Growing Pains: A Barrier to Successful Corporate Entrepreneurship

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ABSTRACT

This paper deals with the role of a construct defined as “organizational growing pains” as a potential barrier to corporate entrepreneurship. It has a dual purpose: 1) to explain the nature of the construct of “growing pains” and suggest how they might function as a barrier to corporate entrepreneurship, and 2) to present the results of some preliminary empirical research designed to investigate the relationship between corporate entrepreneurship and growing pains.

It was hypothesized that organizations’ growing pains will be an obstacle to its corporate entrepreneurship efforts. Data was collected from over 400 participants representing 17 divisions of an organization. Hypotheses were tested using linear regression analyses and correlation analyses. Results of the study supported hypothesized relationships, indicating that organizational growing pains are detrimental to corporate entrepreneurship. This has significant implications for researchers in corporate entrepreneurship and managers of organizations.

Key Words: Growing pains, Corporate entrepreneurship, Barriers to Corporate Entrepreneurship

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GROWING PAINS: A BARRIER TO SUCCESSFUL CORPORATE ENTREPRENEURSHIP

PURPOSE

This paper deals with the role of a construct we have defined as “organizational growing pains” as a potential barrier to corporate entrepreneurship. It has a dual purpose: 1) to explain the nature of the construct of “growing pains” and suggest how they might function as a barrier to corporate entrepreneurship, and 2) to present the results of some preliminary empirical research designed to investigate the relationship between corporate entrepreneurship and growing pains.

BACKGROUND

Previous studies in the area of corporate entrepreneurship (that is, entrepreneurship in established organizations) have found that numerous organizational factors such as organizational climate and culture (Eggers 1999, Kuratko, Hornsby, Naffziger, & Montagno 1993; Rule & Irwin 1988; Sathe 1988; 2003), management support (Hisrich & Peters 1986), organizational structure (Sykes & Block 1989), appropriate use of rewards (Block & Ornati 1987; Sathe 1985), resource availability (Kuratko & Hornsby 1998, Sathe 1985) and clarity of goals (Kuratko et al. 1993) are critical to the growth of corporate entrepreneurship. Researchers in the area of entrepreneurship (e.g. Hornsby & Naffziger, Kuratko & Montagno 1993), have also stated that the ability to overcome barriers is a significant factor in the corporate entrepreneurial process.

From the literature on corporate entrepreneurship it might be inferred that nurturing organizational factors conducive to corporate entrepreneurship, and overcoming barriers would
ensures successful entrepreneurial behaviors and outcomes in established corporations. However, actual experience of organizations indicates that this assumption is not true, and that organizations that were once successful in nurturing corporate entrepreneurship in their ranks seem to falter in achieving this as they grow larger. Examples include many companies once recognized for their success in innovation and entrepreneurship, including XEROX, IBM, and Eastman-Kodak, to cite just a few. This suggests that corporate entrepreneurship is not a stable condition.

One limitation of previous research is that prior studies seem to be based upon an implicit assumption that organizations are static in nature. Accordingly, once an organizational environment for corporate entrepreneurship is established, it is assumed or can be inferred that this will perpetually foster corporate entrepreneurship. However, in the real-world, organizations are dynamic in nature and go through different stages of growth (Flamholtz & Randle 2000). As organizations grow they are expected to experience a variety of “growing pains” (Flamholtz & Randle 2000, Flamholtz & Hua 2002). The growing pains are symptoms of organizational distress. They are hypothesized to result from the lack of fit between the organization’s infrastructure and its stage of growth (Flamholtz 1995; Flamholtz & Randle 2000). The nature of growing pains is such that as a result organizations experiencing them might not be in a position to maintain the organizational environment for entrepreneurship or nurture the corporate entrepreneurial spirit.

The basic implication is that organizational growth as a result of innovation and entrepreneurship create the seeds of future loss of the very process (i.e. innovation and entrepreneurship) that initially promoted growth. Previous researchers in the area of corporate entrepreneurship have not addressed this issue. More specifically, this paper addresses the question: is there a
relationship between the problems that organizations face when they grow rapidly and the organization’s environment for entrepreneurship? That is, is there a relationship between corporate entrepreneurship and growing pains?

In this paper we look at growing pains as a barrier to corporate entrepreneurship. This research paper builds on previous research on growing pains (Flamholtz & Randle 2000) and attempts to establish that growing pains is related to corporate entrepreneurship, or more specifically, that growing pains inhibit corporate entrepreneurship. The research site for this study is a large, U.S.-based, financial institution with more than 10,000 employees with $3.5 billion in “revenues” (turnover) and over $37 billion assets consisting of 18 major business units, including mortgage banking.

