

**The Effect of Corporate Entrepreneurship, Innovation and Strategic Renewal on Business
Performance, Business Failure or Organizational Decline Moderated by Industry and
Firm Size**

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Abstract

The largest and most successful companies in the world have not always been that way. The challenges they have faced in order to become what they are today may have been countless. In contrast, while many companies have achieved significant levels of growth, they have not all been able to maintain their success in the long term, even to the point of starting to fail. This Thesis provides a conceptual framework that tends to explain the effect of CE that encompass I and SR on BP in Colombian companies, so the lack of CE, I and SR moderated by size of and sector/industry, might lead the Colombian companies to BF or OD. The research was developed using the information provided by regulatory entities in Colombia. The information gathered included both financial and managerial information submitted to the Colombian Superintendency of Corporations by companies that have entered into the restructuring process during the last ten years, as supervised by the Colombian Superintendency of Corporations and based on the Colombian Law on Restructuring during the last decade. Out of the 131 companies included in this research, 53 (40 %) belonged to the manufacturing sector and 78 (60%) belonged to the service sector. Regarding company size, 60 (45,80%) were small, 27 (20,61%) were medium and 44 (33,59%) were big. The information gathered included both financial and managerial information submitted to the Colombian Superintendency of Corporations by the companies that have entered into the restructuring process during the last ten years, as supervised by the Colombian Superintendency of Corporations and based on the Colombian Law on Restructuring during the last decade. For this purpose, this study used the data base information provided by the Colombian Superintendency of Corporations. This research excluded information obtained from agencies other than the Colombian Superintendence of Corporations. This research did begin with a pilot study developed with a case study that took into consideration a survey and

interviews with representatives of companies that have entered into a restructuring process. The Superintendency's website provided the list of the companies in the restructuring process. This information includes the approved financial services companies and detailed information on the legal representation of those companies. A two-stage sampling process was followed in identifying the subjects for the sampling. In stage one, this research used a probability sampling that is based on stratified random sampling. In order to determine the size of the sampling, the following formula was taken into consideration: $n = (N * Z^2 * p * q) / ((e^2 * (N-1)) + (Z^2 * p * q))$, where n is the size of the sample, N the size of the universe, Z the level of confidence, e the margin of error p and q the probability of occurrence. A level of confidence of 80% and error margin of 5% was determined by the researcher. In stage 2, the selection of participants from the organizations represented in the now-established sampling frame will be selected in terms of the criteria that the selected participant be registered in the restructuration process data base provided by the Superintendency of Corporations. A single contact person will be identified within each organization, with this person furnishing the contact information of employees who, meeting qualifying selection criteria, will be selected to be the research participants. The identified participants will then be called on their telephones, and a follow up e-mail will detail the research objectives). The participants will be considered "front facing" – in other words, they are part of, or were part of the decision-making process in their companies.

For the quantitative part, the paths of the hypotheses among the main latent constructs will be then assessed using a structural equation modeling (SEM) procedure. For the quantitative part the research will use Atlas TI. As with standard regression, the basic measure of association between variables is covariance, and the dynamics of actually fitting SEM models involve covariance structure modeling (Iacobucci, 2009).

The model shows that CE has a direct influence on BP. It is important to highlight that CE is influenced only by I. SR does not have a direct impact in CE. It could be inferred that the Colombian companies do not perceive that CE is a crucial part of the strategic planning. Furthermore, CE does not impact OD. It can be inferred that the more CE activities the Colombian companies put in place the better the outcomes from the business and financial performance. Thus, the Colombian companies that are facing OD could have avoided it by implementing CE activities.



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Chapter 1: Introduction

The largest and most successful companies in the world have not always been that way. The challenges they have faced in order to become what they are today may have been countless. In contrast, while many companies have achieved significant levels of growth, they have not all been able to maintain their success in the long term, even to the point of starting to fail or going bankrupt and disappearing altogether. Although managers receive advice and strategic help that can be used to prevent Organizational Decline (OD) or Business Failure (BF), these events persist. The evidence of negative financial indicators may indicate that a company is facing BF, OD or even the starting point of a bankruptcy event. However, this event may be a result rather than a cause of the OD, BF or bankruptcy. Thus, it is necessary to understand why OD or BF takes place. The lack of Corporate Entrepreneurship (CE) and Innovation (I) and diversification of products and services driven by Strategic Renewal (SR) could help us to understand the Business Performance (BP) and why OD or BF persists.

Understanding the role of CE could help stakeholders to find new ways to prevent Business Failure (BF) or Organizational Decline (OD). Determining the right moment to implement CE activities (intervention point from management) is crucial for managers and regulators in order to prevent OD, BF or bankruptcy. Hence, the development of a conceptual framework that consider CE activities, may be a point of reference for practitioners, academics and regulators, throughout the world in the development of more studies, models and/or methodologies to avoid, prevent or even predict OD or BF that could reduce the overall number of bankruptcies and improve Business Performance (BP) in Colombia. In addition, this CE framework may be used as a driver for the maximization of return on investment and monitoring of long-term risk. Thus, this

research will focus on determining the effect of CE that encompasses I and diversification of products and services driven by SR on BP and OD moderated by size of the companies and its industry/sectors where they operate. Although there are sufficient academic studies related to CE, OD, and BF and BP, there is no conceptual framework based on CE, I and SR for the prevention of OD or BF and for driving long term sustainable growth, both economically speaking and in terms of the ecosystem.

CE is an important means for inducing innovation, revitalizing organizations, and enhancing productivity (Zahra, 2015), thus BF may be avoided through CE activities that encompasses I and SR. This research will consider the results of Bierwerth, Schwens, Isidor, and Kabst (2015), regarding the future research they suggest to carry out in parts of the world other than North America, Europe, and Asia, especially in South America in which future research they call for a quantitative empirical research examining the moderating variables on the effect of CE and performance. That is why this research will be focus on OD or BF taking into consideration that business performance could lead companies either to very good business performance or to OD or BF. This empirical research will also provide a conceptual framework for the moderating effect of firm size and sector/industry on the effect on OD or BF, BP of CE that encompasses I and diversification of product or services driven by SR.

Background of the Problem

As an entrepreneur and an experienced senior consultant in the service industry, the author has seen how many companies has successful BP, but at the same time, how many companies have experienced OD or BF events. Thus, it can be inferred that there are many actions to be taken in order to build a successful business. The journey to be successful may take longer than first appears. At the beginning of this journey, failure should not be an option. Conversely,

business success for the world's largest and most reputable companies is worth making huge efforts. Nevertheless, many companies have been successful but not all of them have been able to keep growing and so, been continuously successful over the long term. Some of them became BF, bankrupted and disappeared altogether. Determining the effect of CE that encompasses I and diversification of products and services driven by SR on BP and OD or BF, while considering the context of each, permits the development a conceptual framework, in order to see if CE activities that encompasses I and diversification in products and services driven by SR can help companies to prevent OD or BF. Thus, it can be inferred that CE provokes successful BP and therefore prevents OD or BF and even bankruptcy. This conceptual framework may be considered a starting point for practitioners, academics and regulators the world over in the development of more studies, models and methodologies to understand how to avoid, to prevent or even to predict OD or BF that will reduce the overall number of bankruptcies and improve BP in Colombia on the basis of CE activities.

The concept of Innovation is associated with entrepreneurship and, therefore, with CE (Bierwerth, Schwens, & Isidor, 2015). Industries in which a culture of creativity is developed generate better sources of innovation and, thus, contribute to the potential for innovation in the economy and to the generation of new products and services (Marinova & Borza, 2015). On the basis of a review of the literature on I there are many approaches to it's being part of CE, but more importantly all of them establish "that it consists of a variety of different phases: idea generation, research design and development, prototype production, manufacturing, marketing and sales" (McFadzean, O'Loughlin, & Shaw, 2005, pág. 353). It is defined in a variety of ways by different authors (Goswami & Mathew, 2005). For its part, CE encompasses firm level formal

and informal activity that focuses on discovering and pursuing new business opportunities by means of SR, I and corporate venturing. (Bierwerth, Schwens, & Isidor, 2015)

Zaltman, Duncan, and Holbek as cited in (Goswami and Mathew 2005), defined Innovation “as “any idea, practice, or material artifact perceived to be new by the relevant unit of adoption” (p. 373). Innovation defines the inventive act and the process of creation that is carried to broader use. “It involves the exploitation of new ideas to engender changes in the practices of individuals or groups of individuals such as customers and users” (Rose & Furneaux, 2016, pág. 2). More regularly, it occurs from the connections of fellows of a community or network, who encompass and form on one another's ideas. When it comes to I, the single most common piece of advice may be to think outside the box. Constraints, according to this view, are the enemy of creativity because they sap intrinsic motivation and limit possibilities (Sull, 2015). Rastogi (2009), argued that incremental Innovations leads to higher output even with a given state of technological knowledge.

For its part, CE has been well established and has sometimes been regarded in the business management literature as its own discipline (Ackermann & Kern, 2013). The proposal introduced by Bierwerth, Schwens, Isidor, & Kabst (2015), recognizes that there is a relation between CE (which includes SR, I, and corporate venturing) and Business Performance. Although there are sufficient academic studies related to CE and BP, no conceptual framework based on CE has been developed for understanding how to avoid, prevent and even to predict OD or BF. Based on this conceptual framework, global businesses and regulatory entities around the world could use this research as a foundation of the relationship of CE and BP specially to prevent or avoid BF. At the same time this conceptual framework will contribute new knowledge to the relationship between CE that encompasses I and diversification of products and services driven by SR on BP

and OD or BF, especially on how CE activities can drive sustainable business growth, both economically speaking and in terms of the ecosystem.

The prevention of OD or BF is not only incumbent upon managers and/or entrepreneurs or shareholders, but also on the entire community of stakeholders, in which emphasis is placed on the countries in which businesses operate, as the maximization of their economic results will provide reasonable security with regard to the sustainable collection of taxes, in addition to contributing job creation and stimulating the economy.

Statement of the Problem

Many organizations FAIL in their core business, affecting their ability to continue as an ongoing business. Although managers receive advice and strategic help that can be used to prevent OD or BF, these events persist. The evidence of negative financial indicators may indicate that a company is facing BF or even a starting point of a bankruptcy event. However, this event may be a result rather than a cause of the OD, BF or the bankruptcy. Thus, it is necessary to understand why OD or BF happens. The lack of CE, I and diversification in products and services driven by SR that is moderated by firm size and sectors/industry may contribute to understanding why BF or OD persists.

