THE RELATIONSHIP BETWEEN CORPORATE ENTREPRENEURSHIP AND FINANCIAL PERFORMANCE IN THE LISTED COMPANY IN MARKET FOR ALTERNATIVE INVESTMENT (MAI) OF THAILAND: LITERATURE REVIEW

THONGARSA NARONGSAK

E-mail: narongths@yahoo.com

Abstract - This study is documentary research. The purpose of this paper is to investigate the relation between corporate entrepreneurship and financial performance. The study was conducted by using a literature review and document analysis. This study found that the concept of corporate entrepreneurship is characterized by innovativeness, risk taking and pro-activeness. The financial performance is the financial instrument which are sales growth, return on assets and return on equity. The results indicated that corporate entrepreneurship is positive effect on financial performance.

Index Terms - Corporate entrepreneurship, innovativeness, pro-activeness, risk taking, financial performance.

I. STATEMENT OF THE PROBLEMS

Small and medium enterprises (SMEs) are considered to have a high economic proportion and important to an economic system (Gretzinger, Hinz, & Matiaske, 2010), both in national and local (Sawang & Matthews, 2010). According to Policy Guidebook for SME Development in Asia and The Pacific (2012), it is stated that developed countries, on average, have a proportion of gross product value of SMEs to national gross product value at 51.

In addition, SMEs supports overall economic system on sustainable development, to which widespread employment in various businesses (Barrett, Burgess, Boohene and Sheridan, & Kotey, 2008). In developing countries such as India and China, there are many small and medium enterprises, likewise, helping employment. In Thailand, 2017, small and medium enterprises were worth 4,454,939.60 million baht, accounting for 37.40 percent of Gross Domestic Product (GDP). There was an employment of 11,414,712 people, representing 80.96 percent of the total workforce in the country.

Under the SMEs promoting strategy No. 4 (2017-2021) by the Office of SMEs Promotion, it has been focused on 2 business groups of SMEs, such as innovative SMEs/ tech startup/ creative SMEs and high growth firm SMEs/ high value added SMEs, in order to have competitive potential both domestically and internationally. It can also be able to be listed on the Market for Alternative Investment (MAI) where the share of gross domestic product in SMEs is equal to national gross domestic product by 2021. Market for Alternative Investment (MAI) is the second stock market of Thailand, for which established to promote the growth of small and medium enterprises with high-growth and innovative-oriented.
The purpose is to be able to raise funds for long-term by general investors. Nowadays, there are small and medium enterprises listed on MAI by 150 companies. In 2017, there had total sales of 158,735 million baht and net profit of 4,966 million baht. Personnel who work in these enterprises must have knowledge in marketing, finance, financial products, risk in investment, accounting, financial conditions, and credit system of financial institutions. These capabilities help in better business decisions, understanding risk situations, and more efficient accessibility to the capital. They are able to think and seek new business opportunities, as if self-employed themselves.

This is called Corporate Entrepreneurship (CE) (Morris and Kuratko, 2002). An empirical evidence claims that CE is important to increase the efficiency of enterprises)Drejer et al., 2004). Ayudurai andSohail (2005) states that CE can be used as a tool to heighten performance and competitiveness. Thus, enterprises should seriously prioritize developing CE in the organizations. In this study, the researcher aims to establish a conceptual framework for the relationship between CE and financial performance in small and medium enterprises which are listed in MAI.

II. PURPOSES OF THE STUDY

To study secondary data from relevant documents and researches in Corporate Entrepreneurship (CE) and financial performance in enterprises. To create conceptual framework for the causal relationship between Corporate Entrepreneurship (CE) and financial performance in enterprises.

III. METHODOLOGY

This study is documentary research, from which collecting data relevant documents and researches in order to create conceptual framework between Corporate Entrepreneurship (CE) and financial performance in enterprises.

