The Role Of Managerial Performance In Creating Corporate Entrepreneurship

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Abstract: This study investigated the effect of managerial competence, organizational culture on managerial performance and their impact on corporate entrepreneurship. The samples of this study were 95 KCP Bank BCA in East Java Region. The respondents were considered by 3 leaders who are responsible for the office, so the number of research respondents were 285 people. For data analysis, this study applied Partial Least Square (PLS). The results of this study indicated that managerial competence, organizational culture, and managerial performance were variables that could explain and predict corporate entrepreneurship variables. Moreover, the managerial competence had no direct or indirect effect on corporate entrepreneurship, while organizational culture had a direct or indirect effect on corporate entrepreneurship.

Keywords: managerial competence, organizational culture, managerial performance, corporate entrepreneurship.

I. INTRODUCTION

Both banking and entrepreneurship worlds are inseparable from one another. The development of banking does not outflow from entrepreneur processes. A bank must have competitive power and be constantly ready to face incoming threats; a bank must also be more creative and innovative by creating innovations in its service and products so that it can possess the competitive advantage in order to survive as competitive company (Morris and Laforge, 2002). Being creative and innovative are elements of corporate entrepreneurship (Abosede et al., 2018). Being a company with corporate entrepreneurship is highly required in banking world nowadays.

Abosede et al. (2018) explains that the elements of corporate entrepreneurship (e.g.: innovative, proactive, risk taking, strategic renewal and corporate venturing) have positive significant impacts on international bank in Nigeria. Specifically, a research conducted by Bobby and Harry (2013) in Malaysia
mention that there is a strong relationship between corporate entrepreneurship and performance in banking industry. Research by Guth and Ginsberg (1990); Covin and Slevin (1991); and Zahra (1991) show that the higher the concept of corporate entrepreneurship is, the higher the organization performance will become.

Burgelman (1983c); Kanter (1989); Stevenson and Jarillo (1990); Elenkov et al. (2005) identify organization internal factors influencing the capability of corporate entrepreneurship. Those internal factors include organization leadership, company culture and value system, structure and process, system and the availability of resources (Covin and Slevin, 1991; Damanpour, 1991; Zahra, 1991, 1993, 1995; Zahra and Covin, 1995; Hornsby et al., 2002; Goosen, 2002). These factors facilitate the activities of corporate entrepreneurship either individually or jointly.

Some studies also explain that there are relationships between organization performance and corporate entrepreneurship (Ghina, 2012; Ghina and Larso, 2011; Dyduch, 2008; Utama, 2013; Karacaoglu et al., 2013; Shafinaz et al., 2014; Shamsuddin et al., 2012). However, the research results are various; one generates significant relationship (Ghina, 2012; Ghina and Larso, 2011; Dyduch, 2008; Utama, 2013; Karacaoglu et al., 2013) and the other generates insignificant relationship (Shafinaz et al., 2014; Shamsuddin et al., 2012). Moreover, Shafinaz et al. (2014) in their research mentions four dimensions in corporate entrepreneurship, namely innovativeness, reactiveness, risk taking and competitive aggressiveness which have significant influence on business performance. While autonomy dimension does not influence business performance.

Other researches also confirm that the relationship between business performance and corporate entrepreneurship are negative (Karacaoglu et al., 2013; George et al., 2001; Shamsuddin et al., 2012). Another research result conducted by Karacaoglu et al., (2013) shows that corporate entrepreneurship dimensions such as innovation, risk taking and proactive one have positive significant relationship with financial performance. Meanwhile, the autonomy and competitive aggressiveness variables are not related to company financial performance. Moreover, there is a different argument on the impact of corporate entrepreneurship on business performance.

II. THEORETICAL REVIEW

Corporate Entrepreneurship

Nowadays, entrepreneurship plays an important role in improving productivity and spurring economic growth (Covin and Slevin, 1991; Zahra, 1991, 1993; Yu, 1998). Dyduch (2008) states that entrepreneurship is an approach of management strategy. Human resource is a factor that plays an important role in the success of corporate entrepreneurship.
Hornsby et al. (1999) identifies five factors that must be applied by human resource management in order to support the success of corporate entrepreneurship. These five factors include appreciation or reward, management facilities that support innovation, the availability of resource for innovation and conducive organization structure for learning and cooperation, and the ability to take risks from all individuals. One of the aspects of corporate entrepreneurship of human resource management that has been highly investigated is innovation. While all researches in relation to human resource management and compensation towards innovation refer to one factor that draws the most attentions (Balkin and Bannister, 1993; Balkin and Gomez, 1984, 1987; Balkin et al., 2000). Corporate entrepreneurship is a factor that triggers innovations by utilizing new markets, offering new products, or both (Sharma and Chrisman, 1999).