Purpose of the Research

Understanding the role of CE, I and diversification in products and services driven by SR on BP moderated by the sector/industry and firm size may help top management and other stakeholders to find new ways to prevent OD or BF. Determining the right moment to implement Corporate Entrepreneurship activities (The Intervention Point) is crucial for top managers and regulators in order to avoid, prevent or predict OD, BF or bankruptcy. Hence, the development of a conceptual framework that considers CE, I, and diversification in products and services

driven by SR activities that are moderated by the sector/industry and firm size, may be a point of reference for academics, scientists, practitioners, academics and regulators throughout the world. This framework may be used to develop more studies, models and/or methodologies on how to avoid, prevent or even predict OD or BF, in order to reduce the overall number of bankruptcies and improve BP in Colombia. In addition, this CE framework could be used as a driver to better understand the maximization of return of investment and the monitoring of long-term risk.

Significance of the Problem

Many authors emphasize that CE started with entrepreneurship which is the primary concept that support innovation (McFadzean, O'Loughlin, & Shaw, 2005). According to Schumpeter and Drucker, as cited by Urban and Wood (2017), "innovation in corporations has conceptual roots in innovation entrepreneurship, and innovation management" (p. 536). Entrepreneurship is viewed by Schumpeter (1934), "as the primary catalyst for innovation". Investigators and specialists have tried to define CE and I in many dissimilar means. It seems, however, that there is little agreement surrounding what institutes "entrepreneurial and innovative activity" (McFadzean, O'Loughlin, & Shaw, 2005, pág. 351). "It is important to note that CE can be used interchangeably with intrapreneurship" (McFadzean, O'Loughlin, & Shaw, as cited by Buenechea-Elberdin, 2017), "A unique and commonly accepted definition of innovation does not exist, but most of the existing ones agree that innovation implies conceiving and implementing something new" (p.274). As stated by McFadzean, O'Loughlin, and Shaw (2005), the combination of the CE, I and SR, lead to the opinion by various authors (Pinchot 1985; Schumpeter 1961; Thornberry, 2001; Zahra, 1995) of the need to continue research on this space. "What has become clear, however, is that without the presence of some form of entrepreneurial activity to exploit opportunities as they arise within organizations, innovation remains little more

than an aspirational, rather than a tangible goal” (McFadzean, O'Loughlin, & Shaw, 2005, pág. 353).

The concept of CE has been well established and studied and has sometimes been regarded as its own discipline in the business management literature (Ackermann & Kern, 2013). CE may be considered as entrepreneurial activities within the organization (Napolitano, Marino, & Ojala, 2015). CE covers innovation activities that “consider the discovery and pursuit of market opportunities” (Bierwerth, Schwens, & Isidor, 2015, pág. 257). Not only are entrepreneurship and innovation complementary, but a combination of the two is vital to organizational success (Urban & Wood, 2017). As stated by Urban and Wood (2017), the concept of the innovative company accepts that the investments that the company makes must be industrialized and exploited over time, while the company transforms technologies and accesses markets, before returns from those investments can be generated, or indeed before the rate of return can even be known. The role of CE in companies' competitiveness and financial performance has sparked considerable research interest over the years. CE activities also involve venturing into new market and business arenas that create new paths for profitability and growth (Vanacker, Zahra, & Holmes, 2017). There has been bring significant attention to the effects of CE on long-term survival. (Napolitano, Marino, & Ojala, 2015)

On the other hand, the vast majority of authors recognize that BF is being used interchangeably with bankruptcy, insolvency, liquidation, financial distress and dissolution (Opoku, Chizema and Arthur, 2015). As mentioned by Appiah, Chizema and Arthur (2015), many researches propose that the prediction of company failure is supposedly explicable and empirically possible. BF is an endless issue in today's business environment, and “considered an essential and significant part of new business ventures” (Dias & Teixeira, 2017,

pág. 2) BF happens when a business finishes, either willingly or out of financial necessity, which in former case may be because the proprietors not accomplishing their financial potentials in contrast to personal reasons (Dias & Texeira, 2017). Existing literature on the costs of BF not covered by the companies, shows unquestionably that BF is essentially a learning process. (Cope, 2011)

“Why some companies survive while others fail is a fundamental puzzle in both business history and management research” (Napolitano, Marino, & Ojala, 2015, p. 1). OD, for its part, it is defined “as an organizational state of poor adaptability, consistently depleting resources, reduced legitimacy, and high vulnerability “(Carmeli & Sheaffer, 2009, p. 365). As cited by Carmeli & Sheaffer (2009), decline is an involuntary organizational phenomenon that appears as a result of the fragility of resource management. The referenced literature review reveals many studies related to CE and how CE activities can help companies to have a better performance. At the same time, the literature referenced explain that the phenomenon of BF or OD is interrelated as both concepts depend on management decisions. Considered. As stated by Dias, Aurora, and Teixeira (2017), most of the studies on BF are related to predict it by using financial ratios-based modeling, rather than finding a better way to drive successful business or BP and thus avoid BF. Notwithstanding extensive studies, empirical results on the relationship between CE and BP remain inconclusive, (Vanacker 2017; Van Rooij 2015; Zahra 2013; Bierwerth, 2015). The study by Bierwerth, Schwens, Isidor, and Kabst (2015), showed the direct effect of CE, which encompasses SR, I and corporate venturing, on performance. It has yet to be established, however how CE affects firm performance over periods longer than those considered previously (Van Rooij, 2015; Napolitano, Marino, & Ojala, 2015). The overall notion is that “CE has

significant and positive performance implications” (Bierwerth, Schwens, & Isidor, 2015, pág. 270).

The results of the meta-analysis made by Bierwerth, Schwens, Isidor, and Kabst (2015), suggested that CE has a positive effect on firm performance. Based on that, negative performance could be called BF or OD. Therefore, the results of the meta-analysis made by Bierwerth, Schwens, Isidor, and Kabst (2015), could be taken into consideration for further research, including the present one. Actually, those authors recommended undertaking research in locations other than North America, Europe and Asia, such as in Africa, and South America.

According to Opoku, Chizema, and Arthur (2017), most of the selected studies found in the literature dealing with BF originate from 11 countries: 53 percent, 15 percent and 11 percent of the studies use information set from the United States, South Korea and the United Kingdom, respectively. Additionally, France, Belgium and Australia account for 4 percent each, while the rest of the world accounts for the remaining 9 percent (i.e. Finland 3 percent, Greece 2 percent, Italy 2 percent, Brazil 1 percent and Spain 1 percent). An examination of 201 paper articles on the theme carried out by Dias, Aurora, and Texeira (2017) shows that 70 percent of them do not offer an unequivocal meaning of BF or OD, whereas 30 percent openly provide an explanation focused on one or numerous proportions of OD or BF, most particularly, business closure, bankruptcy, ownership change, and failure to meet expectations. As stated by Hornsby, Kuratko, Zahra (2002), future research should investigate the relationship between CE and financial performance. Thus, as financial performance is an indication that the company might be potentially associated in the future on BF or OD, this research will take into consideration the suggestions of Hornsby, Kuratko, Zahra (2002).

In the case of Latin American countries, the literature shows no scientific studies related to the effect of CE that encompasses I and diversification of products and services driven by SR on BP and OD or BF moderated by the industry/sector of the company and firm size. Thus, the research will be developed in Colombia and will take into consideration the Colombian companies that are currently restructuring on the basis of Colombian law regarding as a result of OD or BF. Restructuring means that, as a result of certain triggering events, companies fall into a bailout process that is supervised by the Colombian Superintendency of Corporations. That means that the research will focus on these companies rather than those that entered into a mandatory liquidation process. It is inferred that the companies that entered into a restructuring process are willing to revert the issues that drove them to an OD or BF. For the purpose of this research hereinafter the dependent variable BF is related to OD, the other dependent variable is BP.

Although there are sufficient academic studies related to CE, I, SR, BP and OD or BF, there is no conceptual framework based on the effect of CE for the avoiding, preventing or predicting OD, BF or even bankruptcy and driving of long-term sustainable growth, both economically speaking and in terms of the ecosystem. This empirical research would underpin and deepen the knowledge associated with OD or BF, an elusive matter that has been around since the rise of the firm in the 18th century. With the goal of understanding the underpinnings of business sustainability in the long-term, it is necessary to understand why they fail. This research does contribute to this understanding by addressing the effect of the independent variable: CE, which encompasses I and the diversification of products and services driven by SR, and the dependent variables BP and OD or BF. The main contribution of this research will be to explain the positive or negative relationship between CE that encompasses I and diversification of products and

services driven by SR on BP and OD or BF moderated by the industry/sector of the company and the size of the company. Based on that, this study would contribute to knowledge through the development of a conceptual framework on how CE can help companies to avoid, prevent and even predict OD or BF, in an effort to reduce the overall number of bankruptcies and improve business performance in Colombia. This conceptual framework will incorporate CE activities, encompassing I and diversification in products and services driven by SR with the moderation of the industry/sector of the company and the size of the company. This study also permits an understanding of how the moderation of the industry/sector of the company and the size of the company take place on the effect of CE on BP and OD or BF. At the same time, this conceptual framework, would help to understand the overall cause of OD or BF. The development of a conceptual framework that consider CE activities, may be a point of reference for practitioners, academics and regulators the world over for development of more studies, models and methodologies to avoid, prevent or even predict OD or BF and so, reduce the overall number of bankruptcies and improve business performance in Colombia and in Latin American countries

Research Questions

The absence of a good understanding of the cause of Organizational Decline or Business Failure and Business Performance and how it is associated with Corporate Entrepreneurship, which encompasses Innovation and diversification in products and services driven by Strategic Renewal would lead the discussion of more research following this one. As a starting point, this research will address the following main research questions:

- Research question (RQ 1): To what extent does the presence of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in

products and services driven by Strategic Renewal (SR) have a positive effect on Business Performance (BP)?

- Research question (RQ2). To what extent does the lack of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategy Renewal (SR) might explain Organizational Decline (OD)?
- Research question (RQ3): To what extent is there any relationship between BP and OD?
- Research question (RQ4): To what extent do firm size and sector/industry moderate any of these relationships?

Specific research questions will be:

- SRQ1a: To what extent does Innovation (I) have positive effect on Corporate Entrepreneurship (CE)?
- SRQ1b: To what extent does diversification in products and services driven by Strategic Renewal (SR) have a positive effect on Corporate Entrepreneurship (CE)?
- SRQ1c: To what extent does Corporate Entrepreneurship (CE) have a positive effect on Business Performance (BP)?
- SRQ4a: To what extent the relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be moderated by firm size, so that the smaller the company might be, the robust the relationship?
- SRQ4b: To what extent the relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be IS ??? moderated by industries/sectors, so might have robust effect on Business Failure in manufacturing sector than service sector?

