

# “ENTREPRENEURSHIP CLIMATE’S EFFECT ON COMPANY PERFORMANCE”

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*Abstract*— The new world order imposed by the global competition compels companies to go beyond the traditional structure and to rapidly adapt to changes. Companies tend to regard human resources, the most valuable asset items, in the view of "talent management" and to use the more-active role they play as an entrepreneurial individual within the company as a weapon in the competitive advantage. The entrepreneurship that can be expressed as employees' entrepreneurial behavior in formed organizations can spring to life only in an organizational climate that supports these behaviors. The aim of this study is to examine entrepreneurship climate's effect on the company performance.

*Index Terms*— Entrepreneurship, Entrepreneurship Climate, Company Performance.

## I. INTRODUCTION

The routine work patterns through which companies has reached to success over time brings along such risks as inertia, loss of flexibility and innovative power etc. In preventing such risks, entrepreneurship can contribute positively to the company's performance in a climate that allows everyone to express their ideas, encourages realization of ideas, allocates resources and gives time.

Forming a dynamic, flexible, risk-taking, innovative and competitive organizational climate that can benefit from the opportunities emerging in the rapidly-changing markets and which especially has the power to shape the competitive environment in business strategy practices constitutes the purpose of entrepreneurship[1]. The importance of entrepreneurship, however, lies behind the fact that it both revitalizes the businesses and improves their performances in terms of both profitability and economic growth[2]. In this context, entrepreneurship may considered as a weapon in providing a competitive advantage in today's global competitive environment

## II. ENTREPRENEURSHIP

The definition of entrepreneurship which is widely known and accepted by everyone today was first made by Richard Cantillon (1755). According to Cantillon, an entrepreneur is a person who organizes the business to make a profit and undertakes the risk of such business. Cantillon has addressed

the role of entrepreneur in economic activities in terms of the ability of risk-taking and managing the situations of uncertainty [3][4][5]

Entrepreneurship was defined in terms of many of its aspects. Among these definitions made, those more inclusive ones are as follows: According to Drucker (1985), entrepreneurship is an innovative activity combining existing resources with the capacity to produce new wealth. On the other hand, according to Covin and Slevin (1991) it is an entrepreneurial behavior exhibited at the firm level. These behaviors can be counted as risk taking by senior management, renewing products frequently to maintain technological leadership and behaving aggressively and proactively to compete with rivals [6].

The term of "entrepreneurship" was first brought up by Pinchot in 1985. Pinchot defined entrepreneurship as "entrepreneurial activities within an existing/formed organization" [7][8][9]. Entrepreneurship is more extensively defined in a way to include many elements such as innovation, creating new jobs, self-renewal, risk taking and being predictive [3]. According to Fry [10]; entrepreneurship is defined as a process created and developed by the culture within an existing organization. Entrepreneurs are considered as the individuals within the organization who has both an entrepreneurial spirit and the ability to see and capture the opportunities of innovation and transform these ideas and models into actual activities increasing profitability and competitiveness of businesses [11]. In this context, entrepreneurship is the person who takes the opportunities in the market through risk taking and innovation through converting them into profitable business ideas and allows for change through putting them on the market [12][13][14][15][16].

Entrepreneurship differs from entrepreneurship in the following aspects: while entrepreneurs have the freedom to act as they wish, entrepreneurs have to follow strict, skeptical, disincentive and mandatory processes and convince the top management in order to exhibit their behaviors. An entrepreneur creates his/her own environment whilst an entrepreneur operates in an environment that includes structural and procedural obstacles formed before his activity [17]. While failure of an entrepreneur results in bankruptcy, the

failure of an entrepreneur ends up with a waste of money and time for the firm. Depending on the size of the failure, the entrepreneur may continue to work or lose his/her job in the company [6].

The entrepreneurship has eight dimensions, namely, (1) new business venture, (2) new business areas, (3) product / service innovation, (4) process innovation, (5) self-renewal, (6) risk-taking, (7) competitive aggressiveness and (8) proactiveness [3][18]. In these sizes, there are many different factors ranging from tracking new jobs to company's ability to achieve the organizational transformation, suggesting ideas independently within the company to the ability of risk taking, being first to the reactions shown against new competitors [2].

The fact that a company undertakes new projects and/or a company's willingness to implement strategies results of which are uncertain is considered as an indicator of the company's entrepreneurship [19]. It is expected that entrepreneurship would bring flexibility and vitality to such organization as a remedy to overcome inertia, recession and the lack of innovation [20][21] and provide national and international advantages in the competitive environment with increasing severity.

#### *A. Entrepreneurship Climate and Its Effect on Company Performance*

Company climate refers to the shared perceptions of company members about the company and business community [7][22] and their attitude towards the common goal. Traditional organizational culture has an organizational climate and reward system that are prone to conservative decision-making. In order for rational decision-making, risky decisions should be postponed until sufficient information is accessed and a conviction is reached. Traditional organizational culture does not create an environment for creativity, flexibility, independence and risk-taking which constitute the spirit of entrepreneurial climate [23][24]. Yet, an organizational climate that supports entrepreneurship emphasizes being prudential and identifying new ideas, creativity, risk-taking, opportunities and possibilities unlike the traditional bureaucratic culture [8].

In order to allow for development of the entrepreneurial climate, business ideas should be implemented through being evaluated in the context of a business plan. The aim here is not only to reveal a new idea of production but also to launch an initiative. Such a structure may only be created through an effective reward system and management support. In addition, the company management should also be prepared to risk-taking and the possibility of failure as the entrepreneur [25].

Even though entrepreneurship's effect on the company performance is considered as a bit modest and less the first few years, this effect grows steadily in subsequent years. This positive effect also shows itself more pronouncedly in various environmental conditions [26]. It is argued that, especially in environments where there is an intense competition, the entrepreneurial activities within the organizations have a positive impact on company performance in terms of profitability and growth [27][2]. Overall, the positive performance results emerged in terms of profitability and growth are considered as a result of entrepreneurial activities within existing organizations [1].

Some researchers such as Zahra and Covin (1995) and Wiklund (1999) have put forth that entrepreneurial inclination has both a short-term effect on the performance and sustainable positive effects on companies' growth and financial performance in the long term. The general opinion and expectation in this regard is that the organizations undertaking entrepreneurial activities are more likely to obtain higher growth and profitability levels compared to those which do not engage in such activities. Therefore, the entrepreneurial climate in companies is positively associated with organizational growth, profitability and productivity levels [28].

It is supported by numerous studies that the entrepreneurial activities implemented enhance the business performance through creating an appropriate organizational climate [29][30][31][28][32][33]. In this context, in case that the top management creates and supports an entrepreneurship climate, the entrepreneurs may be expected to contribute positively to the company performance and competitive advantage.

### III. CONCLUSION

In order to succeed in entrepreneurship practices, the top management should support and motivate the employees in risk-taking and taking advantage of the opportunities [34][35]. In addition, the top management should understand the value of the entrepreneur, should be disposed to entrepreneurial programs [36] and should both facilitate and encourage entrepreneurial activities within the organization [37][9]. In this regard, it can be suggested for the senior executives of companies to allocate necessary financial/human resources and time through creating an entrepreneurial climate, to be patient, to regard mistakes as a precipitating force in taking potential opportunities rather than a threat factor.

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