Research done by Hornsby et al., (2002) examines the measurement nature of Corporate Entrepreneurship Assessment Instrument (CEAI) that includes factors such as reliability analysis and assessment. From managerial perspective, the result shows that Corporate Entrepreneurship Assessment Instrument (CEAI) can be a useful instrument in diagnosing company environment in order to become corporate entrepreneurship. In addition, a company must also possess entrepreneurial orientation in order to actualize entrepreneurship activities (Lumpkin and Dess, 2001).

Managerial Performance

Managerial performance is the ability or the work performance that has been achieved by a person or a group of person in an organization (Sonnenstag and Frese, 2002). Managerial performance can also interpreted as an achievement or level of success achieved by an individual within an organization in reaching the goals or targets that have been set (Stoner, 2002).

An organization with good performance can benefit more from the existing environment opportunity, can more easily solve problems created by environment, can meet the social needs segment both quantitatively and qualitatively in an excellent way and can gain competitive excellence in the market (Verboncu and Corcodel, 2014).

Managerial competencies

Competencies have impact on company performance (Sánchez, 2012; Tehseen and Ramayah, 2015; Wickramaratne et al., 2014). Competencies have characteristics that are used to distinguish an individual’s performance. Then, Deist and Winterton (2005) mention that holistic typology of competencies is essential in understanding the combination of knowledge, skill and social competencies. The three competencies are
necessary in a job, both conceptual (cognitive, knowledge and comprehension) and operational competencies (functional, psycho-motor and applied skill).

The result of research conducted by Sánchez (2012) mentions that entrepreneurial competencies play very important roles in the organization ability in enhancing its competitiveness; and they also have direct effect to company performance. Otherwise, Tehseen and Ramayah (2015) examine the effect of entrepreneurial competencies to the success of Small and Medium Enterprise (SME) with SMEs in Malaysia as the objects. The result of the research states that external integration moderates the effect of entrepreneurial competencies to the success of Small and Medium Enterprise (SME) in Malaysia. Therefore, entrepreneurs should have competencies in managing relationships with customers and suppliers in order to improve company competitiveness.

Then, Wickramaratne et al. (2014) examine the impact of entrepreneurial competencies of the owner or manager to entrepreneurial orientation in a tea company in Sri Lanka and the relationship between the backgrounds of the owner or manager to entrepreneurial competencies. In this research, entrepreneurial competencies are put into operation with opportunity, organizing, strategic, relationship, commitment and conceptual competencies. The research result shows that the characteristic background of the owner or manager has direct effect to entrepreneurial competencies which then have implications to the existence of positive and direct relation between entrepreneur strategy and the commitment of the entrepreneurship oriented owner or manager.

Organizational Culture

Mejia and Balkin (2012) define organizational culture as a system of value, assumption, belief, and norms that unites the members of an organization. Organizational culture reflects the views of employees in the way things are done. Organizational culture give meaning to actions and procedures in an organization which can be considered as the personality of an organization.

Organizational culture is a predictor of entrepreneurial orientation. The success of entrepreneurial orientation can be achieved if it is supported by the right organizational culture. Denison and Mishra (1990) mentions that organizational culture refers to the basic values, belief and principle which serve as the foundation of the management system of an organization, and also a series of management practice and behavior which set examples and reinforce the foundation.

Research conducted by Shihab et al. (2011) shows there is a significant relation between organizational culture and entrepreneurial orientation. Organizational culture is a predictor of entrepreneurial orientation. The success of entrepreneurial orientation can be achieved if it is supported by the right organizational culture. The organizational culture dimensions mentioned in the research conducted by Shihab et al. (2011) consist of

orientation, communication, control, flexibility and employee oriented vs job oriented. Research conducted by Lee and Lee (2007) shows that leadership and organizational culture have a positive and significant relationship in affecting the organizational operation and learning.