Hypotheses

As cited by García-Morales, Bolívar-Ramos, & Martín-Rojas (2014), Zahra 1993, states that engaging in CE activities is a key factor to enhance firm's growth and profitability. Having that in mind, it can be infer that the lack of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategic Renewal (SR) might explain Business Failure. This research will test the following research hypotheses (see Figure 1): that encompasses Innovation (I) and diversification in products and services driven by Strategic Renewal (SR)

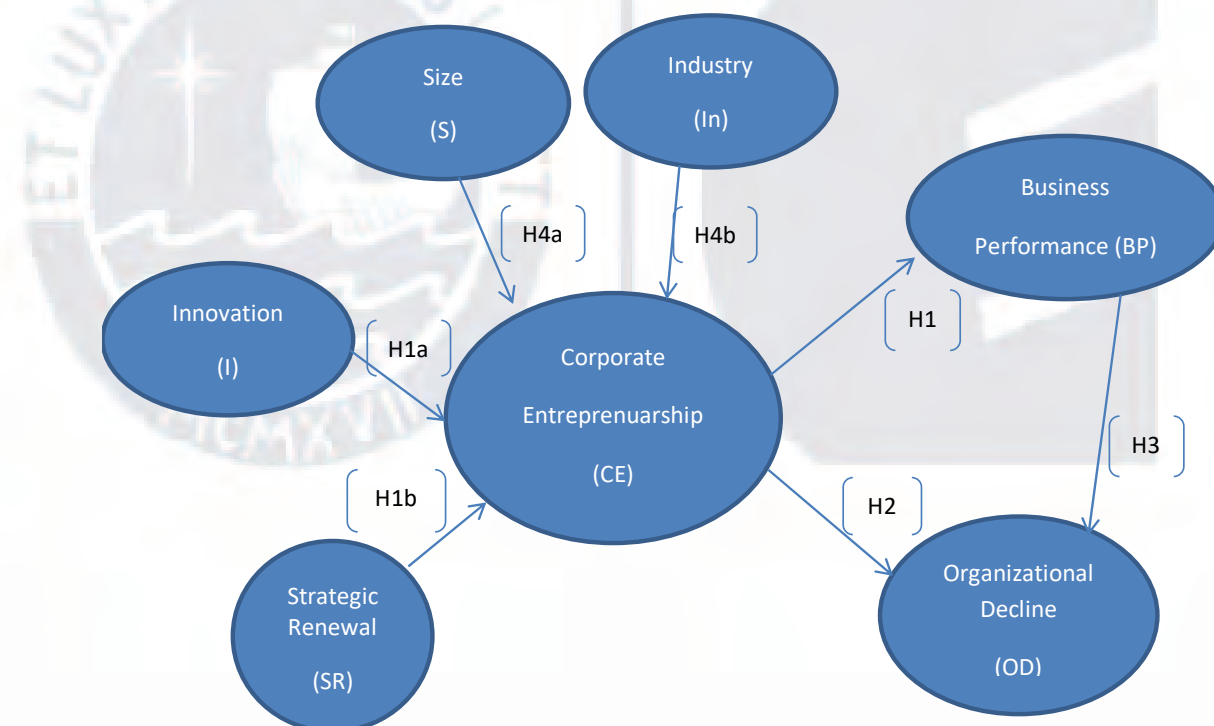


Figure 1. Model showing the relationships that will be studied in this study

- H1: The presence of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategic Renewal (SR) might have positive effect on Business Performance (BP).
- H1a: Innovation (I) might have a positive effect on Corporate Entrepreneurship (CE).

- H1b: Strategic Renewal (SR) might have positive effect on Corporate Entrepreneurship (CE).
- H2: The presence of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategic Renewal (SR) have negative effect on Organizational Decline (OD).
- H3: There is a relationship between Business Performance (BP) and Organizational Decline (OD).
- H4a: The relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be moderated by firm size, so that the smaller the company might be, the robust the relationship.
- H4b: The relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be moderated by sectors, so might have robust effect on Business Failure in manufacturing sector than service sector.

Nature of the Research

The research was quantitative. The scope used was explanatory and a non-experimental transversal research design. The unit of analysis were the companies that have been subjected to the Colombian restructuring law. The dependent variables for this research were BP and OD. The independent variables were CE, I and diversification in products and services driven by SR. The moderating variables were Sector/Industry and Firm Size.

This research did analyze existing information and data of Colombian companies that have entered into the restructuring process, obtained from official sources. Taking into consideration the information gathered from the companies that entered into legal restructuring in Colombia

and the theoretical foundation, this research will enable the development of a conceptual framework, in order to test if CE has any effect on BF.

The research was to be non-experimental, as the information was be gathered from primary and secondary sources, with no intention of manipulation of the variables under analysis in this research. Finally, the research was transversal given that the information was collected for a single period of time. This research did begin with a pilot study developed with a case study that took into consideration a survey and interviews with representatives of companies that have entered into a restructuring process. This research used, with the authorization of the authors, the instrument proposed by García-Morales, Bolívar-Ramos, & Martín-Rojas, (2014). Who propose a scale of 16 items to operationalize the variable through reflective measures? “The items were measured on a Likert scale of five points from 1 "completely disagree" to 7 "completely agree"” (p.1473). This research will be combined with 13 additional items proposed by Carmeli & Sheaffer, (2009) related to Organizational Decline and Industry Decline. The items were measured on a Likert scale of five points from 1 "strongly disagree" to 5 "strongly agree”

Table 1.

Operationalization of the Variable Market and Financial Performance

Variable	Código	Item
Market and finance performance	DF1	Market share
	DF2	Return on investment
	DF3	Earnings
	DF4	Revenues

Note: Adapted de “Market Orientation, Creativity, and New Product Performance in High-Technology Firms” por Im, S., y Workman, J. P., 2004, *Journal of Marketing*, 68(2), p. 128

Assumptions

This research assumed that the concept of CE is understood in the same way and is as relevant and applicable in Colombia as in other countries. Moreover, this research assumed that the theories used in the theoretical framework are applicable and reliable in the Colombian context. In the development of this research, it was assumed that the information obtained from secondary sources is accurate and truthful.

Theoretical Framework

BF has evolved into a major research domain as well as OD. BF arises when a business ends, either willingly or out of financial necessity, which in the former case may be because the owners not accomplishing their expectations in contrast to personal reasons (Dias & Texeira, 2017). Based on the literature referenced in this research, OD it is closely related to a BF. “Much attention has focused on assessing business “health” to predict longevity, but less so, on causal agents of failure” (Holt, 2013, pág. 50). An examination of 201 journal articles on the subject indicates that 70 percent of them do not provide an obvious designation of BF, whereas 30 percent of them clearly give an explanation focused on one or some dimensions of BF, most remarkably, business closure, ownership change, bankruptcy, and failure to meet expectations (Dias & Texeira, 2017).

According to Schumpeter and Drucker, as cited by Urban and Wood (2017), “innovation in corporations has conceptual roots in innovation entrepreneurship, and innovation management” (p. 536). Based on that, many authors emphasize that CE started with “entrepreneurship as the primary act supporting innovation” (McFadzean, O'Loughlin, & Shaw, 2005). Entrepreneurship is viewed by Schumpeter (1934), “as the primary catalyst for innovation”. Investigators and specialists have defined CE and innovation in various different means. There appears, however, to be little agreement surrounding what establishes entrepreneurial and innovative activity. “It is

important to note that CE can be used interchangeably with intrapreneurship” (McFadzean, O'Loughlin, & Shaw, 2005, pág. 352).

As cited by Buenechea-Elberdin (2017), “A unique and commonly accepted definition of innovation does not exist, but most of the existing ones agree that innovation implies conceiving and implementing something new” (p.274). As cited by McFadzean, O'Loughlin and Shaw (2005), the combination of CE, innovation and strategic renewal lead to the opinion found in various authors (Pinchot, 1985; Schumpeter, 1961; Thornberry, 2001; Zahra, 1995). “What has become clear, however, is that without the presence of some form of entrepreneurial activity to exploit opportunities as they arise within organizations, innovation remains little more than an aspiration, rather than a tangible goal” (McFadzean, O'Loughlin, & Shaw, 2005, p. 353).

CE and innovation are discussed separately in the literature summarized by McFadzean, O'Loughlin and Shaw. Nevertheless, the relationship and the interdependencies between CE and innovation have been examined and captured as a result of the development of two new conceptual frameworks – a macro-level and a micro-level model – that explicitly link these two concepts (McFadzean, O'Loughlin, & Shaw, 2005).

The macro and micro model suggested by McFadzean, O'Loughlin and Shaw recognize that, in order to guarantee accomplishment, the CE must proactively control the innovation procedure, rather than inactively allow all concepts and ideas to pass through. However, the authors recognize that their research was conceptual. In this research, it will be shown the connection between the independent variable CE and how it affects the dependent variable BF.

In the referenced literature, the authors addressed this issue from different perspectives: the academic information gathered by Zahra, Randerson, and Fayolle (2013), provides a good source of research on the evolution of CE as well as its evolution and contribution to the sustainable

growth of businesses. On the other hand, there exist contributions such as the models of CE of Wolcott and Lippitz (2010), down to the decisive factors of CE of Ackermann and Kern (2013), as well as from the productivity stand point of innovation through the corporate entrepreneurship of Díaz, Guerrero, and Peña (2015), thus, this research could be a point of reference for practitioners, academics and regulators, in the world over, to develop more studies, models and/or methodologist to avoid or prevent BF.

The absence of a close monitoring methodology based on CE can become one of the root causes of BF.

Definition of Terms

The following are the operating definitions of the research variables:

Innovation: “Innovation can also be defined as a process that provides added value and a degree of novelty to the organization and its suppliers and customers through the development of new procedures, solutions, products and services, as well as new methods of commercialization” (McFadzean, O’Loughlin, & Shaw, 2005, p.353).

Corporate Entrepreneurship: can be defined as “the effort of promoting innovation from an internal organizational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation and commercialization of said opportunities” (McFadzean, O’Loughlin, & Shaw, 2005, p. 352).

Bankruptcy: Chung, Chen, Lin, Lin, and Lin (2016), cited the definition of bankruptcy as “a legal status of a person or other entity that cannot repay the debts it owes to creditors” (p.162).

Strategic Renewal: is the redefinition of a company’s vision, mission, business concept, reorganization of activities and competitive approach are primary means for firms to adapt to changing environments” (Bierwerth, Schwens, Isidor, & Kabst, 2015, p. 257).

Business Failure: BF occurs over several distinct phases, usually contiguous with a significant event that is considered the tipping point of failure” (Dias & Texeira, 2017, pág. 3).