IV. CORPORATE ENTREPRENEURSHIP

A. Definitions of Corporate Entrepreneurship

Corporate Entrepreneurship (CE) was firstly known where Pinchot III (1985) who defined the term 'Intrapreneurship' for the first time. Its definition encompasses personnel in medium and large enterprises or long-standing enterprises authorized to work independently as well as a business owner. For example, they can seek new opportunities to produce goods and services initiatively and practically. Of which between entrepreneurship and intrapreneurship has no difference in working capabilities, it has somehow difference in status. By the term 'intrapreneurship', it is used to call the personnel who have worked in a long-standing enterprise or a stable enterprise. On the other hand, 'entrepreneurship' is used to called the business owner or a startup operator (Pinchot III, 1985). Moreover, many complied new vocabulary to describe corporate entrepreneurship; namely, internal entrepreneurship (Zahra, Neubaum, & Huse, 2000), intrapreneurship (Pinchot III,1985), corporate venturing (Altman & Zacharakis, 2003), and strategic renewal (Guth & Ginsberg, 1990). From the literature review, it has been found that there were initiative researchers of Corporate Entrepreneurship (CE) in large enterprises or long-standing enterprises(Pinchot III, 1985; Zahra and Gravis, 2000). Later, there were researchers of CE in small and medium enterprises of manufacturing industry(AntoncIc and Hisrich, 2001), CE in family business (Kellerman and Eddleston, 2006), the US government (Daniel, Matthew and Gretchen, 2007), and also public and private universities(Songumnauykun,S., 2005). There are the results on corporate entrepreneurship, which are highly widespread internationally, especially in developed countries such as the United States and Western Europe (AntoncIc and Hisrich, 2001; Wiklund and Shepperd, 2005). But there are also more the researches in developing countries such as China, India, South Africa, Turkey, and Malaysia (Bhardwaj, Sushil and Momaya, 2007; Kim and McIntoch, 1997; Zhan Jun, 2006, Zhong Yang et al, 2007). However, when compared to published research in academic journals on corporate entrepreneurship, it was found that an amount of researches in developing countries is still too less (Buranasri,K., 2010). In Thailand, there are researchers of corporate entrepreneurship in medium and large enterprises (Buranasri,K.,2010), in the listed enterprises by the Stock Exchange of Thailand (SET)(Aeimtitiwat P., 2006), in public and private universities(Songumnauykun,S., 2005). In short, Thailand does not have a high number of the researchers.

B. Dimensions of Corporate Entrepreneurship

Miller) 1983)proposed the concept of entrepreneurship in enterprises in 3 aspects: innovativeness, risk taking, and proactiveness. Although it is agreed that corporate entrepreneurship benefits the enterprises, there is still no certain conclusion about the elements of corporate entrepreneurship (Covin&Miles, 1999; Buranasri,K., 2010). There are many researchers having the same idea)Miller, 1983; Miller&Friesen, 1983; Lumpkin&Dess, 1996; Covin&Miles, 1999;Antoncic andHisrich, 2001)that the elements of corporate entrepreneurship are divided into 3 aspects:

1) Innovativeness refers to the capability of seeking new creative ideas and producing as innovation of goods and services, emphasizing on technology development and creative innovation (Zahra, 1993).

2) Pro-activeness refers aggressive posturing (Knight, 1997), leadership relative to competitorsand boldness and aggressiveness in pursuing opportunities (Covin&Slevin, 1991).

3) Risk-taking refers to the capability of an entrepreneur to evaluate risks in business under uncertain circumstances, making investment or existing assets yield regarding the expected goals, including risk control or uncertainty reduction (Wiklund& Shepherd,2005).

C. Influences of Corporate Entrepreneurship

AntoncIc and Hisrich (2004)studied influences of corporate entrepreneurship to financial performance in small and medium enterprises in Slovenia and the United States. It was found that there is a positive correlation between corporate entrepreneurship and financial performance in a measure of sales growth and profitability. According to Belinda et al (2007) andBuranasri, K. ,2010), corporate entrepreneurship has positive correlation with financial performance, including non-financial performance such as customer satisfaction and employee satisfaction. In addition, corporate entrepreneurship also influences organizational learning (Sally and Clair, 2005) and organizational intelligence (Songumnauykun, S., 2005).