**Conceptual Framework and Research Hypothesis**

The conceptual framework of this study was derived from thought, theoretical foundation, and concepts of previous researchers. Referring to the theoretical foundation, companies require numerous capabilities to develop their higher business performance.

![Figure 1. Conceptual Framework](image)

This study acknowledges two capabilities, i.e. market orientation and entrepreneurial orientation and indicates how the capabilities are in relation to performance. Porter (1980) defines an entrepreneurial orientation as a corporate benefit strategy to compete in the same market place more effectively. Dess et al. (2003) conclude that complex and uncertain environments require a strong entrepreneurial attitude in the strategy consideration. While Gosselin (2005) argues that a significant relationship within entrepreneurial orientations can be generated from the company performance. Moreover, the higher degree of entrepreneurial orientations are obviously driven on profit so that an entrepreneur has the opportunity to take benefits and emerged opportunities which, in turn, achieve a positive effect on business performance (Wiklund, 1999). The hypotheses based on conceptual and theoretical framework were proposed as follows:

H1: Managerial competencies affected corporate entrepreneurship.

H2: Organizational culture affected corporate entrepreneurship.

H3: Managerial competencies affected corporate entrepreneurship through managerial performance.

H4: Organizational culture affected corporate entrepreneurship through managerial performance.

H5: Managerial performance affected corporate entrepreneurship.

**III. RESEARCH METHOD**

This research employed quantitative approach. The populations of this research were the Branch Offices of PT. Bank Central Asia within 16 cities in East Java. The sample selection in every city was conducted by lottery method. The number of samples in this research were 95 Branch Offices of BCA in East Java. There were 3 managers as respondents from each Branch Office; hence the number of respondents in this research were 285 individuals. Data analysis technique used in this research were classified into two groups, namely descriptive data analysis technique and inferential statistics analysis technique using PLS (Partial Least Square).

IV. ANALYSIS AND DISCUSSION

Descriptive Analysis

The age range of respondents in this research falls into 4 categories, namely 21–30 years old, 31–40 years old, 41–50 years old and above 50 years old. 64.9% of respondents are in the category of 41–50 years old. 25.6% of respondents are in the category of above 50 years old. 7% of respondents were in the category of 21–30 years old. It is clear that based on the age, the category of 41–50 years old has the most respondents. This shows that the maturity level in making decision for their subordinates is pretty good. In that range of age most people tend to be more thoughtful and less emotional in making decisions.

The service period in this research was classified into 4 groups, respondents with years of service within 0–10 years of service, between 11–20 years of service, 21–30 years of service, and above 30 years of service. The percentage of respondents within 21–30 years of service were 53.3%; and the above 30 years of service was 42.8%. While the group of 21–30 years was quite long period to learn problems and find the right solution.

The length of service as managers in this research was classified into 4 categories, which were within 0–3 years, 4–7 years, 8–11 years and above 11 years. Most respondents or as much as 40.0% had been serving their managerial position for 4–7 years. The percentage of respondents who had been serving their managerial position for more than 11 years was 14.4%. Instead, the percentage of respondents who had been serving their managerial position for 0–3 years were 15.4%, while the percentage of respondents who had been serving their managerial position for 8–11 years is 30.2%. This indicated that the managers as respondents in this research possess had adequate experience in facing problems in their field. Having 4 to 7 years of experience not only enabled them to face problems and find solutions, but also empowered them in generating new ideas for the success of the company.

Factor Loading and Average Score for Each Indicator

The value of outer loading shows the weight of each indicator as a measure of each variable. Indicator with the highest outer loading shows the indicator as the strongest variable measure.