As cited by Minello, Alves Scherer, and da Costa Alves, (2014), “BF occurs when income decreases and/or expenses increase, leading to insolvency of the company and restricting the possibilities of attracting debt financing or net equity”(p. 6).

Organizational Decline: Organizational Decline, for its part, it is defined “as an organizational state of poor adaptability, consistently depleting resources, reduced legitimacy, and high vulnerability “(Carmeli & Sheaffer, 2009, p. 364). As cited by Carmeli & Sheaffer (2009), decline is an involuntary organizational phenomenon that appears as a result of the fragility of resource management. As cited by Trahms, Ndofor, & Sirmon (2013), organizational decline occurs when firm’s performance or resource base deteriorates over a sustain period of time.

Industry: is categorized generally according a uniform classification code such as Standard Industrial Classification (SIC)”. (Minello, Alves Scherer, & da Costa Alves, 2014). The manufacturing or technically productive enterprises in a particular field, country, region, or economy viewed collectively, or one of these individually, is considered Industry. A single industry is often named after its principal product; for example, the auto industry.

Firm: A firm is a commercial organization that operates on a for-profit basis and participates in selling goods or services to consumers. The management of a business firm will typically develop a set of organizational objectives and a strategies for meeting those goals to help. (Minello, Alves Scherer, & da Costa Alves, 2014)

Limitations of the Research

This research considered the possible causes of OD or BF using interviews to executive of failed companies in Colombia and to experts who know firsthand why companies fail or decline. The limitation may have been that these causes are presented from an individual perspective and do not reflect an overall view of several executive. For the pilot case study, the interviews were applied to executives and experts in the companies selected. The analysis will be limited by the time people have available to contribute to the study.

With regards to the public information collected in this research (secondary data), it is significant to highlight that, despite the high degree of regulation and control of companies in the countries specified in the literature review, as well as the good faith presumed from the companies under consideration when publishing their audited financial information, there is not enough reasonable assurance that the financial information is free of errors. With regards to additional information that was requested from the Colombian Superintendency of Corporations related to companies under the restructuration, there was no obligation on the part of the Superintendency or even the companies under analysis to provide the related information.

Delimitations

This research was carried out in Colombia and took into consideration the Colombian companies that are currently in the process of restructuring based on Colombian law. Restructuring means that, following certain triggering events, companies fall into a bailout process that is supervised by the Colombian Superintendency of Corporations. Thus, the research did focus on those companies rather than on those that have entered in mandatory liquidation process. The companies under the analysis were those that have entered the process of restructuring. Since last decade, more than 1,960 companies have requested restructuring agreements and more than 1,200 have been liquidated, all of them due to bankruptcy

(Superintendency of Corporation, 2016). Thus, it is critical to understand the root causes of the failure of Colombian companies that fail or go bankrupt, considering the context of each case (Colombian Superintendency of Corporations, 2016).

The research was carried out with data and information provided by regulatory entities in Colombia. The information gathered was included both financial and managerial information submitted to the Colombian Superintendency of Corporations by the Colombian companies that have been bailed out during the last decade. This research excluded information obtained from agencies other than the Colombian Superintendency of Corporations. It did also use data collected through interviews to managers and experts in those companies, seeking to better understand the causes of BF. This research used the data provided by the Superintendency as of June 30, 2019.

Summary

The prevention of BF and bankruptcies is not only incumbent upon managers and/or entrepreneurs or shareholders, but also on the entire related community, where emphasis is placed on States in which businesses operate. This research was focused on determining the effect of CE, I and diversification in products and services driven by SR on BP and OD or BF and even bankruptcies of companies, with the goal of providing businesses and regulatory entities an option for the maximization of results and the monitoring of long-term risk, respectively.

Chapter 2: Review of the Literature

Search of the Literature

A comprehensive literature review is an important part of the development of this doctoral research proposal. All the supporting information related to this research was conducted with a structural approach (see Figure 6). Reflections and synthesis on the theoretical framework are essential to the research. The literature review includes an organized approach to identifying source material. Furthermore, a comprehensive literature review is based on the clear use and documented processes to warrant that any visions presented are responsible (see figure 2).

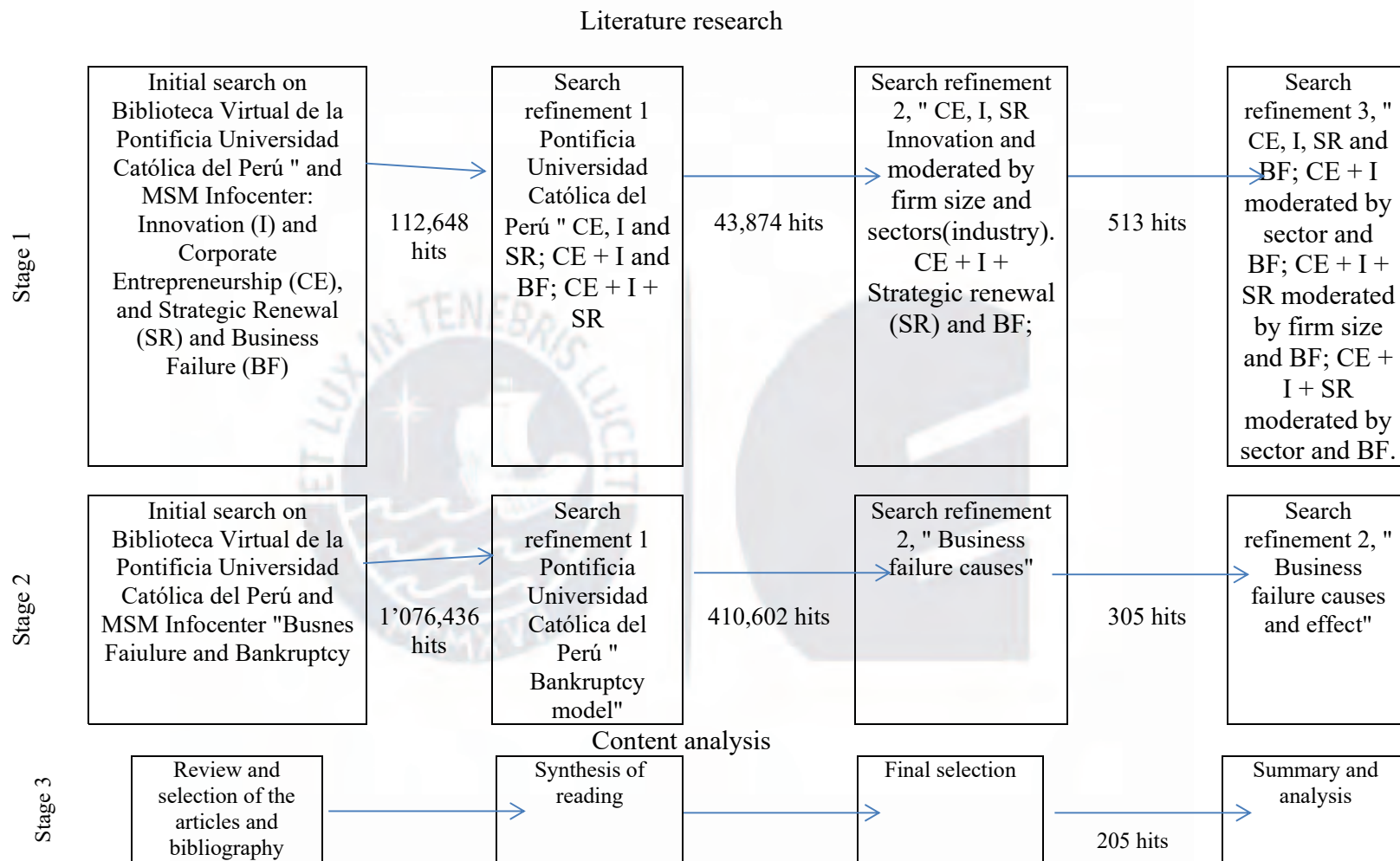


Figure 2. Literature review map

Exploring the Literature

For the purpose of the literature review, theories, methods, instruments, concepts, hypotheses and models related to the research variables were considered. The literature review was designed to be focused on CE, which includes I and SR and overall effects of BF and combinations thereof. The literature review concludes that the prevention of BF and bankruptcies is not only incumbent upon managers and/or entrepreneurs or shareholders, but also on the entire related community, in which emphasis is placed on countries where businesses operate, as the maximization of their economic results will provide reasonable assurance with regard to the sustainable collection of taxes, in addition to contributing to job creation and stimulating the economy. This systematic literature review will concern the independent variable CE and the dependent variable BF. To carry out a systematic literature review and identify the aspects of the variables, this research uses the data base provided by the Virtual Library of the Pontificia Universidad Católica del Perú and the MSM Infocenter.

As cited by Urban and Wood (2017), "innovation in corporations has conceptual roots in innovation entrepreneurship (Schumpeter, 1934) and innovation management" (Drucker, 1979). Entrepreneurship is viewed by Schumpeter (1982), "as the primary catalyst for innovation. Researchers and practitioners have defined corporate entrepreneurship and innovation in many different ways, but there appears to be little consensus on what constitutes entrepreneurial and innovative activity" (McFadzean, O'Loughlin, & Shaw, 2005, p. 351). In this research, these two concepts constitute the independent variable CE that affect BF, the dependent variable.

"CE can be defined as the effort of promoting innovation from an internal organizational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation and commercialization of said opportunities" (McFadzean, O'Loughlin, & Shaw,

2005, p. 352). Buenechea-Elberdin (2017), stated “A unique and commonly accepted definition of innovation does not exist, but most of the existing ones agree that innovation implies conceiving and implementing something new.” (p. 274). “What has become clear, however, is that without the presence of some form of entrepreneurial activity to exploit opportunities as they arise within organizations, innovation remains little more than an aspiration, rather than a tangible goal” (McFadzean, O’Loughlin, & Shaw, 2005, p. 353). For its part, “Innovation can be defined as a process that provides benefit and a degree of novelty to the organization and its suppliers and customers through the development of new procedures, solutions, products and services, as well as new methods of commercialization” (McFadzean, O’Loughlin and Shaw, 2005, p. 353). Innovation and CE are discussed separately in the literature summarized by McFadzean, O’Loughlin and Shaw (2005). Nevertheless, the association and the interdependencies between CE and I have been observed and taken as a result of the development of two new conceptual frameworks – a macro-level and a micro-level model – that explicitly link these two concepts (McFadzean, O’Loughlin, & Shaw, 2005). Figures 1 and 2 relate to the macro-model of corporate entrepreneurship and innovation (McFadzean, O’Loughlin, & Shaw, 2005)

The macro and micro model suggested by McFadzean, O’Loughlin and Shaw (2005), recognize that in order to ensure success, the corporate entrepreneur must proactively manage the innovation process, rather than passively allow all ideas and concepts to pass through. However, the authors recognize that their research was conceptual. In this research, we will show the effect of the independent variable CE on the dependent variable BF.