Below, literature on corporate entrepreneurship and growing pains is reviewed. In these sections, key study variables will be defined and relationships among them will be proposed, and hypotheses will be delineated.

LITERATURE REVIEW

Corporate Entrepreneurship

Definitions of Corporate Entrepreneurship. Corporate entrepreneurship has been defined as the aborning of new businesses within existing business and transformation of organizations through a renewal of new ideas (Guth & Ginsberg 1990). It is an organizational process for transforming individual ideas into collective actions by managing uncertainties in the process (Chung & Gibbons 1997) and refers to innovation that is initiated and implemented by employees within an
organization (Carrier 1996). von Hippel (1977) defines corporate venturing as an activity that aims at creating new businesses for the corporation through the development of external or internal corporate venture. Jones and Butler (1992) refer to internal corporate entrepreneurship as entrepreneurial behavior occurring within the context of one firm. Internal entrepreneurship has been defined as entrepreneurial activities carried out in an organization in a “formalized” manner or where explicit organizational support and resources have been committed for encouraging innovative corporate endeavors, such as new product developments or improvements or new processes and procedures (Schollhammer 1982). Renewal has been defined as “revitalizing a company’s business through innovation and changing competitive profile” (Zahra 1995, p. 227). Venturing refers to the process by which existing firms create new business opportunities by expanding operations in existing or new markets (Zahra 1996).

Despite differences in terminology, all of the above definitions have one underlying common theme referring to a single phenomenon, that is, all the above definitions refer to system-wide entrepreneurial activities undertaken within the context of an existing organization. These entrepreneurial efforts are organizational level efforts (in contrast to individual level efforts) and have organizational support.

Why Corporate Entrepreneurship? From the time of its inception through today, the idea of corporate entrepreneurship has been a popular subject among organizational managers, because it is seen as beneficial to the organization’s survival. Below are some reasons given for encouraging corporate entrepreneurship in organizations.

1) To develop cost effective solution[s] to meet the challenges of global competition (Pryor & Shays 1993).

3) “To innovate …to improve flexibility, competitiveness, and reactivity.”
   (Carrier 1996, p. 5).

4) To avoid losing business to startups in economies, such as the US where venture capital is available in plenty in the global market place (Sathe 1988).

5) To “exploit new market opportunities” (Eggers 1999 p. 76).

**Corporate Entrepreneurship and Firm Performance.** Researchers in entrepreneurship have also established a link between entrepreneurship and an organization’s performance, especially with reference to a firm’s financial performance. Zahra and Garvis (2000) found a positive correlation between international corporate entrepreneurship and firm’s financial performance, as measured by firm’s profits and sales revenue growth. Stopford and Baden-Fuller (1994) found that when companies use innovative products to target new market segments it resulted in increased profitability for these companies. Zahra (1993, 1991) found an association between corporate entrepreneurship and a firm’s financial performance. Lumpkin and Dess (1996) stated that entrepreneurial activities increase a firm’s performance by increasing its commitment to innovation.

Organizational managers, therefore, try to find ways to nurture corporate entrepreneurship as a source of competitive advantage for the firms and for improving the firm’s performance. Establishing an organizational environment, specifically an organizational climate that encourages corporate entrepreneurship, wherein each employee is encouraged to create new things, is of crucial importance and one of the key factors for fostering corporate entrepreneurship (Eggers 1999; Hamel 2000; Sathe 1988; 2003; Sykes & Block 1989).
Measurement of Aspects of Corporate Entrepreneurship. Although research on corporate entrepreneurship has gained momentum there is a lack of uniformity among researchers on how to measure corporate entrepreneurship. Both objective and subjective measures have been used by researchers to measure corporate entrepreneurship. Some of the commonly used objective measures to assess corporate entrepreneurship include product innovations (Jennings & Young 1990), and corporate innovation such as new product development (Knight 1985). Some of the subjective measures include measuring initiative from below (Knight 1985), the 9-item index developed by Covin and Slevin (1986), and a firm’s intrapreneurial assessment scale (Kuratko, Montagno & Hornsby 1990).

Although we believe that each of the above given indices have their own merit there is one important omission. That is, for a firm to be successful in stimulating innovation, it not only needs to have an entrepreneurial climate or develop new products, but also must have a market orientation. Market orientation is important for a firm in order to understand if there is a market for the new products that are being developed as a result of successful corporate entrepreneurship. Studies in organizational sciences literature per se lack the link between understanding market opportunities and organizational factors (Dougherty 1990). An understanding of the market is crucial to product innovators for the commercial success of their products and most product innovators fail to understand the markets (Dougherty 1990). Thus for firms to be successful in corporate entrepreneurship they need to not only have a climate for entrepreneurship but must also have a market orientation or a proactiveness to understand the markets during innovation. Therefore, for the purposes of this study corporate entrepreneurship will be measured by two subjective measures. The first is assessment of firm’s proactiveness to
markets or the extent to which employees of the firm perceive that their firm is proactive to markets. The second measure of corporate entrepreneurship is the firm’s corporate entrepreneurial climate or the extent to which employees of the firm perceive that their firm encourages corporate entrepreneurship.