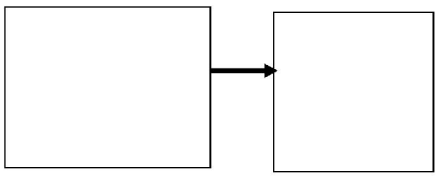
V. FINANCIAL PERFORMANCE

According to Sethibe & Steyn (2016), a total of 127 articles were studied, it was found that 71 articles used 16 types of financial instruments to evaluate financial process. However, Profitability instrument was used most in 29 articles, Sales Growth in 28 articles, Return on Assets in 16 articles, Return on Investment and Revenue/Turnover in 10 articles each, Return on Equity in 7 articles, and Return on Sales in 6 articles. The rest are Tobin's Q', Operating Cost, Income, Cash Flow, Market to Book, Basic Earning Power, Risk/Long term debt, Risk/Long Term Debt, Inventory Turnover, Earning per Share (EPS) each in 1-4 articles. Antoncic and Hisrich (2003) and Jason et al. (2005) recommend the use of financial performance measurements. First, sales growth rate over the last 3 years measures revenue or sales rate in the long run, compared to compound sales growth. Since sales growth may vary year by year; for

example, this year's growth is 10% and next year's growth is 20%, to calculate the long-term growth potential, it is important to calculate the growth rate with CAGR (Compound Annual Growth Rate). The CAGR allows us to compare growth potential between companies. Second, Return on Asset (ROA) is a financial ratio used to measure to what extent a company can use all assets to increase revenue. Third, Return on Equity (ROE) is a financial ratio that measures to what extent a company can earn the total revenue by using stockholders' equity.

VI. MODEL RELATIONSHIP BETWEEN CORPORATE ENTREPRENEURSHIP AND FINANCIAL PERFORMANCE

From the literature review, it has been pointed out that the personnel in an enterprise should be developed competent as the entrepreneur or the business owner. This is highly significant in the 3 aspects. First, innovativeness is the capability of seeking new creative ideas, evaluating, and creating as an innovation that meets the needs of the market. Second, risk taking is the capability to evaluate risks of asset investment. Third, proactiveness is the capability to analyze situations that are always changing and uncertain. With existing information and plans in accordance to present and future situations, corporate entrepreneurship has positive influences with financial performance.



CONCLUSIONS

Corporate Entrepreneurship has positive correlation with financial performance. In high-entrepreneurship enterprises, they also tend to have a high level of financial performance. In addition to this, corporate entrepreneurship can be applied with any business size in enterprises. Besides, corporate entrepreneurship has 3 aspects of dimensions such as innovativeness, risk taking, and proactiveness. In each aspect, there is positive correlation with financial performance also. Likewise, financial instruments are popularly used to measure the performance such as Sales Growth, Return on Assets (ROA) , and Return on Equity (ROE). Therefore, enterprises should seriously prioritize the application of corporate entrepreneurship.

REFERENCES

[1] Aeimtitiwat, P., & Lee, S. M. (2006). Corporate entrepreneurship characteristics and organizational innovativeness of large enterprises in Thailand. Unpublished doctoral dissertation, Bangkok University, Bangkok, Thailand.

[2] AntoncIc, B., &Hisrich, R. D. (2001). Intrapreneurship: Construct refinement and cross-cultural validation. Journal of Business Venturing, 16(5), 495–527.

[3] AntoncIc, B., &Hisrich, R. D. (2003). Clarifying the intrapreneurship concept. Journal of Small Business and Enterprise Development, 10(1), 7–24.

[4] AntoncIc, B. (2007). Intrapreneurship: a comparative structural equation modeling study. Industrial Management & Data Systems, 107(3), 309–325.

[5] Altman, J. W., &Zacharakis, A. (2003). An integrative model for corporate venturing. The Journal of Private Equity, 68-76.