In the referenced literature, the authors address this issue from different perspectives. The academic information gathered by Zahra, Randerson, and Fayolle (2013) provides a good source

of research on the evolution of CE as well as its contribution to the sustainable growth of businesses. In addition, there are contributions such as the CE models of Wolcott and Lippitz (2010), the decisive factors of Ce of Ackermann and Kern (2013), as well as that of Díaz, Guerrero, and Peña (2015), from the point of view of the productivity of innovation through corporate entrepreneurship. Thus, this research aims to develop a conceptual framework based on CE that can help companies on a success BP.

For its part, BF has evolved into a major research domain. BF occurs when a business ends, either willingly or out of financial necessity, “which in the former case may be due to the owners not achieving their expectations in contrast to personal reasons” (Dias & Teixeira, 2017, p. 4). “Much of this attention has focused on assessing business “health” to predict longevity, but less so, on causal agents of failure” (Holt 2013, p. 50). “A study of 201 journal articles on the topic shows that 70 percent of them do not provide an explicit definition of BF, while 30 percent explicitly give a definition focus on one or several dimensions of Business Failure, most notably, bankruptcy, business closure, ownership change, and failure to meet expectations” (Dias and Teixeira, 2017, p. 3). Figure 5 illustrates the theoretical framework for studying the process of business failure for an individual (Dias & Teixeira, 2017). As see, in Figure 3, it relates to the macro-model of corporate entrepreneurship and innovation.

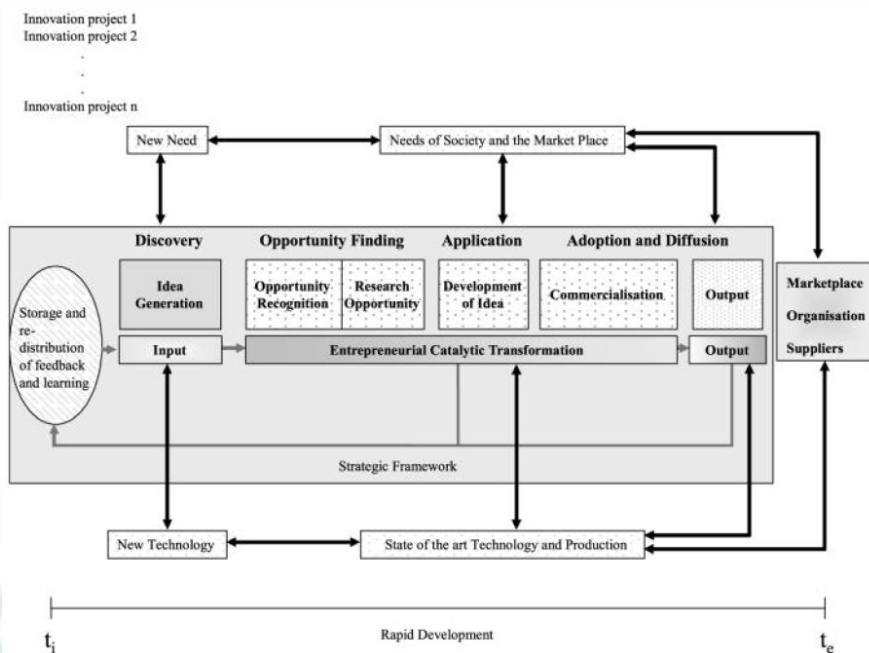


Figure 3. “The macro-model of corporate entrepreneurship and innovation”. Shaw, O’Loughlin, Fadzean, 2005

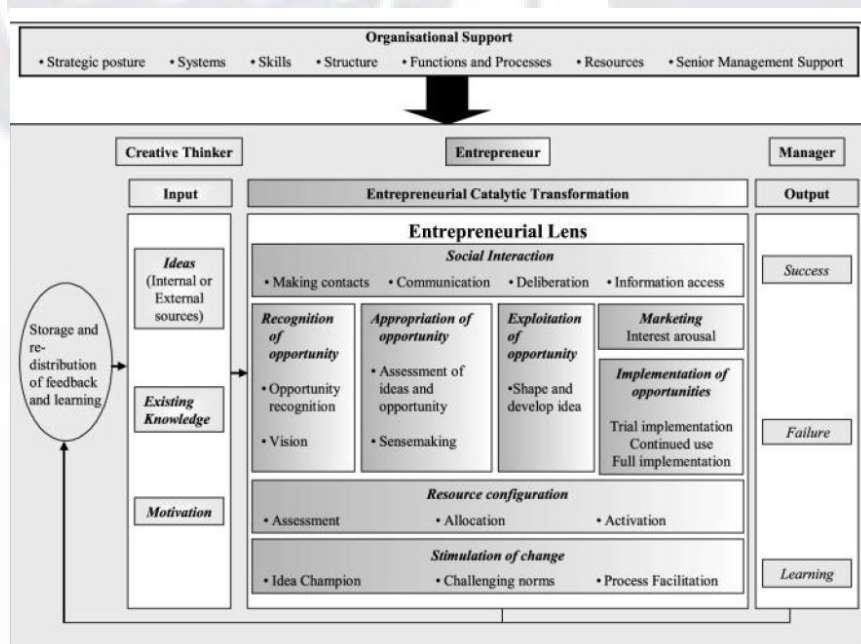


Figure 4. The micro-model of corporate entrepreneurship and innovation. Shaw, O’Loughlin, Fadzean, 2005

The macro and micro model suggested by McFadzean, O'Loughlin, and Shaw (2005), recognizes that in order to guarantee accomplishment, the CE must proactively administrate the innovation course, rather than passively permit all concepts and ideas to pass through. However, the authors recognize that their research was conceptual. In this research, we will show the relation between CE (independent variable) on the BP and OD or BF (the dependent variables).

In the referenced literature, the authors addressed this issue from different perspectives. The academic information gathered by Zahra, Randerson, and Fayolle (2013) provides a good source of research on the evolution of corporate entrepreneurship as well as its contribution to the sustainable growth of businesses. In addition, there are contributions such as the CE models of Wolcott and Lippitz (2010), the decisive factors of CE of Ackermann and Kern (2013), as well as that of Díaz, Guerrero, and Peña (2015), “from the point of view of the productivity of innovation through CE”. Hence, as suggested by Díaz, Guerrero, and Peña (2015), innovation has an impact on CE. Thus, this research may be a point of reference for practitioners, academics and regulators the world over for the development of more studies, models and/or methodologies to avoid, prevent or even predict BF and so, reduce the overall number of Business Failure and improve business performance in Colombia.

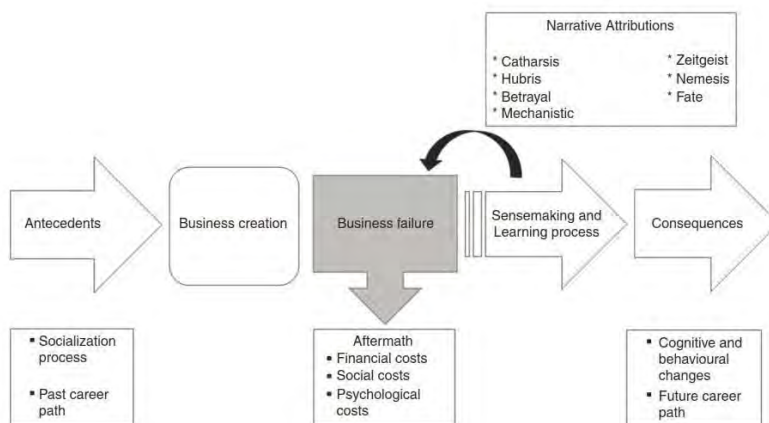


Figure 5. A theoretical framework for studying the process of business failure for an individual (Dias and Teixeira, 2017).

Business Failure Model of Structural Alignment Processes

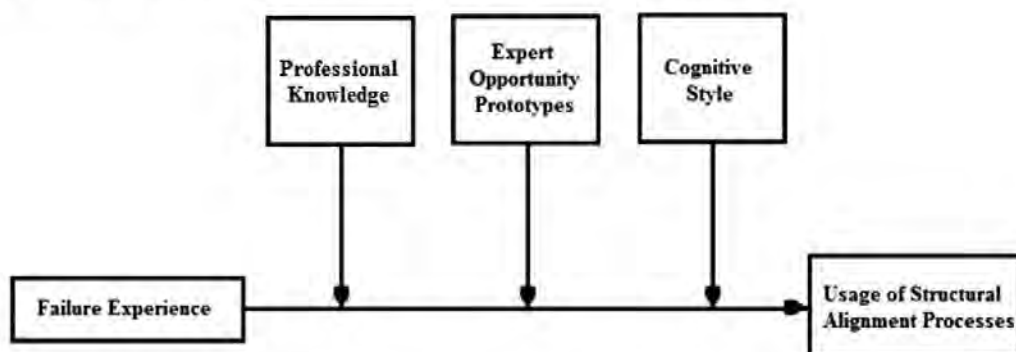


Figure 6. Business failure model of structural alignment processes Mueller B, Shepherd D, 2017.

Development of the Argument:

Innovation

In the referenced literature, the authors addressed this issue from different perspectives. The academic information gathered by Zahra, Randerson, and Fayolle (2013), provides a good source of research on the evolution of Corporate Entrepreneurship as well as its contribution to the sustainable growth of businesses.