**Growing Pains**

*Definition.* Growing pains are the symptom that something has gone wrong with the organization or with the strategic organizational development (Flamholtz & Randle 2000, Flamholtz & Hua 2002). Organizations are expected to experience a variety of growing pains as they grow because of the inability of the existing organizational infrastructure to support the rapid expansion of the organization. The 10 most common symptoms of growing pains have been identified by researchers (Flamholtz 1995; Flamholtz & Randle 2000) during their work with organizations. Some of these symptoms include, employees perceiving that they are been endlessly overworked, lack of goal clarity among employees, lack of trust for delegating tasks, and lack of trust in leadership capabilities. Growing pains are known to influence organization’s profitability or the organization’s earnings before interest and taxes (EBIT) (Flamholtz & Hua 2002; Flamholtz & Randle 2000).

An important feature of growing pains is that these pains result due to the imbalance between the existing organizational infrastructure or the lack of fit between building blocks of organizational development and the organization’s size or stage of development (see Flamholtz 1995; Flamholtz & Randle 2000). These growing pains might in turn be instrumental in stifling corporate entrepreneurship spirit. The assumption here is that if an organization is unable to carry out successfully time-critical activities that are required for daily survival of the organization (for
example meeting current project deadlines) with its given infrastructure, then it will not have the infrastructure or resources to undertake developmental or innovative projects that are not “urgent” and are more long-term in nature. Corporate entrepreneurship efforts might therefore get postponed in order to be considered when the organization purportedly has more “time and resources” to deal with it.

Another aspect of growing pains that these pains can occur at any time, even in case of organizations whose existing systems and infrastructure are appropriate to support corporate entrepreneurship efforts. This is because although the existing infrastructure is adequate to support the organization in its present stage of development, these systems become inadequate when the organization moves into the next stage of its growth. The literature review on corporate entrepreneurship and growing pains will further expand on this relationship. The next section elaborates on classic growing pains symptoms experienced by organizations.

The Theoretical Framework: Classic Growing Pains. Based on the second author’s experience in working with a variety of organizations ten classic symptoms of organizational growing pains were identified (see Flamholtz 1995, Flamholtz & Hua 2002, Flamholtz & Randle 2000). These growing pains are summarized in Appendix A and described below.

1. People feel that there are not enough hours in the day. Organizational employees feel that their workload is excessive and that even if they put in 24 hours 7 days a week that they will not be able to get their work done. This might in turn lead to overworked employees and morale issues in the organization.
2. People are spending too much time putting out fires. This classic growing pain symptom is manifested when the employees of the organization spend a majority of their time dealing with crisis situations.

3. Many people are not aware of what others are doing. This creates a situation where departments within the organization do whatever they want to do and say that the remaining tasks are “not our responsibility”.

4. People lack an understanding of where the firm is heading. When employees complain that the company has no clear direction, it is indicative of this growing pain symptom.

5. There are too few good managers. When employees of an organization indicate that there are a few good managers this might indicate that although the organization may have people who hold the title “manager” they may not be effective or good managers.

6. Everybody feels that “I have to do it myself if I have to get it done correctly”. Increasingly people become frustrated by the difficulty in getting things done within an organization and they feel that “if I want to get something done correctly, I have to do it myself.”

7. Most people feel that our meetings are a waste of time. At organizations experience growing pains meetings do not have planned agendas or a designated leader, is a free-for-all, drag on interminably and result in no decisions.

8. When plans are made there is very little follow up and things just don’t get done. When the CEO or managers of organizations introduce the planning process, people go through the motions of preparing business plans but things that were planned do not get done. The organizations does not have an adequate system to monitor its goals.
9. Some people feel insecure about their place in the firm. People in the organization feel insecure about their place in the organization and would not like to create waves. This in turn leads to isolation and decreased teamwork within the organization.

10. The firm has continued to grow in sales but not in profits. If all other growing pains symptoms are allowed to exist then this final symptom emerges. In this case although the company makes only as much profits as it did before the workload increases for the employees.

*Measuring Growing Pains.* Flamholtz and Randle (2000) developed a growing pains questionnaire in order to measure organizational growing pains. Due to the fact that no previous researcher has tried to measure this concept to the best of our knowledge, other instruments are not available to measure growing pains. The growing pains questionnaire is provided in Appendix A.