Table 1
Outer Loading of Each Indicator of Each Variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Outer Loading</th>
<th>Means Indicator</th>
<th>Means Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial Competencies</td>
<td>External competency (KE)</td>
<td>0.845</td>
<td>4.56</td>
<td>4.64</td>
</tr>
<tr>
<td></td>
<td>Interpersonal competency (KI)</td>
<td>0.882</td>
<td>4.63</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Personal competency (KP)</td>
<td>0.855</td>
<td>4.69</td>
<td></td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>Involvement (BOI)</td>
<td>0.888</td>
<td>4.77</td>
<td>4.74</td>
</tr>
<tr>
<td></td>
<td>Consistency (BOC)</td>
<td>0.925</td>
<td>4.74</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adaptability (BOA)</td>
<td>0.915</td>
<td>4.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mission (BOM)</td>
<td>0.906</td>
<td>4.74</td>
<td></td>
</tr>
<tr>
<td>Managerial Performance</td>
<td>Quantity of work (KMQT)</td>
<td>0.792</td>
<td>4.55</td>
<td>4.66</td>
</tr>
<tr>
<td></td>
<td>Quality of work (KMQL)</td>
<td>0.844</td>
<td>4.59</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Job knowledge (KMJ)</td>
<td>0.877</td>
<td>4.55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cooperation (KMKJ)</td>
<td>0.855</td>
<td>4.73</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Initiative (KMI)</td>
<td>0.864</td>
<td>4.67</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creativeness (KMKR)</td>
<td>0.873</td>
<td>4.62</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dependability (KMD)</td>
<td>0.780</td>
<td>4.83</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Personal Qualities (KMP)</td>
<td>0.811</td>
<td>4.81</td>
<td></td>
</tr>
<tr>
<td>Corporate Entrepreneurship</td>
<td>Management Support (CEM)</td>
<td>0.833</td>
<td>4.66</td>
<td>4.63</td>
</tr>
<tr>
<td></td>
<td>Work Discretion (CEW)</td>
<td>0.934</td>
<td>4.69</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reward (CER)</td>
<td>0.878</td>
<td>4.56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Time Availability (CEO)</td>
<td>0.888</td>
<td>4.64</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 presented the value of outer loading after conducting re-estimation. The result of the first outer loading test figured out the indicator of corporate entrepreneurship that was below 0.7, which included time availability (CET) indicator with the value of 0.591. Therefore, a retest needs to be conducted without CET indicator. The strongest measure of managerial competencies variable was the interpersonal competency (KI); the strongest measure of organizational culture variable was consistency (BOC); the strongest measure of managerial performance variable was job knowledge (KMJ); and the strongest measure of corporate entrepreneurship variable was work discretion.

From respondents’ perception, it was implied that the best perception for managerial competencies variable was personal competence (KP); the best perception for organizational culture variable was involvement (BOI); the best perception for managerial performance variable was creativeness (KMKR); and the best perception for corporate entrepreneurship variable was work discretion (CEW).

Table 2
Coefficients of Direct Effect

| Original Sample | Sample Mean | Standard Deviation | T Statistics (|O/STDEV|) | P Values | Significance test |
|-----------------|-------------|--------------------|----------------|----------|------------|

<table>
<thead>
<tr>
<th></th>
<th>(O)</th>
<th>(M)</th>
<th>(STDEV)</th>
<th>&gt; 1.650</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COMP → CE</td>
<td>-0.031</td>
<td>-0.033</td>
<td>0.046</td>
<td>0.666</td>
<td>0.506</td>
</tr>
<tr>
<td>CULT → CE</td>
<td>0.502</td>
<td>0.507</td>
<td>0.069</td>
<td>7.238</td>
<td>0.000</td>
</tr>
<tr>
<td>COMP → MP</td>
<td>0.012</td>
<td>0.016</td>
<td>0.045</td>
<td>0.278</td>
<td>0.781</td>
</tr>
<tr>
<td>CULT → MP</td>
<td>0.209</td>
<td>0.206</td>
<td>0.060</td>
<td>3.476</td>
<td>0.001</td>
</tr>
<tr>
<td>MP → CE</td>
<td>0.262</td>
<td>0.262</td>
<td>0.097</td>
<td>2.704</td>
<td>0.007</td>
</tr>
</tbody>
</table>

**Table 3**

Coefficients of Indirect Effects

| Effect | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) > 1.650 | P Values |
|--------|---------------------|-----------------|-----------------------------|----------------|----------|
| COM → MP → CE | 0.003 | 0.005 | 0.013 | 0.250 | 0.803 |
| CULT → MP → CE | 0.055 | 0.053 | 0.024 | 2.239 | 0.026 |

**The Effect of Managerial Competencies on Corporate Entrepreneurship**

The statistical test result of this research indicated that managerial competencies did not affect corporate entrepreneurship. This was because the bond of managerial competencies in forming a corporate entrepreneurship oriented company is weak. The result describes that managerial competencies could not be used as a variable to predict Branch Offices of BCA in East Java regions as an entrepreneur oriented company.