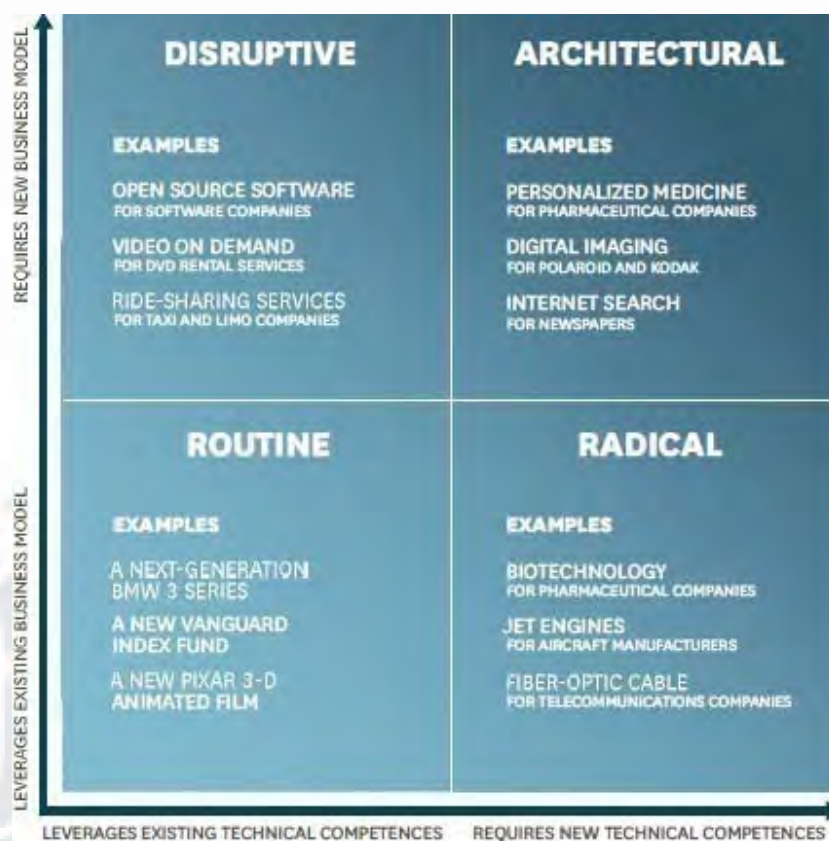


Figure 7. The innovation landscape map. Cited from “You Need an Innovation Strategy,” by G. P. Pisano, 2015, Harvard Business Review, 93, p. 51.

Pisano (2005) determined that routine innovation is that which is built on a company’s existing technological competency and fits with its existing business model and, hence, is customer-based. Instead, disruptive innovation requires a new business model but not necessarily a technological breakthrough. Moreover, the challenge of radical innovation is purely technological. Architectural innovation is the most challenging for incumbents to pursue since it combines technological and business model disruptions. Open innovation, a concept introduced by Tsai and Lei (2016), has encouraged experimentation with new organizational arrangements and reconsideration of which types of entrepreneurship are most effective.

Walecka-Jankowska (2015), indicated “that there is widespread agreement among authors, researchers, consultants and thinkers in the field of management that innovation is the central capability for all organizations interested in maximizing the opportunities for success in the 21st century”(p. 56). However, Cagna as cited in Walecka-Jankowska, (2015) states that “while the pursuit of innovation cannot absolutely guarantee meaningful growth, it is the best strategy most enterprises have for achieving it in a way that can become sustainable over time” (p. 56). In the reviewed literature, most of the authors indicate that innovation is not only a new way of doing business, but also a necessary process to adopt in an organization in order to being success in the business, which means the active participation of employees, beginning with top management.

The “successful management of innovation requires the constant mobilization of employees in order to build a new strategy that focuses on the value of personalized experience and the co-creation of value” (Walecka-Jankowska, 2015, pág. 63). Adoption of innovation is the process by which a firm first makes the decision to adopt a new product/service, process, or business model, and then starts using and integrating it into its processes and business activities (De Massis, Di Minin, & Frattini, 2015). Thus, the active participation of employees along the innovation strategy will be crucial for the success of the companies and for its sustainability.

Ruiz and Fuentes (2016), explain the relationship between management capabilities and innovation. Their research concluded with two hypotheses: “(a) Management capabilities have a positive effect on product innovation, and (b) management capabilities have a positive effect on process innovation” (p.4). Product innovation relates to the services or products delivered to the market by companies. Process innovation relates to the process involved to produce a product or to render a service.

Rastogi (2009), argues that “incremental innovations lead to higher output, even with a given state of technological knowledge”. Higher output is a result of superior organizational approaches, “improved management practices, higher motivation and competence of workers”, which leads to continuing improvements in products and processes, “accumulation of gains from learning and experience, more intelligent mechanisms for adaptive and anticipatory planning and a better information base for policies and decisions”.

Pioneers in knowledge management have articulated the relationship between knowledge management and innovation. There is considerable research on the connection between innovation and knowledge management. Noordin and Karim (2015) conclude in their study that emotional and spiritual intelligence are essential for innovation, along with knowledge of the management environment. Thus, in order to improve performance in innovation within companies, individuals should be improving their emotional and spiritual intelligence while companies should be improving their knowledge management practices.

Rose and Furneaux (2016) indicate in their paper that “innovation describes the creative act and the process of invention that is carried into wider use” (p. 2). Moreover, innovation “involves the exploitation of new ideas to engender changes in the practices of individuals or groups of individuals such as customers and users” (p. 2). Leber et al. (2015) wrote that innovation means renewal and change. But in today’s turbulent business world it has come to mean the development of new corporate services, products, processes and structures.

Taking into consideration that business changes as the world does, companies need to learn and act faster than their competitors in order to acquire sustained competitive advantages in a fast-changing, increasingly competitive business environment. Innovation is essential for companies if they not only want to maintain their current success, but also be sustainable in the

future. Thus, innovation is the source of a company's competitiveness, the soul of a company's progress and an inexhaustible force for development. (Leber, Buchmeister, & Ivanisevic, 2015)

“An organization's management capabilities are crucial to achieving congruence among its competencies and the changing conditions of its environment” (Penrose, Kor, & Mesko, as cited in Ruiz & Fuentes, 2016, p. 1). Thus, companies with more trained and focused employees have better results and innovation strategies and, therefore, are more sustainable.

As stated by Kuratko, Hornsby 2014, today, continuous innovation in terms of products, processes, and administrative routines and structures is needed to compete effectively in the global markets of the 21st century.

Corporate Entrepreneurship

CE has become a necessary precondition for sustainable business development (Paunovic & Dima, 2014). CE can be defined as “the effort of promoting innovation from an internal organizational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation and commercialization of said opportunities” (McFadzean, O'Loughlin, & Shaw, 2005, p.352). The four models of corporate entrepreneurship defined by Wolcott and Lippitz (2010), indicate that the relationship between how focused or diffused the organizational ownership is and how dedicated or, ad hoc, how resources are used by the authority within the organization, is critical to identifying which corporate models are applicable to the company: (a) the opportunist, (b) the enabler, (c) the advocate, and/or (d) the producer (see Figure 8).

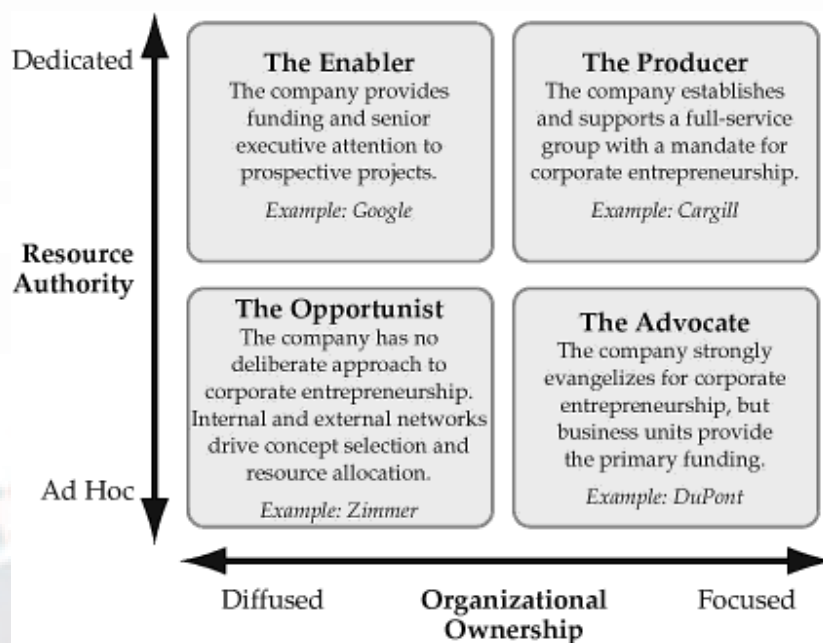


Figure 8. Model of corporate entrepreneurship. Cited from “The Four Models of Corporate Entrepreneurship,” by R. C. Wolcott and M. J. Lippitz, 2010, MIT Sloan Management Review, 49, p. 15.

As Wolcott and Lippitz (2010) indicate in their book, in the “opportunist model, all companies begin without a designation of organizational ownership or resources. In this model, corporate entrepreneurship proceeds (if at all) on the basis of efforts and serendipity of an intrepid project champion” (p. 76). In the enabler model, the corporate leadership culture values innovative new business creation and devotes time and energy to it. Thus, a logical step for companies that are seeking to encourage corporate entrepreneurship is to create mechanisms for supporting employees and teams to conceive new businesses and then systematically bring these businesses to the attention of top management. “In the advocate model, a company assigns organizational ownership for driving the creation of new businesses to a designated corporate-level group, but intentionally provides the group with only a modest budget” (Wolcott and Lippitz, 2010, p. 78). In this model, companies act as evangelists and innovation experts

facilitating corporate entrepreneurship empowerment within the organization, especially at the top management level. Last but not least, “the producer model aims to protect emerging projects from turf battles, to encourage cross-unit collaboration, to build potentially disruptive business and to create pathways for executives to pursue careers outside their business unit” (Wolcott and Lippitz, 2010, p. 78).

The concept of CE provides a potential means for revitalizing mature firms, promoting and sustaining competitive advantage or firm survival. Wolcott and Lippitz (2010) also indicate in their research that in order to establish effectively working CE in corporations, a number of conditions, instruments, strategies and mechanisms were put forth in the literature. Both authors cited in an extensive bibliographic analysis in which they found diverse factors to be crucial in the effectiveness of corporate entrepreneurship. These factors can be classified into five categories, largely based on Morris and Trotter; Srivastava and Agrawal and Ireland, Covin and Kuratko (as cited in Ackermann and Kern, 2013), as shown in Figure 9.

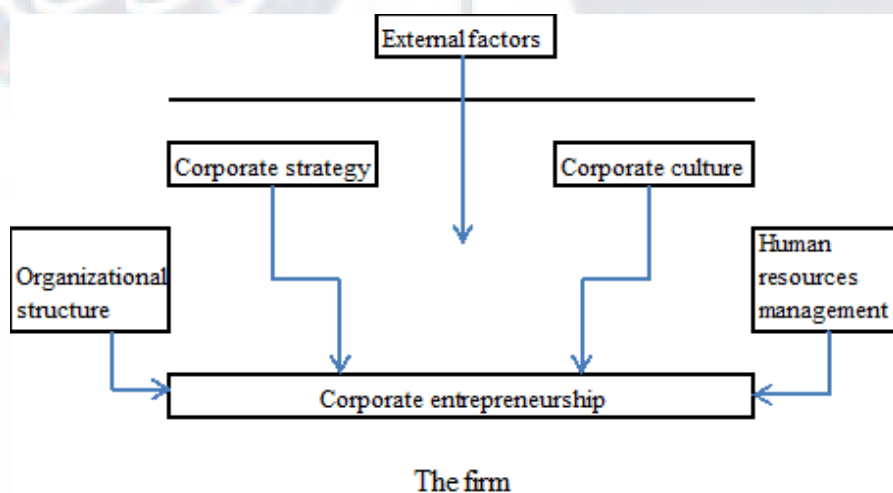


Figure 9. Factors determining corporate entrepreneurship. Cited from “Why Do Corporate Entrepreneurship Efforts Fail so Often?: Evaluating the Decisive Factors, by M. Ackermann, B. R. Kern, 2013, Proceedings of the Multidisciplinary Academic Conference.