**Corporate Entrepreneurship Climate and Growing Pains**

Researchers in the field of entrepreneurship have identified that overcoming barriers is one of the important factors in the corporate entrepreneurship process (Hornsby et al. 1993; Kuratko et al. 1990). This section looks at how different aspects of growing pains or growing pain symptoms (GPS) can be a barrier and detrimental to corporate entrepreneurship efforts within the organization.

*GPS 1 & 2 and Corporate Entrepreneurship.* Tourigny and Le (2004) in their study of barriers to innovation in Canadian manufacturing firms found that 58% of the respondents indicated that the firm’s inability to devote staff and resources to developing new and improved products and services, due to ongoing production requirements was the number one barrier to innovation.
Items one and two of the growing pains questionnaire, that is, “people feel that there are not enough hours in the day” and “people are spending too much time putting out fires” indicate the extent to which employees feel pressured for time in completing their tasks and the extent to which the organization is involved in addressing ongoing critical problems with lack of focus on future issues. These symptoms might also indicate that the organization’s resources (e.g. staff) are spread too thinly or that there is a lack of project prioritization both of which are detrimental to new product innovations (Cooper 1999). With reference to educational innovation, Abrami, Poulson and Chambers (2004) stated that practical constraints such as time resources affect the extent to which teachers implement educational innovation.

Organizations that are successful in implementing and maintaining innovation provide time for their employees to work outside their primary job responsibilities. For example 3 M has the 15% rule where, employees are the organization are given at least 15% of their time to try out new ideas that are outside the scope of their existing job responsibilities (Nicholson 1998). Thus it is expected that when organizational employees are fire-fighting most of the and feel pressured by the lack of time to complete their job duties, then such organizations will not be successful in nurturing the internal entrepreneurial climate or innovations. Such organizations are also not expected to have the resources (e.g. manpower or time) to devote for understanding the current market scenario or new product opportunities in order to be proactive to it.

GPS 3 & 4 and Corporate Entrepreneurship. The existence of explicit goals (Kuratko et al. 1993) and understanding where is the firm is headed (Hellstrom, Jacob & Malmquist 2002) is important for successful innovation and entrepreneurship. Farrow, Johnson, and Larson (2000) noted that clear goal setting (for a virtual team), was one of the key success factors to yield quick innovations and competitive advantage. Organizations that foster corporate entrepreneurship
tend to set performance objectives or goals based on shared participation or explicit understanding (Jennings & Lumpkin 1989). In a case study of Skanova (Hellstorm et al., 2002) it was found that getting the right fit between innovation strategies and the larger business plans involves getting an idea of what others or other units in the organization are doing. However, when an organization experiences growing pains “many people are not aware of what others are doing” and “people lack an understanding of where the firm is heading”, both of which are counterproductive to innovation and entrepreneurship. When employees of a firm are not clear about where the firm is headed it forebodes badly for the market orientation of the firm as well. This is because when the employees of a firm do not understand where they are headed they will not be in a position to decide where they want to go or take advantage of the market opportunities to have commercial successes.

GPS 5 and Corporate Entrepreneurship Numerous researchers have underpinned the importance of managers’ role in stimulating entrepreneurship. Middle managers serve as the “go-between” between senior management and employees in communicating information about company’s goals and priorities (Quinn 1985). Managers of organizations are also responsible for providing an entrepreneurial environment which encourages employees to innovate (Kanter 1988). Similarly middle managers encourage entrepreneurship among employees by creating social capital and trust through the use of appropriate rewards and effective communication (Kuratko & Goldsby 2004). Thus the role of managers is critical in fostering internal entrepreneurship. Therefore, having few good managers who nurture the entrepreneurial spirit among the workforce might be counter-productive to the overall climate for corporate entrepreneurship.

GPS 6 and Corporate Entrepreneurship. One of the classic growing pains symptoms is the feeling that “if I have to get it done correctly I have to do it myself.” As explained in the
previous section this is a result of the people’s experience with the organization where
goinging things done is perceived as being extremely difficult. In this case there is lack of
degregation which in turn results individuals stretching themselves thinly by doing activities
that can be delegated to others. This compounds the existing time pressure on them to meet
critical deadlines, thereby giving them little time to think about innovative ideas. As a result
of this they have lesser time to invest in entrepreneurial behaviors.

