

**Relationship between Corporate Entrepreneurship, Market  
Orientation and Organizational Performance: With  
Reference to Small and Medium Enterprises in Southern  
Province**

By

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A thesis submitted to the University of Sri Jayawardenapura in  
partial fulfillment of the requirements for the Degree of Master of

Science in Management

2015

## Declaration

The work described in this thesis was carried out by me under the Supervision of Mr. M.V.S.S Udayanga and a report on this has not been submitted in whole or part to any university or any other institution for another Degree.



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Date

## Recommendation of the Supervisor for the Thesis

I certify that the dissertation report of “Relationship between Corporate Entrepreneurship, Market Orientation and Organizational Performance” which is presented by Mrs. D. M. R. Deepika, was performed under my supervision.

A handwritten signature in black ink, appearing to read 'M.V.S.S. Udayanga', is written over a horizontal dotted line. The signature is enclosed within a hand-drawn circle.

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## **Acknowledgements**

It is grateful of me to offer my heartiest gratitude to all who lent me a hand in this massive task. This thesis would not be possible of fulfillment without many inspiring, helping hands and also sacrifices. I will take to bring all those visible and invisible hands to my mind to acknowledge their help during the period of my thesis.

First of all, I would like to thank and pay my deepest gratitude to Mr. M.V.S.S. Udayanga, Senior Lecturer, Department of Entrepreneurship, Faculty of Management and Commerce, University of Sri Jayewardenepura for his excellent guidance, supervision, constant encouragement and support for the work. My sincere appreciation goes to former Mrs. K.A. Sandya Sriyani, former Head and Mr.P.E.D.D. Silva, Head of the Department of Management and Entrepreneurship, Faculty of Management and Finance, University of Ruhuna for their encouragement to carry out the thesis as well as the master's studies. I remind and express my gratitude for the assistance given by Dr. Thusitha Gunawardane and all my colleagues in Faculty of Management and Finance, University of Ruhuna. Further, I should thank Mr. Gnanathilake of ELTU, University of Ruhuna for his dedication for grammatical correction of the thesis.

Further, I wish to give my special thanks to all the managers in SMEs who did not hesitate for giving relevant details while doing his workload.

I wish to express my indebtedness and heartfelt gratitude to my loving parents, brothers, husband and my son Sanndul for their inspiration, and sacrifice extended throughout this course as well as my life. Once again I would like to acknowledge the inspiration provided and sacrifices made by all and show my gratefulness from the bottom of my heart.

## ABSTRACT

Entrepreneurial behavior and market oriented behaviors throughout the organization is crucial for the firm success, since it allows the organization to deal with the competition. Corporate entrepreneurship as a sub field of entrepreneurship is a practice of entrepreneurial behavior in established organizations. Market orientation is a practice of identification of market requirements and creates value to customers. Since both orientations clearly have a relationship on firm performance, the current study focuses on Small and Medium Scale enterprises (SMEs) where the researchers have ignored in studying the relationship between corporate entrepreneurship, market orientation and organizational performance. Accordingly, the current study is addressing the research gap of SME sector to investigate the nature of relationship between the constructs. Hence, the objective of this study is to investigate the relationship between corporate entrepreneurship, market orientation and organizational performance in SMEs.

The research was based on the relevant literature to operationalize the constructs. Accordingly, deductive research method was used with the existing literature to test of the theory in Sri Lankan context. This study was undertaken with SMEs in Southern province in Sri Lanka. A structured questionnaire was used for the survey as a method of data collection from a systematic sampling method. To analyze the collected data, this study used Partial Least Squares path modeling (PLS). The reliable and valid measurement model permits an empirical evaluation of the hypotheses in the structural path model. The tests of eight hypotheses in the structural model was performed and found negative relationship between autonomy, risk taking, competitive aggressiveness and inter-functional coordination over SMEs performance. However, the overall



relationship between corporate entrepreneurship and market orientation is positive where corporate entrepreneurship has a statistically significant relationship on organizational performance.

The current research has confirmed the existing findings of the literature, and further provide insight for SMEs to utilize entrepreneurial practices and market oriented practices for improve performance. With the findings of the study it is proposed to the management of SMEs to practice entrepreneurial and market oriented behavior throughout the organization for improve their performance. Further, it provides a model for future research to study the relationship between each constructs in different contexts with adding other particular demographic variables. Accordingly, this research field is one of the fields in which much academic research needs to be carried out in years to come, ensuring plenty of research opportunities also after the completion of this study.

