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THE IMPACT OF ORGANIZATION CULTURE ON ENTREPRENEURIAL BEHAVIOR OF EMPLOYEES IN INDIAN SOFTWARE INDUSTRY



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Abstract: According to De Jong, Parker S K, Wennekers & WUI 2011 Intrapreneurship behavior refers to the entrepreneurial behavior shown within the existing organization that focuses on the employee initiative in an organization to start or undertake something new although he or she is not being asked to do so. In recent years, it is argued that internal organizational factors play a very important role in developing Intrapreneurship amongst employees. The systems of the organizations play an important role in developing entrepreneurial orientation of the employees. Various theories have suggested that there is a positive relation between the Intrapreneurship and organization culture. The objective of this study is to establish an empirical investigation in the relationship between the intrapreneurial behaviour of employees and organization culture in Indian software industry.

Methodology: The present study was done on a sample of 350 managers belonging to private sector organizations in software industry. Variables in the study were assessed through descriptive statistics, Pearson Product Moment Correlation and Linear Regression Analysis.

Findings: It was analyzed that there is a positive and significant relationship between culture and Intrapreneurship in software industry.

Implications: The findings of this study can assist organizations to develop intrapreneurial mindset of employees by providing a favourable culture to the employees. There should be more encouragement and innovation with enterprising attitude of the organization to encourage innovation by the employees.

Keywords: Intrapreneurship, Organization Culture, Software Industry Managers

INTRODUCTION:

The increased competition and recession has put up the critical question of survival in front all organizations whether big or small. In this context existence of entrepreneurial activities within the organization has surfaced as a means for organizations to expand the innovative abilities of their employees and, at the same time, increase corporate success through the formation of new corporate ventures. In 1985, Pinchot introduced the term 'Intrapreneurship', which is derived from intra-corporate entrepreneurship, which describes the practice of entrepreneurship within organizations (Bridge, O'Neil & Crombie, 1998). In other words this term refers to sowing the seeds of entrepreneurship in your organization to pursue opportunities, innovate and to begin new ventures. Intrapreneurial behaviour is important for organizational survival, growth, profitability and renewal (Zahra, 1996), especially in larger organizations. It seems that different kinds of organizations are eagerly promoting entrepreneurial activities within their staff and management teams. The favourable factors of organization culture can be strengthened and exercised to make organization the most dynamic and innovative system through its entrepreneurial employees.

The objective of this study is to establish an empirical investigation in the relationship between the intrapreneurial behaviour of employees and organization culture in Indian software industry.

Literature Survey:

Entrepreneurial Behaviour is something not new but known to the corporate world from ages. Though entrepreneurship has assumed many forms and many names when explored in the corporate settings explained by various researchers using different terms like 'entrepreneurial organization' (Morris, 2001), 'intra-preneurship' (Pinchot, 1985), 'corporate venture' (Ellis & Taylor, 1987), and internal corporate venture' (Burgelman & Sayles, 1986). According to De Jong, Parker S K, Wennekers & WUI, 2011 intrapreneurial behavior refers to the entrepreneurial behavior shown within the existing organization that focuses on the employee initiative-ness in an organization to start or undertake something new although he or she is not being asked to do so. Sharma and Chrisman has describe Intrapreneurship as “. . . the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization” (Sharma and

Chrisman; 1999:18). Further De Jong & Wenneker, 2008 identified key elements of intrapreneurial behavior as opportunity pursuit, resource acquisition, risk taking, being proactive and innovativeness. According to Van De Van, 1993 intrapreneurial behavior is a process which occurs in an interaction with the environment. Environment plays an important role in influencing corporate Intrapreneurship. It has been pointed out that the more dynamic hostile and heterogeneous the environment, the more emphasis is on the intrapreneurial activities. Hornsby, et al. (1993) argue that there are distinctive characteristics that define potential entrepreneurial behaviour, these are risk-taking propensity, desire for autonomy, need for achievement, goal orientation, and internal locus of control.

Over the last two decade several studies have been realized to examine the antecedents of entrepreneurial activities (Stevenson and Jarrillo, 1990; Guth and Ginsberg, 1990; Covin and Slevin, 1991; Zahra, 1991, 1993; Zahra and Covin, 1995; Sciascia et al., 2006) as well as to verify the effects of such activities on firm's performance (Lumpkin and Dess, 1996; Daily et al., 2002; Wiklund and Shepherd, 2003; Keh et al., 2007). Many researchers have provided empirical evidence for the importance of these factors that include: company's organizational structure (Guth and Ginsberg, 1990; Covin and Slevin, 1991), incentive and control system (Kanter, 1984), managerial support (Stevenson and Jarrillo, 1990) and resources, organization boundary. The literature studies clearly points out that organization culture is amongst the prominent factors affecting the behavior of employees and entrepreneurial orientation. Lee and Peterson (2000) suggested that a society's entrepreneurial orientation depends on its cultural foundation. Cultural factors are behind the success or failure of entrepreneurship as discussed by many authors.