*GPS 7 & 8 and Corporate Entrepreneurship* The employees’ perception that business
meetings are not being fruitful and the lack of follow up could also serve as barriers to
entrepreneurship. When employees in organizations propose innovative ideas in business
meetings or their ideas on how the organization can begin a successful internal venture the
expectation is that these ideas will be discussed thoroughly and implemented, if found to be
viable. However, if no follow up action is taken based on these discussions then this might
serve to be demotivating from the employees’ perspective with reference to innovation and
entrepreneurship. Lack of follow-up from meetings could also be reflective of the top
management’s lack of support for the entrepreneurial process within the organization.

*GPS 9 and Corporate Entrepreneurship.* Employees feeling insecure about their place in the
organization could also influence the corporate entrepreneurial spirit. Employees of
organizations experiencing growing pains might be afraid of creating waves and averse to
suggesting new ideas, due to psychological insecurity regarding their place in the organization.
Rosner (2000) (in an interview with Gifford Pichot) stated that in order for organizations to be
successful in nurturing internal entrepreneurs they must develop a “safe space” for employees.
This includes protecting creative employees who come up with new ideas and supporting
employees who were on the verge of doing something innovative and important.
GPS 10 and Corporate Entrepreneurship The last growing pains symptom happens when an organization grows in sales and not profits. In this case, the workload increases for the organization without commensurate increase in profits. This growing pains symptom not only adds additional stress to organizational employees but also links back to symptoms one and two where there are inadequate resources for innovation and entrepreneurship.

Summary of Literature Review

From the review of literature, it appears that elements critical to nurturing an entrepreneurial climate include diffusion of authority, flexible time and resources. Obstacles to corporate entrepreneurship include excessive formalization, internal constraints, and an emphasis on short-term profits. It is thus apparent that growing pains nurture the obstacles for corporate entrepreneurship and stifle the elements that nurture corporate entrepreneurship. Therefore growing pains for a firm is expected to affect both the corporate entrepreneurship climate as well as market proactiveness which is a crucial component of corporate entrepreneurship (e.g. Stopford and Baden-Fuller 1994).

The Current Research

This current paper builds upon the previous research on growing pains and provides empirical evidence of the hypothesized link between organizational growing pains and corporate entrepreneurship. The current research has four related objectives: 1) to validate the growing pains questionnaire 2) to assess the effect of growing pains on a firm’s climate for corporate entrepreneurship 3) to assess the effect of growing pains on a firm’s proactiveness to markets, 4)
to assess the relationship between a firm’s climate for corporate entrepreneurship and profits, 5) to assess the relationship between a firm’s proactiveness to market and profits.

**Research Hypotheses**

Based on the above literature it is suggested that growing pains negatively influence corporate entrepreneurship. During the literature review it was found that corporate entrepreneurship was positively related to a firm’s performance, especially financial performance. The following hypotheses are used to assess the relationships between these three variables. Hypothesis one and two test the relationship between growing pains and assess its impact on two different aspects corporate entrepreneurship, that is on the firm’s climate for entrepreneurship and secondly on the firm’s proactiveness to markets. Hypothesis three tests the relationship between a firm’s financial performance (as measured by the firm’s profits) and aspects of corporate entrepreneurship.

- **H1**: Growing pains will be a significant predictor of the firm’s climate for entrepreneurship
- **H2**: Growing pains will be a significant predictor of the firm’s proactiveness to markets
- **H3a**: A firm’s climate for corporate entrepreneurship will be positively correlated to the firm’s profits
- **H3b**: A firm’s proactiveness to markets will be positively correlated to a firm’s profits.
METHODS

This section discusses the research site, participant, operationalization of study variables, data collection methodology, and hypotheses testing procedures.

Research Site Description

This research was conducted in a large, U.S.-based, financial institution with more than $3.5 billion in “revenues” (turnover) and more than $37 billion assets. It consists of 18 major business units, including mortgage banking. The 18 divisions are comprised of three groups: 1) mortgage related businesses, 2) other financial businesses, and 3) administrative (non-revenue) divisions. This research site provided an ideal site to conduct this research because it has grown rapidly in the last decade and had experienced growing pains.

Participants

The number of participants for this study was over 400 participants from 18 different divisions of the organization. Two surveys were administered. One was the growing pains survey and the second was the organizational effectiveness survey that had items assessing the firm’s climate for entrepreneurship and proactiveness to markets. 466 employees responded to the Growing Pains survey. However, 8 respondents from this survey did not indicate their divisions and hence their responses could not be classified under any of the divisions. One of the divisions participated in the growing pains survey but not in the climate for entrepreneurship and firm’s proactiveness to markets survey. This division was therefore omitted from the study. 15 participants (3.2%) were classified as Executive Management and were not classified under any
of the divisions and were not considered for this study. Therefore the final number of participants for the growing pains survey was 441. The total number of participants who responded to both these instruments was 436. 18 participants (4.1%) were classified as Executive Management and were not classified under any of the divisions. These participants were not considered for this study. The final number of participants for the climate for entrepreneurship and firm’s proactiveness to market surveys was 418.