*Key words:* Corporate entrepreneurship, Market orientation, Small and Medium Scale enterprises (SMEs), Organizational performance

## **CHAPTER 01**

### **Introduction**

#### **1.1 Introduction**

Corporate entrepreneurship as a sub field of entrepreneurship has been interesting fields of research for many authors who attempt to investigate paths to improve performance in the competitive business environment. Global competition over all the industries has become a critical issue for those companies in each industry which strongly drive the companies to continuous application of entrepreneurial behavior. To compete in global markets new ways of managing companies are required by allowing internal and external relationships of companies towards a common goal of better performance. Thus, in turbulent environment in global context, organizations require continuous innovations together with identification of sustainable business opportunities and commercialize them by assuming risks. Thus, companies expect their managers to exert high level of efforts on entrepreneurial behavior which may result in innovativeness and risk taking behavior for organizational success and survival. Rapid environmental changes and emergence of technological applications in all the business aspects, also seems to require innovativeness in exploitation of opportunities and apply solutions in a sustainable manner. According to global economic changes organizations require to seek for opportunities continuously and seek for sustainable ways of satisfying their stakeholders. Today, not only wealth maximization of the shareholder but also the companies should focus their stringent attention for customer and supplier satisfaction too as essential practices. Thus, to avoid stagnation in particular business arena, organizations are trying to seek applications of entrepreneurial practices in each and

every business operations within their business context. Thus, a strong attention of creation of internal environment which encourage entrepreneurial behavior is needed by the established organizations.

In this regard, entrepreneurial practices in existing organizations and its implications for performance is an essential area of study to recommend management about the application of knowledge for success. And also the organizational effort toward encouraging entrepreneurial behavior is a must in present day context. To exploit environmental opportunities, an orientation toward the target market is also critical to commercialize their product or services to face the huge competition. Thus, exploiting opportunities in the market and use entrepreneurial capabilities for organizational development efforts may result in better performance. On the other hand, to take the advantages of market opportunities, entrepreneurial vision and behavior is essential for all the organizations for their success. Thus it seems to have clear relationships between market orientation, entrepreneurship and the performance of organizations. Since the importance of this issue, the present study focus on assessing the relationship among these three concepts called entrepreneurship within firms i.e. corporate entrepreneurship, market orientation and organizational performance.

The present study, expects to investigate the relationships between the selected variables by using a sample from small and medium sized enterprises (SMEs) in Sri Lanka. SMEs are critical gear in any economy which fuel the economic growth, generate employment opportunities and increase gross domestic production while giving some societal solutions too. Accordingly, as subsequent target of the present study, is to assess entrepreneurial aspects and marketing aspects of SMEs which may impact on their performance.



## **1.2 Problem Statement**

“Entrepreneurship is not only the characteristics of different, brave, talented, genius individuals, but also an institutional concept” (Özdemirci, 2011). Thus, entrepreneurship can be identified in a dual way as individual entrepreneurship and entrepreneurship as a group of people who are employing in existing companies which termed as corporate entrepreneurship. Several terms have been used in the literature for corporate entrepreneurship as, intrapreneuring; corporate entrepreneurship; internal corporate entrepreneurship; corporate venturing; internal corporate entrepreneurship; strategic renewal; internal entrepreneurship and venturing (Antoncic; 2007). Corporate entrepreneurship is defined as “a process whereby corporate entrepreneurs of established business organizations undertake product and service innovations, act proactively and are willing to take risk through internal and external business ventures in order to enhance their companies performance” (Zain and Hassan, 2007). Since corporate entrepreneurship actively encourage the innovative tendencies of their employees, it has become rapidly applying concept (Davis, 2006) that most of organizations pay their attention to apply in the organizational context. In this regard, organizations must exploit opportunities in the environment and offer sustainable solutions which lead firms’ success. Exploiting opportunities and creating something new to the markets involves considerable level of risk. Further, organizations need to identify opportunities foremost other than their competitors. Thus, to be successful in the enormous competition, organizations require using entrepreneurial practices. When organizations can apply entrepreneurial practices in their organizational setting, it seems to have a potential development for the better performance.