Kanter (1985) has emphasized the fundamental role culture plays in motivating and shaping entrepreneurial behaviour in organizations. Establishing and nurturing intrapreneurial behaviour and practices so they become part of an organisation's culture and ethos can provide the opportunity to initiate renewal and create innovation (Robinson, 2001). Culture is considered the glue that holds an organization together and for others, the "compass" that provide directions. A pattern of shared basic assumptions that the group learned as it solved its problem of external adaptation and internal integration that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Edgar Schein). Culture serves to delineate different grouping of people on the basis of the extent to which each group is perceived and perceives itself to share similar ways of seeing and interact with the animal, inanimate and spiritual world (Benedict 1934, Klucholm & Stordback (1961), Tempenaars (1993). According to Brown (1995) organization culture may be generally described as a set of norms, beliefs, principals and ways of behaving that together give each organization a distinctive culture. According to Fhang Zhao (2005) organizational culture is one of the crucial factor affecting the development of entrepreneurial and innovation behaviour in organizations. Moon (1999) also emphasized the role of organization

culture in determining the entrepreneurial behavior of employees of an organization.

Based on literature review, the primary factors which are identified in this study are more than 22 associated with organization culture and 7 associated with entrepreneurial orientation of employees which is actually reflects Intrapreneurship in the organization.

METHODOLOGY:

The items were converted to questions using 5 point Likert scale. Questionnaire was pretested and modified using opinions from academicians and practitioners in the field of Intrapreneurship. The questionnaire was then administered to the managers at middle level across various software firms known for intrapreneurial practices and having a good track record of innovations in the industry. Total 334 responses were obtained. Out of those 333 were found valid for the purpose of data analysis. Variables in the study are assessed and analyzed through descriptive statistics, Factor Analysis, Pearson Product Moment Correlation and Moderated Regression Analysis.

Hypothesis

We propose following hypothesis:

H1 : There is a positive and significant relationship between culture and Intrapreneurship

Data Analysis and Results:

The result indicated that factor analysis can be conducted as the KMO (Kaiser-Meyer-Olkin) measure of sampling adequacy is 0.913. The Bartlett test of sphericity is significant and the KMO measure of sampling adequacy is greater than 0.6 (Refer Kaiser criterion, 1960). Factor Analysis with principal axis factoring method and varimax rotation was then used to cluster the variables into several factors that explain the respondent's entrepreneurial orientation with respect to culture. In order to control the number of factors extracted, a minimum Eigen value of one (1) was used in the factor analysis. Factors with Eigen value less than one were considered insignificant and were excluded. Only Five (5) factors in the section of culture and one in Intrapreneurship were found to have a meaningful relationship and therefore the factors were retained and interpreted. These factors are depicted in Table 1.

Table 1 around here

Table 2 around here

As seen from Table 2, the instruments used in this study were reliable, with coefficients ranging from 0.62 to 0.86, which exceeded the minimum acceptance level of 0.70.

Table 3 around here

A correlation matrix shows that the five dimensions of culture and one for Intrapreneurship positively and significantly correlate with each other.

Table 4 around here

Table 5 around here

As shown in Table 4 & 5, when the five culture variables were entered into the regression analysis the coefficient of determination (R²) was found to be 0.365 indicating that 36.5% of Intrapreneurship is explained by the

Independent Variable (Culture) variables. The R2 change (0.365) is significant. The F-statistics is significant (p = 0.000) suggesting that the proposed model was adequate. Thus our hypothesis is proved that there is a positive and significant relationship between culture and Intrapreneurship.

From the regression model, it can be observed innovation ($\beta = .679$) and encouragement to employee for risk taking ($\beta = .504$) had a significant and positive relationship with Intrapreneurship at 0.01 level. Additionally, that entrepreneurial orientation of organization ($\beta = .395$), tolerance for failure ($\beta = .110$) and evaluation of employees goals ($\beta = .247$) had a significant effect on Intrapreneurship at the 0.05 level. These results provided full support for the hypothesis of the study.

DISCUSSIONS:

The result of this study shows that “encourage ment” to employees for risk taking and experimenting has a positive impact on their entrepreneurial behavior. Encouragement enhances employee's initiative and readiness to face the challenges arising thereafter. The leaders and the top management constantly encourage their employees for bringing new ideas to the organization. This finding is also supported by Ireland, Covins, Kuratko (2009). They have argued that the employees must be encouraged to take risk by the top level management (Christensen, 2005) also supports that the employees should be constantly “encouraged” to undertake experiments. The finding of this study also supports that the entrepreneurial behavior of employees is also positively affected by entrepreneurial orientation of an organization. The organizations which are highly enterprising and innovative drive their employees to look for new opportunities and ideas. These organizations develop an environment where employees become proactive, innovative and are willing to take risk. The study also lends support to the factor that entrepreneurial behavior of employees of an organization is also determined by tolerance of failure by the management. It has a positive impact on entrepreneurial behavior of employees. The new ideas, new product or an innovation may not have desired outcomes. There are chances of failures. The resources of the organizations get wasted. However Management tolerates these failures and motivates their employees to constantly work on their projects. This tolerance for failures supports the entrepreneurial activity and behavior of the employees. The failures needs to be regarded as opportunities and lessons to learn from and not as reason for punishment (Pinchot, 1985; Russell & Russell, 1992; Russell, 1999; Sherwood, 2002) ; The study is also supported by the research conducted by Kuratko , Ireland et al. (2008) . The study also infers that innovative organization culture is positively related with entrepreneurial behavior of employees. It encourages the free exchange of ideas which brings in new ideas and views in an organization. It encourages employee empowerment where employees are free for taking their decisions pertaining to their jobs. Innovative culture promotes employees who are committed, accept risk and collaborate with others. Thus, supports and