The difference in the number of participants between the Growing Pains survey and Climate for entrepreneurship and Firm’s proactiveness to markets is due to the differences in response rates for the two surveys. Respondents belonged to 17 different divisions of the organization. The percentage of respondents from each of the divisions for the two surveys are presented in Table 1. However, because the constructs measured were at organizational level, the sample size for this study was 17 divisions.

<table>
<thead>
<tr>
<th>Divisions</th>
<th>% of Participants for the Growing Pains Survey</th>
<th>% of Participants for Climate for Entrepreneurship &amp; Proactiveness to Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15.3%</td>
<td>15.6%</td>
</tr>
<tr>
<td>2</td>
<td>5.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>3</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>4</td>
<td>8.5%</td>
<td>7.6%</td>
</tr>
<tr>
<td>5</td>
<td>5.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>6</td>
<td>4.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>7</td>
<td>4.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>8</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>9</td>
<td>6.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>10</td>
<td>5.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>11</td>
<td>6.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>12</td>
<td>3.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>13</td>
<td>4.4%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>
Measures

Corporate entrepreneurship. Corporate entrepreneurship will be measured by two scales that is, the firm’s climate for entrepreneurship and firm’s proactivity to markets.

Climate for Entrepreneurship. The organization’s climate for entrepreneurship will be measured by a 8-item scale designed to assess the organization’s culture for encouraging corporate entrepreneurship. This scale is designed to assess aspects of an organization’s climate for entrepreneurship such as innovation, resource management, goal clarity and rewards.

Firm’s Proactivity to Markets. The organization’s proactivity to markets and customers will be measured by a 6 item scale consisting of items designed to assess proactivity of the company in understanding the competition and developing new products and services.

Growing Pains. The organization’s growing pains were assessed by a ten-item questionnaire provided in Appendix A.

All the three measures used in the study were a 5 point Likert-type rating scale.

Data Collection Methodology

This section describes the method for the research. First, we shall describe the action project at the company. Then we will discuss how the research was conducted as part of that project.

The first step in this phase was to train the senior management team in the organizational success model (see Flamholtz 1995; Flamholtz & Aksehirli 2000). The organizational success model consists of 6 key variables which are markets, products and services, resource management,
operational systems, management systems and organizational culture. This model was being used by the company as part of its strategic planning process.

The next step was to have the members of the senior management team of each division assess the degree of strategic organizational development for the six key variables for each division, using an organizational effectiveness questionnaire designed for this purpose. To assess this, these variables were assessed on a Likert Scale. The climate for entrepreneurship and organizations proactiveness to markets was measured by using questions from the questionnaire that was initially designed to measure organizational effectiveness. To measure growing pains we used a previously developed survey of organizational growing pains (Flamholtz and Hua 2002 B).

To measure financial performance or the “bottom line” for each division we used a measure of divisional performance (i.e. Divisional “Profit Margin,” a measure of gross margin) that was reported throughout the company on a quarterly basis. However financial data was available for only 6 division of the 17 participating divisions and therefore for hypotheses 3 and 4 the sample size at the unit level was 6 divisions.

**Hypotheses.** The objective of this study was to test if growing pains affected the firm’s climate for entrepreneurship and proactiveness to markets. The following hypotheses address this question.

**H1:** Growing pains will be a significant negative predictor of the firm’s climate for entrepreneurship

**H2:** Growing pains will be a significant negative predictor of the firm’s proactiveness to markets
**H3a:** A firm’s climate for corporate entrepreneurship will be positively correlated to the firm’s profits

**H3b:** A firm’s proactiveness to markets will be positively correlated to a firm’s profits.

**RESULTS**

*Factor Analysis and Reliability Testing*

Prior to conducting tests of hypotheses, principal component factor analysis using varimax rotations to assess factor loadings. Reliability testing was done on all three scales in order to determine scale reliabilities.

Sample items from the climate for entrepreneurship scale include, “employees are encouraged to make suggestions and offer constructive criticism”, “planning and systematic execution of plans are more rewarded than crises management”. All items from the climate for entrepreneurship scale loaded on a single factor with factor loadings of 0.40 or more, which is considered acceptable (Spector 1992).

Sample items from the proactiveness to markets scale include, “we effectively gather and use information about our customers and competition”, “we know who our competitors are.” All items from the proactiveness to market scale loaded on a single factor with loadings of 0.40 or more. Similarly Cronbach’s coefficient alpha was used for this study because the purpose of the reliability analysis in this stage of the study was to determine the internal consistency of a scale and scale’s internal consistency is typically determined via Cronbach’s alpha (DeVellis 2003).