Jones as cited in Ackermann & Kern (2013) argue that the organizational structure describes the formal interdependence of individuals and groups in the allocation of tasks, responsibilities and authority in order to achieve the goals of the corporation. Corporate culture is portrayed as a cognitive framework or collective of thoughts within corporations concerning common attitudes, values, habits, patterns of behavior and expectations from employees (Greenberg and Baron, Clemente and Greenspan, as cited in Ackermann and Kern, 2013). Human resource management is described by Ackermann and Kern as both the means and the end to realizing the strategic targets of corporations. Apart from the organizational structure, corporate strategy is the most crucial condition for the successful implementation of corporate entrepreneurship (Ackermann and Kern, 2013). External factors are described as the factors that are not internal to corporations. The notion of the external environment is supposed to incorporate those forces and elements external to the organization's boundaries that affect and are affected by, an organization's behavior and the general sociocultural, economic, political-legal, and technological efforts in the broader framework of the organization's operations.

Business Failure

Some authors conclude that “failure only occurs when a firm file for some form of bankruptcy” (Watson & Everett, 1996, pág. 59). According to Hisrich, Peter, and Shepherd (2009), business failure occurs when income decreases and/or expenses increase, leading to insolvency of the company and restricting the possibilities of attracting debt financing or net equity, Minello, Alves Scherer, and Alves (2014). As cited by Byrne and Shepherd (2015), business failure happens when “a fall in revenues and/or a rise in expenses are of such a magnitude that the firm becomes insolvent and is unable to attract new debt or equity funding; consequently, it cannot continue to operate under the current ownership and management”

(Shepherd, 2003, p. 318)” (p. 375). “Failure is also believed to be a trigger for sense-making efforts and a rich information source for learning” (Byrne & Shepherd, 2015, p. 375). Chung et al. (2016) indicate in their study on bankruptcy prediction in companies based in Taiwan that there is financial distress on companies when the cash flow “is insufficient to cover existing debt such as interest and accounts payable”. In this case, the firm is usually identified as financially distressed on the basis of nonsufficient funds (NSF), the occurrence of bankruptcies, going concerns, bailouts, and negative equity. As cited by Trahms, Ndofor, & Sirmon (2013), organizational decline occurs when firm’s performance or resource base deteriorates over a sustain period of time.

The meta-analysis related to industry decline performed by Lamberg, Ojala and Peltoniemi (2018), indicates that both concept of Organizational Decline and Business Failure are different than industry decline as both concepts are based on firm performance. Thus, it can be inferred that both concept (OD and BF) are interrelated. Organizational Decline is defined “as an organizational state of poor adaptability, consistently depleting resources, reduced legitimacy, and high vulnerability “(Carmeli & Sheaffer, 2009, p. 364). As cited by Carmeli & Sheaffer (2009), decline is an involuntary organizational phenomenon that appears as a result of the fragility of resource management.

As cited by Williams (2016), “there is a lot of work that identifies business failure. Many authors refer to the lack of resources as the main reason for the firm’s inability to remain open” (Chak, 1998; Watson, 2007, p. 2) “The resource-based view of the firm is a useful lens through which to analyze business failure” (Williams, 2016, p. 2). Hence, “the more resources a firm possesses, the argument goes, the greater the possibility that it will have a stronger competitive advantage; and all other things being equal, it can better serve its customers and therefore, should

be able to survive in the marketplace” (Williams, 2016, p. 2). Nevertheless, there are steps that individuals can take to improve their ability to derive important lessons from business failure (Mueller & Shepherd, 2016). As cited by Napolitano, Marino and Ojala (2015), “the damaging effect of business failure on communities and individuals was also noted by Joseph Schumpeter, even though he praised the importance of enterprises and entrepreneurs in a capitalistic system” (p. 3). Failure is a substantial decline in performance over a substantial period of time (Van Rooij, 2015).

Table 2 “*Definition of Financial Distress Code*”

Events	Description
Non-sufficient funds (NSFs)	It is a term used in the banking industry to indicate that a demand for payment (a check) cannot be honored because insufficient funds are available in the account on which the instrument was drawn.
Bankruptcy	It is a legal status of a person or other entity that cannot repay the debts it owes to creditors.
Going concern	It is a business that functions without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months.
Restructuring	It is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a firm for the purpose of making it more profitable, or better organized for its present needs.
Bailout	It is a colloquial term for giving financial support to a firm or country which faces serious financial difficulty or bankruptcy.
Net assets is negative	Net assets of the firm are negative, and there are no plans to increase its capital.

Note. Cited from “Bankruptcy Prediction Using Cerebellar Model Neural Networks,” by C. C. Chung, T. S. Chen, L. H. Lin, Y. C. Lin, and C. M. Lin, 2016, *International Journal of Fuzzy Systems*, 18, p. 162.”

As cited by Dias and Teixeira (2017), “BF is a not a simple concept to define (Wennberg & DeTienne, 2014). BF occurs over several distinct phases, usually contiguous with a significant event that is considered the tipping point of failure” (Dias & Teixeira, 2017, p. 3)). Given the importance of hypothesizing and subjective evidence adopting the importance of learning from

BF, “it is surprising that studies focus overwhelmingly on business success” (Mueller & Shepherd, 2017, p. 2).

BF refers to creation of values that failed to meet its goals Mueller, and Shepherd (2017). The fear of failure often referred to as *atychiphobia* or *kakorrhaphiophobia* from a psychological point of view is the abnormal, unwarranted, and persistent fear of failure (Akinseye & Adebowale, 2016). As cited by Minello, Alves Scherer, and da Costa Alves (2014), “business failure occurs when income decreases and/or expenses increase, leading to insolvency of the company and restricting the possibilities of attracting debt financing or net equity”(p.6) However, BF backs to the understanding of how some participants in the market benefit more than others from their experiences in failure “by fleshing out some of the cognitive underpinnings of the transformation process” (Mueller & Shepherd, 2017, p. 20).

BF has progressed into a major study field. BF happens when a company ends, either willingly or out of financial necessity, which in the former case may be due to the owners not accomplishing their potentials in contrast to personal reasons (Dias & Teixeira, 2017). A lot of this energy has dedicated on assessing business “health” to expect longevity, but less so, on causal agents of failure (Holt 2013). An examination of 201 journal articles on the theme shows that 70 percent of them do not provide an explicit definition of BF, while 30 percent explicitly give a definition focus on one or several dimensions of BF, most notably: bankruptcy, business closure, ownership change, and failure to meet expectations (Dias & Teixeira, 2017). Figure 2 illustrates the “theoretical framework for studying the process of business failure for an individual” (Dias & Teixeira, 2017, p. 4).

Innovation and Corporate Entrepreneurship

There is a lot of information that is related to Innovation, as well as with the term CE. Based on the available literature, there are numerous definitions of these two terms (McFadzean, O'Loughlin, & Shaw, 2005). "CE is a term used to describe entrepreneurial behavior inside established mid-sized and large organizations" (Finkle, 2012, p. 879). "CE can be formal or informal activities aimed at creating new businesses in established companies through product and process innovations and market developments" (Zahra, 1991). "Innovation is a key ingredient of corporate entrepreneurship in which one can take an idea or invention and create something new of value. For example, an innovation of the toothbrush is the electric toothbrush" (Finkle, 2012, p. 879).

The combined definition of CE and Innovation that can be taken from previous researches determines that former representations on entrepreneurship and innovation are split because there is little examination of the relationship between these two aspects (McFadzean, O'Loughlin and Shaw, 2005). As cited by McFadzean, O'Loughlin, and Shaw (2005), "researchers and practitioners have attempted to define corporate entrepreneurship and innovation in many different ways" (Bessant, 2003; Kirby, 2003; Zahra, 1996). There are various definitions related to entrepreneurship, starting with "Schumpeter's (1961) view of entrepreneurship as the primary catalyst for innovation" (McFadzean, O'Loughlin, & Shaw, 2005, p. 351). As cited by McFadzean, O'Loughlin, and Shaw (2005), "corporate entrepreneurship is said to promote entrepreneurial behavior within an organization" (Echols & Neck, 1998). "CE can be defined as the effort to promote innovation from an internal organizational perspective through the assessment of potential new opportunities, the alignment of resources and the exploitation and commercialization of said opportunities" (McFadzean, O'Loughlin, & Shaw, 2005, p. 351, 352). For its part, "Innovation can be defined as a process that provides added value and a degree of

novelty to the organization and its suppliers and customers through the development of new procedures, solutions, products and services, as well as new methods of commercialization” (McFadzean, O'Loughlin, & Shaw, 2005, p. 353).

Despite the contributions made by academics around CE, there is still a long way to go in terms of business performance. In order to seek a complete definition of innovation and entrepreneurship, the review of the literature shows that these two concepts are addressed separately. (McFadzean, O'Loughlin, & Shaw, 2005). According to the literature review, there are few comments about the relationship between innovation and entrepreneurship (McFadzean, O'Loughlin, & Shaw, 2005). The relationship and the interdependency between CE and I have been observed and taken as a result of the development of “two new conceptual frameworks – a macro-level and a micro-level model (see Figure 1) – that explicitly link these two concepts”. “An entrepreneurial orientation within the corporate arena can facilitate the innovation capability of an organization” (McFadzean, O'Loughlin, & Shaw, 2005).

Corporate Entrepreneurship, Innovation and Strategic Renewal and Organizational Decline or Business Failure

According to the literature review there is evidence about the positive implications that CE has in companies. However, despite research regarding the relationship between CE and business performance, the results remain inconclusive. (Bierwerth, Schwens, Isidor, & Kabst, 2015). On the other hand, innovation has become an integral part of the entrepreneurial spirit. Thus, the creative thinker is imperative for the generation of ideas (McFadzean, O'Loughlin, & Shaw, 2005).