encourages entrepreneurial behavior of employee. The findings of the study are supported by Kinght (1986) and Legge and Hindle (1997) who have found that innovation provide direction and process to the employee behavior. Besides, “innovative work culture is one where employees are motivated to ideate and think 'Beyond the Box' about practices being followed within the organization as well as the industry. A free hand in terms of approaching various issues and resolving them with industry-defining practices helps an organization to constantly be ahead of the curve” Sushir Kumar, CEO Serco Global Services. The study also shows a positive relationship between the goal evaluation of employees and intrapreneurial behavior. Evaluation of goals involves an appraisal of the efforts undertaken to achieve the goal and the percentage of goal achieved within a specified time frame. It highlights the achievements, shortcomings and the problems pertaining to the goal achievement. The shortcomings and the problems are being analyzed and discussed so that possible solutions can be applied resulting in more enterprising employees.

CONCLUSION:

From the above analysis and discussion it has become obvious that organization culture is an influential factor in the promotion of Intrapreneurship. It encourages intrapreneurial behavior of employees in an organization. The organization culture should be effectively managed so that all employees should be treated as Intrapreneurs. It should create an environment with a fair degree of tolerance for failures and applauds successes. It should provide a mechanism to aid and facilitate innovative direction and process along with a constant goal achievement by the employees.

Table 1: Summary of Factor Analysis Results

Factor Name	Factor Statements	Loading
Factor 1 Encourage	encouragement to expand capacities to achieve more	0.54
	treatment to employees with confidence & trust	0.53
	Employees are encouraged to actively communicate and share	0.67
	orientation programme for new employees to share vision of	0.79
	strong emphasis on teamwork	0.76
	dear-cut vision to ensure an innovative company	0.63
Factor 2 Intrapren	importance of being successful	0.55
	preference for freedom to work	0.54
	ability to achieve objectives with the guidelines	0.50
	enthusiasm to tackle problems	0.75
	Using different approaches to solve even in case of failure	0.69
	problem solving attitude	0.81
Factor 3 Evaluation	evaluation of goals showing risk taking behaviour	0.69
	broad range criteria for evaluation of new initiative	0.72
	lack of resources to work on new idea without approval	0.59
	encourage different views to stimulate innovation	0.67
Factor 4 Entrepre	nurtures new and expansive patterns of thinking	0.62
	encourages life-long learning	0.62
	organisation's assessment of potential employees focuses on	0.54
	continual recruitment of individual entrepreneurs	0.66
Factor 5 Innovation	actively searching opportunities	0.70
	systematic adjustments to problems with caution	0.54
	bold decision making despite uncertainty	0.51
	belief in innovation for organisation future	0.47
	encouraged to continually look at things in new ways	0.42
Factor 6 Failure to	importance to compromise amongst various stakeholders	0.72
	Failure is NOT condoned	0.75

Table 2: Reliability Coefficients Mean Scores and Standard Deviations of the Study Variables

Factors	Cronbach's Alpha	Mean	Std. Deviation
Intraprenurship	0.80	4.15	0.60
Encouragement	0.86	4.13	0.56
evaluation_goal	0.77	3.78	0.59
Entp_Org_cul	0.73	3.65	0.66
Innovation	0.78	3.92	0.57
failur_tolerance	0.62	3.39	0.71

Table 3: Reliabilities and Coefficient of Correlations among the variables

Pearson Correlation						
	Intraprenurship	Encouragement	evaluation_goal	Entp_Org_cul	Innovation	failur_tolerance
Intraprenurship	0.80					
Encouragement	0.55**	0.86				
evaluation_goal	0.35**	0.55**	0.77			
Entp_Org_cul	0.47**	0.65**	0.56**	0.73		
Innovation	0.56**	0.73**	0.54**	0.67**	0.78	
failur_tolerance	0.11*	0.07*	0.28**	0.09*	0.08*	0.62

Note: Coefficient Alpha's are reported along the diagonal

** Significant at .01 level. *Significant at .05 level.

Table 4: Regression Analysis

R	R Square	Adjusted R Square	R Square Change	Sig. F Change
0.6048	0.3658	0.3561	0.3658	0.000

Predictors: (Constant), failure_tolerance, encouragement, evaluation_goal, Entp_Org_cul, innovation

Dependent Variable: Intraprenurship

Table 5: Regression Analysis Coefficients

Coefficients	
Factors	Standardized Coefficients Beta
encouragement	0.679**
evaluation_goal	0.247*
Entp_Org_cul	0.395*
Innovation	0.504**
failur_tolerance	0.110*
Dependent Variable: Intraprenurship	

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