Both scales indicated satisfactory reliability. The reliability for climate for corporate entrepreneurship scale was $\alpha = 0.83$ and the alpha reliability for the proactiveness to market scale was $\alpha = 0.75$. 
The factor loadings for the Growing Pains scale are provided in Table 2.

**Table 2**

<table>
<thead>
<tr>
<th>Scale Items</th>
<th>Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>People feel that there are not enough hours in the day</td>
<td>.51</td>
</tr>
<tr>
<td>People are spending too much time putting out fires</td>
<td>.76</td>
</tr>
<tr>
<td>Many people are not aware of what others are doing</td>
<td>.68</td>
</tr>
<tr>
<td>People lack an understanding of where the firm is heading</td>
<td>.73</td>
</tr>
<tr>
<td>There are too few good managers</td>
<td>.68</td>
</tr>
<tr>
<td>Everybody feels that “I have to do it myself if I have to get it done correctly”</td>
<td>.74</td>
</tr>
<tr>
<td>Most people feel that our meetings are a waste of time</td>
<td>.67</td>
</tr>
<tr>
<td>When plans are made there is very little follow up and things just don’t get done</td>
<td>.74</td>
</tr>
<tr>
<td>Some people feel insecure about their place in the firm</td>
<td>.62</td>
</tr>
<tr>
<td>The firm has continued to grow in sales but not in profits</td>
<td>.46</td>
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</tbody>
</table>

All scale items loaded on a single factor and all items had factor loadings that reached a criterion of .30 or greater (Spector 1992). The scale reliability for the growing pains scale was $\alpha = 0.86$.

**Tests of Hypotheses**

Hypotheses one and two were tested using linear regression analyses. Pearson’s correlations were used to test hypotheses three.

Hypothesis 1 was fully supported. Linear regression analysis between growing pains and a firm’s climate for entrepreneurship indicated that the $R^2$ or the variation explained by growing pains ($r = - .81, p< 0.001$) on the firm’s climate for entrepreneurship was 65%. The regression equation used to describe the relationship is $y = 5.35 - .81* \text{Growing Pains}$.

Hypothesis 2 was also fully supported. 52% of the variance on a firm’s proactiveness to markets was explained by the growing pains experienced by the firm ($r = - .72, p< 0.005$). The regression equation used to describe the relationship is $y = 5.30 - .69* \text{Growing Pains}$. 
Hypothesis 3a stated that a firm’s climate for corporate entrepreneurship will be positively correlated to a firm’s profits. Although there was a strong correlation between a firm’s entrepreneurial climate and profit margins (r = .74) this relationship was not significant at p < .05 level. However, it was significant at the p< 0.10 level (p = 0.094).

Hypotheses 3b suggesting that a firm’s proactiveness to markets will be positively correlated to a firm’s profits was not supported.

DISCUSSION

This purpose of this study was to determine if the growing pains faced by an organization influences its corporate entrepreneurship efforts. Results of the study show that growing pains faced by an organization negatively influences its climate for entrepreneurship as well as proactivity to markets. Previous research on growing pains (e.g. Flamholtz & Hua 2002; Flamholtz & Kurland 2005) indicated that growing pains are related to an organization's financial performance. This study is the first of its kind to assess the link between growing pains and corporate entrepreneurship. This has implications for managers of organizations who wish to foster entrepreneurship within their ranks as well as for researchers in corporate entrepreneurship.

Implications for Managers. This study provides an insight to managers of organizations as to what are the effects of growing pains on corporate entrepreneurship. Managers of organizations sometimes have trouble in identifying reasons why their efforts at corporate entrepreneurship have failed. The answer may be found in the growing pains experienced by the organization. For example, even if an organization earmarks resources and reward systems to encourage innovation, the employees of organizations may not come up with innovative ideas. This is
because if the employees feel pressured for time (growing pain symptom number one) then their focus will be on meeting current deadlines and not on suggesting innovative ideas (which in turn is a critical component of corporate entrepreneurship). Alternatively, if the employees do not have an explicit idea of where the organization is headed (growing pains symptom number four) then their efforts at entrepreneurship might not be in alignment with the organization’s goals, leading to undesirable consequences for the organization such as wasted resources and morale issues. Numerous examples of growing pain symptoms affecting different aspects of corporate entrepreneurship can be enumerated. Thus, organizations that experience growing pains will not be successful in encouraging corporate entrepreneurship. The throes of growing pains are expected nullify the benefits of corporate entrepreneurship efforts undertaken by the organization.