This result was in contrast with findings of Hayton and Donna (2006) and Robles and Zarraga (2015). Hayton and Donna (2006) state that a corporate entrepreneurship needs a competencies-based approach to gain human capital that are able to promote a corporate entrepreneurship oriented company. In addition, the respondents’ competencies in this research do not show their ability as entrepreneurs. The competency of each individual is key or highly related and determine the company competencies as entrepreneurship (Robles and Zarraga, 2015).

**The Effect of Organizational Culture on Corporate Entrepreneurship**

The result of this research assumed that organizational culture highly affected corporate entrepreneurship. This meant that organizational culture was able to bring the organization to an entrepreneur oriented company. The measuring indicators in the organizational culture variables involved involvement, consistency, adjustment, and mission. In terms of involvement, all leaders of an organization are pursued in the structuring process and execution of work plan. In addition, in doing their work, everybody felt that they were part of a team. Consistency in doing the work was also shown by the existence of definite value guidance and the coordination process in all parts of the organization as a whole.
This research result supports Paunovic and Dima (2014) stating that one of key elements of corporate entrepreneurship is the creation of cultural organization that includes cultural entrepreneurship values. Moreover, Paunovic and Dima (2014) mention that motivation factor supporting the implementation of cultural values are vitally needed. This research is in line with the research conducted by Bau and Wagner (2015) that mention that corporate entrepreneurship and intrapreneurship reflect behavior and culture that can help a company to grow competitively. The research also develops index that measures culture and market related factors that might influence employee ability to behave in entrepreneurial behavior.

The Effect of Competencies on Corporate Entrepreneurship on Managerial Performance

The statistical test result of the managerial competencies affected corporate entrepreneurship on managerial performance as an intervening variable was p value 0.803 > 0.05, which means insignificant. This indicated that managerial competencies had no significant effect of corporate entrepreneurship on managerial performance as an intervening variable.

The calculation indicated that managerial competencies did not have direct and indirect effect on corporate entrepreneurship. Therefore, the managerial competencies were predicated to be unable to bring Branch Offices of BCA in East Java regions as a corporate entrepreneurship oriented company. It can be concluded that managerial competencies are unable to form a corporate entrepreneurship oriented company especially on the level of branch offices.

The Effect of Organizational Culture on Corporate Entrepreneurship on Managerial Performance

The statistical test result of this research found that the effect of organizational culture on corporate entrepreneurship with managerial performance an intervening variable was p value 0.026 < 0.05. This result revealed that organizational culture had a significant effect on corporate entrepreneurship with managerial performance an intervening variable.

The path coefficient value of direct effect of organizational culture on corporate entrepreneurship (0.502) was higher than the path coefficient of indirect effect of organizational culture on corporate entrepreneurship with managerial performance an intervening variable (0.055). Based on that path coefficient value, it can be concluded that managerial performance serves as partial mediation. In other words, the existing organizational culture in Branch Offices of BCA in East Java regions has successfully bring the organization as a corporate entrepreneurship oriented company.

V. CONCLUSION AND SUGGESTION
Conclusion

Managerial competencies, organizational culture, and managerial performance were considered as variables that could explain and predict the corporate entrepreneurship variable at Branch Offices of Bank Central Asia in East Java as a company that was oriented to corporate entrepreneurship.

Managerial competencies did not have direct and indirect effect to corporate entrepreneurship, while organizational culture had both direct and indirect effect to corporate entrepreneurship. The direct effect of organizational culture to corporate entrepreneurship was larger than the indirect effect. This meant that managerial competencies as an intervening variable was as partial mediation.

Suggestion

Organizational culture should be used as a framework and daily behavior guidance in working and reaching goals. Managerial competencies become crucial in making the Branch Offices of Bank Central Asia as a corporate entrepreneurship oriented company by improving the managerial ability of Branch Offices, as explained by Hsu et al., (2014) that entrepreneurial leadership has an impact to innovative behavior. By possessing the ability as entrepreneur, the Branch Offices managerial persons of Bank Central Asia are able to see opportunities and improve their performance which then influences the company competitiveness.

REFERENCES


