as an important part in order to motivate employees to be creative and to promote their innovative behaviour. However, the literature shows the constraint between the utilitarianism and romanticism perspective. On one hand, the utilitarianism approach assumes that extrinsic rewards can bring expected behaviour and performance (e.g. Pryor *et al.*, 1969), underpinning economic package to enhance the desired innovative behaviour of employees. On the other hand, the romanticism perspective views intrinsic reward as an effective instrument to improve creativity and innovative performance by enhancing self-motivation (e.g. Ryan and Deci, 2000). To treat this theoretical battle, the authors bound intrinsic and extrinsic reward variables in their creativity and innovation study to test the individual effect of each approach, as well as the interaction between the two. While the authors confirmed a constantly positive effect with regards to intrinsic reward on innovative behaviour, they also discovered an “inverse-U” effect of extrinsic reward on innovative behaviour, contrary to the constantly positive effect found in classical literature. Furthermore, the authors found a positive interactive effect between the intrinsic and extrinsic reward systems, which enhances employees’ innovation.

In this paper, the authors use data from 216 individual samples in China that has a long tradition with regards to employing an intrinsic reward system. The results of this study highlighted the relevance in taking intrinsic factors into account in order to achieve a positive effect on employee performance. In addition, it highlights the pitfall of over deployment of extrinsic reward such a monetary motivation due to its negative effect on creativity enhancement. This paper contributes to a comprehensive understanding of different reward systems and their intervention on creativity. Researchers and practitioners may be able to reflect these Chinese findings within globalizing business and diverse contexts, when testing this hypothesis.

The paper by Helena Knörr, “From top management to entrepreneurship: women’s next move?”, focuses on gender issues. From a HRM perspective, the rise in female entrepreneurship is vital for the economy. As organizations become diversified, they will have to pay attention to women and ethnic minorities to better serve their future

needs and remain competitive. In addition, research has demonstrated that economies and organizations suffer when skilled and talented women leave their jobs (Hewlett and Luce, 2005).

The purpose of this paper is to generate a better understanding of women's career advancement to top management and their future aspirations to become entrepreneurs. The research design used is qualitative research hermeneutic phenomenology. Women in top management positions were interviewed about their career experiences. The findings suggested that women's career experiences predisposed them to find an alternative route for entrepreneurship, despite having achieved top management. Understanding factors that successfully contribute to the development of women entrepreneurs from a career development perspective is a critical endeavour for any type of organization. The qualitative research is limited to US for profit organizations. This paper provides a unique way to look at the career development of women who have reached top management and their motivations to become entrepreneurs.

The last two papers link the two areas of HRM and CE, as well as analysing the role of knowledge. Competitive advantage is increasingly based on strategic assets, such as knowledge and resources that are necessary to manage and transfer it. The transfer of knowledge may be a source of competitive advantage, and in particular between firms via a joint venture.

In recent decades, some studies have argued that, collectively, a firm's employees can also provide competitive advantage, and that it can be difficult to reproduce on the part of its competitors. All of this makes human resources an important organizational asset, or, more precisely, the management of organizational human resources is an essential element of knowledge transfer.

The role of human resources (HR) is an essential element in order to be able to carry out inter-organizational transfer. The aim of the paper by María del Mar Benavides-Espinosa and Salvador Roig-Dobón, "The role of entrepreneurs in transferring knowledge through human resource management and joint venture", is to analyse the influence of the different roles of top managers, intermediate managers, and employees, as well as HR inter-organizational practices in this transfer. The hypotheses were contrasted via a structural equation model using a sample of 74 firms, which had recently cooperated in a joint venture.

In this study, authors begin with the idea that organizational knowledge is the basis of business today, knowledge that needs to be articulated by the firm's staff. In addition, not all organizations have all the knowledge they need to carry out their strategies. Consequently, they proposed the study of the role of different hierarchical levels in knowledge transfer between organizations in general and particularly in the case of joint ventures.