Managers of organizations who have failed in their efforts at corporate entrepreneurship can also use the results of this study in order to focus their efforts at rectifying underlying problems before they embark on their efforts at nurturing corporate entrepreneurship. To use an analogy, focusing on corporate entrepreneurship without addressing basic growing pains issues is like building a sky scraper without a foundation. It is not only wasted time, efforts and resources but also detrimental to the organization in the long run. When growing pains symptoms creep up and undermine corporate entrepreneurship efforts by the organization, it leads to distrust among employees regarding the commitment of the organization to corporate entrepreneurship. Organizational managers will have to try harder the next time when they restart these efforts. When these efforts are started without addressing growing pains they are doomed to fail, yet again! Similarly organizations that have succeeded in their efforts at encouraging corporate entrepreneurship can use this study to identify growing pain symptoms as soon as they occur.
Growing pains might also provide an answer to the question as to why companies are successful in their internal entrepreneurship efforts sometimes fail at marketing their products or processes successfully. Growing pains not only affects an organization’s climate for entrepreneurship but also its proactiveness to markets. Therefore, the organization might not understand market opportunities in order to reap the benefits of their innovation. When an organization is unable to translate the results of its entrepreneurship efforts into profits or revenues or other types of financial or market gains, it has several financial repercussions for the organization. In addition this also affects employee morale and an organization’s success with future entrepreneurship efforts.

Implications for Researchers. This study has important implications for researchers in entrepreneurship. Researchers in this field have identified obstacles to entrepreneurship. These include lack of resources, lack of time and red tape. However all these are identified as independent obstacles. Although it is possible that these are individual barriers to entrepreneurship it is also possible that all these symptoms are related. Understanding growing pains may provide the framework for understanding how all the obstacles to corporate entrepreneurship are related to one another.

Although this study has made a preliminary observation indicating that growing pains has an impact on the corporate entrepreneurship, the process by which this occurs is not researched or documented. Researchers in this area should identify a process model by which growing pains affects corporate entrepreneurship in order to get a holistic idea of the entire process.

Moreover, the results of this study indicated that growing pains have a strong correlation to the profits of the organization although this relationship was not significant. This suggests a possible relationship between growing pains and profits of an organization. One of the reasons for
statistically non-significant results is the low sample size for this study. Future researchers in the area of entrepreneurship must try to replicate this study with a larger sample size in order to see if a statistically significant correlation is found between these two variables.

Limitations of the Study. One of the main limitations of the study is its sample size. Although over four hundred participants participated in this study the sample size for the study was only 17 organizations. Although a low sample size is fairly typical of studies conducted at organizational or national level, it continues to be an issue, especially where issues of statistical significance arise. Another limitation of this study is that data was collected as “single source” data or data from the participant’s point of view. Future researchers should try to replicate this study with multiple sources of data. Finally although the aim of the study was to look at corporate entrepreneurship only certain aspects of corporate entrepreneurship have been considered in this study. Researchers in corporate entrepreneurship have identified other factors (such as management support) that are instrumental in fostering corporate entrepreneurship. These factors have not been considered in this study. Furthermore, this study has only indicated that growing pains serve as a barrier to corporate entrepreneurship. The process by which this occurs has not been examined in detail. Future researchers should identify how organizational growing pains affect corporate entrepreneurship and document the process by which this occurs.

CONCLUSION

This study has provided the first step into understanding how growing pains as an organizational phenomenon affects corporate entrepreneurship. Organizations that have encountered growing pains symptoms when introducing corporate entrepreneurship efforts might have wrongly classified growing pains symptoms as isolated and random problems faced by employees. The
main contribution of this study was to introduce growing pains as a systemic obstacle to entrepreneurship and explain its role in stunting the growth of successful corporate entrepreneurship. It is hoped that organizational managers will be able to use this study to identify growing pains symptoms during the process of encouraging corporate entrepreneurship efforts and take immediate corrective actions. To conclude, this study provides preliminary evidence to prove that growing pains affect corporate entrepreneurship. For organizations to benefit from this research, further research on these two organizational phenomena (i.e. growing pains and corporate entrepreneurship) is required in order to understand the interactions between them in a better manner.

**Appendix A**

5 point rating scale with, 5 = To a very great extent, 4= To a great extent, 3= To some extent, 2 = To a slight extent, 1 = To a very slight extent

1. People feel that there are not enough hours in the day
2. People are spending too much time putting out fires
3. Many people are not aware of what others are doing
4. People lack an understanding of where the firm is heading
5. There are too few good managers
6. Everybody feels that “I have to do it myself if I have to get it done correctly”.
7. Most people feel that our meetings are a waste of time
8. When plans are made there is very little follow up and things just don’t get done
9. Some people feel insecure about their place in the firm
10. The firm has continued to grow in sales but not in profits.
REFERENCES


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