[6] Ayudurai, S &Sohail, M.S. (2005). Corporate entrepreneurship in Multinational Subsidiaries in Malaysia: The Effects on Past Performance. Paper presented at 12th Annual International Conference on Advances in Management. Binary School of Management and Entrepreneurship, Malaysia: Retrieved November 20, 2006

[7] Barrett, R., Burgess, J., Boohene, R., Sheridan, A., &Kotey, B. (2008). Gender, personal values, strategies and small business performance: A Ghanaian case study. Equal Opportunities International, 27(3), 237–257.

[8] Covin, J. G., & Miles, M. P. 1999. Corporate entrepreneurship and the pursuit of competitive advantage. Entrepreneurship Theory and Practice, 23(3): 47–63.

[9] Covin, J. G., &Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behavior. Entrepreneurship: Critical Perspectives on Business and Management, 3, 5–28.

[10] Drejer, I. (2004), "Identifying innovation in surveys of services: a Schumpeterian perspective", Research Policy, Vol. 33, No. 3, pp. 551–562.

[11] Jason, R. F. Eavn, J. D. Anntoncic, B., &Hisrich, R. D. . (2005), " Intrapreneurship in Australinfims." Journal of Australian and New Zealand academy of management. 11(1), pp. 17-27

[12] Gretzinger, S., Hinz, H., &Matiaske, W. (2010). Cooperation in innovation networks: The case of Danish and German SMEs. Management Revue, 193–216.

[13] Knight, J., & McCabe, A. M. (1997). Identification and significance of ice-flow-transverse subglacialridges(Rogen moraines) in northern central Ireland. Journal of Quaternary Science, 12(6), 519-524.

[14] Guth, W. D., & Ginsberg, A. (1990). Guest editors' introduction: Corporate entrepreneurship. Strategic Management Journal, 5–15.

[15] Kellerman, F. W. &Eddleston, K. A. (2004): "Feuding familias: when conflict does a family firm good", Entrepreneurship Theory and Practice, spring, p. 209-228

[16] Miller, D. (2011). Miller (1983) revisited: A reflection on EO research and some suggestions for the future. Entrepreneurship Theory and Practice, 35(5), 873-894.

[17] Morris, M. H. &Kuratko, D. F. (2002). Corporate Entrepreneurship. Orlando, Florida: Harcout College Publishers.

[18] Pinchot III, G. (1985). Intrapreneuring: Why you don't have to leave the corporation to become an entrepreneur.

[19] Sethibe, T., &Steyn, R. (2016). Organizational Climate, Innovation and Performance: A Systematic Review. Journal of Entrepreneurship and Innovation in Emerging Economies, 2(2), 161–174.

[20] Sawang, S., & Matthews, J. H. (2010). Positive relationships among collaboration for innovation, past innovation abandonment and future product introduction in manufacturing SMEs. Interdisciplinary Journal of Contemporary Research in Business, 2(6), 106–117.

[21] Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: a configurational approach. Journal of business venturing, 20(1), 71-91.

[22] Zahra, S. A. (1993). A conceptual model of entrepreneurship as firm behavior: A critique and extension. Entrepreneurship theory and practice, 17(4), 5-21.

[23] Zahra, S. A., &Garvis, D. M. (2000). International corporate entrepreneurship and firm performance: The moderating effect

of international environmental hostility. Journal of Business Venturing, 15(5), 469–492.

[24] Zahra, S. A., Neubaum, D. O., &Huse, M. (2000). Entrepreneurship in medium-size companies: Exploring the effects of ownership and governance systems. Journal of Management,26(5), 947–976..

[25] Buranasri, K.(2010). Causal Relationship Model between Corporate entrepreneurship, Business environment and Performance in Manufacturing Corporation, doctoral dissertation, Dhuradij Pundit University, Bangkok, Thailand.

[26] Songumnauykun,S.(2005).Effects of entrepreneurship on the intellectual contributions, and services of university departments: an application of non recursive, multi-level structural equation model, doctoral dissertation, Chulalongkorn University, Bangkok, Thailand.

★★★