They have addressed the question of the positive influence of employees on knowledge transfer and found evidence to suggest that they do not influence the process but are rather charged with accumulating and updating new knowledge or acting as walking archives of the day-to-day business of the organization. In the second hypothesis, they proposed the influence of intermediate management on knowledge transfer through joint ventures. The results suggested that these managers play a very relevant role in this type of transfer, acting as links between high-level managers and employees, enabling the combination of knowledge, reducing the internal frontiers in the organization and thus enabling knowledge transfer. However, with regards to the

proposed influence of high level managers on knowledge transfer, they found that they do not play a relevant role, as this type of process is not normally imposed from above but arises from personal and group results, especially from intermediate managers. High-level managers are more concerned with the preparation, dissemination and organization of knowledge than in carrying out its transfer. Lastly, they put forward a fourth hypothesis where they considered how the degree of involvement of resources positively influences knowledge transfer. It is important to develop adequate HR policies for fomenting transfer, especially motivating staff by fostering the development and exploitation of knowledge transfer.

The paper by Anthony K.P. Wensley, Juan Gabriel Cegarra-Navarro, Gabriel Cepeda-Carrión and Antonio Genaro Leal-Millán, "How the entrepreneurial actions transform the customer capital through time? Exploring and exploiting knowledge in an open-mindedness context", focuses on the mechanisms through which entrepreneurial actions affect customer capital over time.

Today, in small and medium-sized enterprises (SMEs), entrepreneurs must take a more strategic perspective, evidenced by the need to scan the enterprise to discover how they might improve customer relations as well as promote improved entrepreneurial actions.

Despite the significant attention that has been paid to the role of entrepreneurs as a key factor in leading to corporate success in the future, there has been limited empirical research to examine the entrepreneurial actions that may be associated with new organizations in the creation and sustaining of customer capital. This paper examines the potential mechanisms through which entrepreneurial actions affect customer capital over time. This supports the position that suggests that the person's knowledge relating to his or her membership of a social category or group (i.e. identity) evolves and changes through time. In other words, in the same way as identity formation is a process that continues all through life, knowledge is continually evolving through time. Some knowledge is retained, some is reinterpreted and some is discarded and, of course, new knowledge is acquired.

This paper examined, through an empirical study of data provided by 107 telecommunications SMEs, how the nature and existence of an open-mindedness context is linked to the nature and existence of knowledge exploration and exploitation processes enacted by the workforce of an organization. Further, it explored how the existence of these practices contributes to the creation of customer capital. The study found that the effects of the existence of open-mindedness practices over time (t0) on customer capital over time (t1) are mediated through the existence of knowledge exploration and exploitation processes over time (t1). This means that managers in general and entrepreneurs/founders of SMEs in particular should consider incorporating processes that support open-mindedness (unlearning) among their management tools as these provide a complement to human resource practices that focus on the stability and continuity of practice and knowledge. The authors further suggested that all unlearning efforts should centre on people in the organization who are actually performing the jobs where knowledge sharing and use take place. Since employees are dealing with customers to fulfil their requirements, it is important for them to be given a substantial amount of autonomy to decide on solutions for their clients. This will prevent time and effort being wasted when the employees explore, discuss and decide on the clients' needs.

These are the contributions of studies included in this issue. The relevance of this special issue on, “Human resource management and corporate entrepreneurship” clearly indicates that it is still an area where further empirical research is needed. Future research should look into qualitative and quantitative analysis of conditions under which human resource management and entrepreneurial behaviours interact.

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About the authors

Angeles Montoro-Sánchez is an Associate Professor of Management at the University Complutense of Madrid, Spain. Her research interest includes strategic alliances, cooperative agreements, merges and acquisitions and entrepreneurship. Angeles Montoro-Sánchez is the corresponding author and can be contacted at: mangeles@ccee.ucm.es

Domingo Ribeiro Soriano is a Professor of Management at the University of Valencia, Spain. He is an associate editor of the *Services Industries Journal* and book review editor of *Management Decision* (Emerald).