There are studies on the relationship between financial performance and CE. Innovation, on the other hand, is the only CE dimension that represents satisfaction in the employees and in the

clients. (Bierwerth, Schwens, Isidor, & Kabst, 2015). According to several studies, there is a need to reflect on the relationship between CE and business performance. There is, for example, empirical evidence concerning the connection between CE and performance from (a) diverse types of firms (e.g., size of the companies), (b) different sectors or industries (e.g., low-tech, high-tech) and (c) different countries of origin (Europe, Asia and the USA) (Bierwerth, Schwens, Isidor, & Kabst, 2015). Nevertheless, there are no studies related to the effect of CE, I and the diversification of products or services driven by SR on BF. It can be inferred that business success or business performance (positive or negative) has a close relationship with the term business failure. The conclusion of the studies presented by Bierwerth, Schwens, Isidor, and Kabst (2015), recommend the extension of current theories or development of new ones that reflect the different incentives behind CE activities and the associated performance results. Bierwerth, Schwens, Isidor, and Kabst (2015) indicate that, on the basis of the literature reviewed, there are conclusions related to financial performance. Hence, it would be necessary to consider other elements, such as how to avoid business failure and “that new perspectives are necessary to fully understand the performance enhancing effects of different CE activities” (Bierwerth, Schwens, Isidor, & Kabst, 2015, p. 270).

Critique of the Literature

All of the authors referred to are in agreement with the need for Innovation at the company level. This means that it can be inferred that companies need to adopt an Innovation strategy as part of a SR. Choosing the model should be the next step. In this regard, all the authors cited have established a relationship between innovation and management. Pioneers in knowledge management have articulated the relationship between knowledge management and innovation (Noordin & Karim, 2015). Ruiz and Fuentes (2016) explain the relationship between

management capabilities and innovation. Their research concluded with two hypotheses: “(a) management capabilities have a positive effect on product innovation, and (b) management capabilities have a positive effect on process innovation” (p. 4).

Walecka-Jankowska (2015) indicated “that there is widespread agreement among authors, researchers, consultants and thinkers in the field of management that innovation is the central capability for all organizations interested in maximizing the opportunities for success in the 21st century” (p. 56). Pisano (2015) indicated that there are four types of innovation strategies that can be applied to companies depending on their technical competencies and business models, whether existing or new: (a) disruptive, (b) radical, (c) architectural, and (d) routine.

With regard to CE, Jones (as cited in Ackermann & Kern, 2013) argued that organizational structure describes the formal interdependence of individuals and groups on the allocation of tasks, responsibilities and authority in order to achieve the goals of the corporation. Corporate culture is portrayed as a cognitive framework or collective of thoughts within corporations concerning common attitudes, values, habits, patterns of behavior and expectations from employees (Greenberg & Baron, Clemente & Greenspan, as cited in Ackermann & Kern, 2013). This means that there is a close relationship between innovation and corporate entrepreneurship since both depend on individuals who are employees, beginning with top management. In the literature review, there is little explanation of the associations of these components. “It is suggested that further examination of three variables – entrepreneurial attitudes, vision and actions – is required as they pertain to innovation” (McFadzean, O’Loughlin, and Shaw, 2005, p. 367). Moreover, there is a space to analyze the effect of CE which encompasses I and diversification of new products or services driven by SR on OD or BF.

The four models of corporate entrepreneurship defined by Wolcott and Lippitz (2010) indicate that the relationship between how focused or diffused the organizational ownership is and how dedicated, or ad hoc., how resources are used by the authority within the organization is critical to identifying which corporate models are applicable to the company: (a) the opportunist, (b) the enabler, (c) the advocate, and (d) the producer. The review of literature on bankruptcy showed that the vast majority of literature was related to prediction models. Nevertheless, none of the models focused on the effect of CE, which encompasses Innovation and the diversification of products or services driven by SR, on OD or BF. Actually, the authors develop no conceptual framework, but rather, there are suggestions of models. In addition, nothing came to the attention of the researcher regarding the existence of a close monitoring methodology to monitor long-term risk, such as for bankruptcy or for the maintenance of sustainable growth, both economically speaking and in terms of the ecosystem.

Many authors emphasize that CE started with entrepreneurship as the primary act supporting innovation (McFadzean, O'Loughlin, & Shaw, 2005). According to Schumpeter and Drucker, as cited by Urban and Wood (2017) "innovation in corporations has conceptual roots in innovation entrepreneurship, and innovation management" (p. 536). "Entrepreneurship is viewed by Schumpeter (1982) as the primary catalyst for innovation. Researchers and practitioners have defined CE and I in many different ways. There appears, however, to be little consensus surrounding what constitutes entrepreneurial and innovative activity" (McFadzean, O'Loughlin, & Shaw, 2005, p. 351). It is important to note that CE can be used interchangeably with intrapreneurship (McFadzean, O'Loughlin, & Shaw, 2005). As cited by Buenechea-Elberdin (2017), "A unique and commonly accepted definition of innovation does not exist, but most of the existing ones agree that innovation implies conceiving and implementing something new"

(p.274). As cited by McFadzean, O'Loughlin, and Shaw (2005), “the combination of the CE, I and SR lead to the opinion found in various authors” (Pinchot, 1985; Schumpeter, 1961; Thornberry, 2001; Zahra, 1995, p. 353). What has become clear, however, is that without the presence of some form of entrepreneurial activity to exploit opportunities as they arise within organizations, innovation remains little more than an aspiration, rather than a tangible goal (McFadzean, O'Loughlin, & Shaw, 2005).

The concept of CE has been well established and has sometimes been regarded as its own discipline in the business management literature (Ackermann & Kern, 2013). CE may be considered to be entrepreneurial activities within the organization (Napolitano, Marino, & Ojala 2015). “CE covers innovation activities that consider the discovery and pursuit of market opportunities” (Bierwerth, Schwens, Isidor, & Kabst, 2015, p. 257). Innovation and entrepreneurship are not only complementary each other. The combination of both concepts is necessary to successful performance of the companies (Urban & Wood, 2017). As cited by Urban and Wood, the theory of the innovative firm assumes that the investments that the firm makes must be developed and utilized over time, as the firm transforms technologies and accesses markets, before returns from those investments can be generated, or indeed before the rate of return can even be known. The role of CE in companies' competitiveness and financial performance has encouraged considerable research interest over the years. CE activities also involve venturing into new market and business arenas that create new paths for profitability and growth (Vanacker, Zahra, & Holmes, 2017). There has been significant attention to the effects of CE on long-term survival (Napolitano, Marino, & Ojala, 2015). As stated by García-Morales, Bolívar-Ramos, & Martín-Rojas (2014), corporate entrepreneurship constitutes an important source of competitive advantage for organizations, as they enable the development and

exploitation of new opportunities. As cited by García-Morales, Bolívar-Ramos, & Martín-Rojas (2014), Zahra 1993, states that engaging in CE activities is a key factor to enhance firm's growth and profitability. Having that in mind, it can be infer that the lack of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategic Renewal (SR) might explain OD or BF.

For its part, the vast majority of authors recognize that OD or BF is being used interchangeably with bankruptcy, insolvency, liquidation, financial distress and dissolution (Appiah, Chizema, & Arthur, 2015). As cited by Appiah, Chizema, and Arthur, "numerous studies suggest that corporate failure prediction is theoretically explainable and empirically feasible". BF is considered an essential and primordial part of the new start-ups. BF has become a significant variable in today's business. (Dias, Aurora, & Teixeira, 2017). BF happens when a business ends, either willingly or out of financial necessity, which in the former case may be due to the owners not achieving their financial expectations in contrast to personal reasons (Dias & Teixeira 2017). Existing literature on the costs uncovered by the companies shows unquestionably that "BF is essentially a learning process" (Cope, 2011, p. 5).

Understanding why some businesses are successful and others fail is the raw material for the investigation of their causes Napolitano, Marino, and Ojala (2015). The referenced literature review reveals many studies related to CE and how CE activities can help companies to have a better performance. As cited by Dias, Aurora, and Teixeira (2017), most of the studies on BF are related to predicting it by using financial ratios-based modeling, rather than finding a better way to drive successful business and thus avoid OD or BF. Notwithstanding extensive study, empirical results on the relationship between CE and performance remain inconclusive (Vanacker, 2017; Van Rooij, 2015; Zahra, 2013; and Bierwerth, 2015). The meta-analysis study

by Bierwerth, Schwens, Isidor, and Kabst (2015) shows the direct effect of CE (which encompasses SR, I and corporate venturing) on performance. It has yet to be established, however, how CE affects firm performance over periods longer than those considered previously (Van Rooij, 2015; Napolitano, Marino, & Ojala, 2015). The overall notion is that CE “has significant and positive performance implications” (Bierwerth, Schwens, Isidor, & Kabst, 2015).

The results of the meta-analysis made by Bierwerth, Schwens, Isidor, and Kabst (2015), suggested that CE has a positive effect on BP. Based on that, negative performance could be called OD or BF. Therefore, the results of the meta-analysis made by Bierwerth, Schwens, Isidor, and Kabst (2015), could be taken into consideration for further research, including the present one. Actually, those authors recommended making a research in locations other than North America, Europe and Asia, such as in Africa and South America.

This empirical research will underpin and deepen the knowledge associated with OD or BF, an elusive matter that has been around since the rise of the firm in the 18th century. With the goal of understanding the underpinnings of business sustainability in the long term, it is necessary to understand why they fail. This research contributed to this understanding by addressing the effect of the independent variable, Corporate Entrepreneurship, which encompasses I and diversification of products and services driven by SR, and the dependent variables, BP, OD or BF. The main contribution of this research was intended to reveal that the absence of CE has a direct effect on BP and thus to OD or BF. Based on that, this study contributed to knowledge by the development of a conceptual framework on how CE can help companies to avoid, prevent and even predict OD or BF, in an effort to reduce the overall number of bankruptcies and improve BP in Colombia.

This conceptual framework incorporated CE activities, encompassing I and diversification in products and services driven by SR. This study will permit an understanding of how moderation of firm size and sector on the relationship of CE on BP and OD or BF. At the same time, this conceptual framework will help to understand the root cause of OD or BF. The development of a conceptual framework that considers CE activities may be a point of reference for practitioners, academics and regulators throughout the world for the development of more studies, models and/or methodologies to avoid, prevent or even predict OD or BF and so, reduce the number of bankruptcies and improve the overall BP in Colombia. According to Appiah, Chizema, and Arthur (2015), most of the selected studies found in the literature dealing with BF originate from 11 countries, with 53, 15 and 11 percent of the studies using data set from the United States, South Korea and the United Kingdom, respectively. Additionally, Australia, Belgium and France account for 4 percent each, whereas the rest of the world accounts for the remaining 9 percent (Finland 3 percent, Greece 2 percent, Italy 2 percent, Brazil 1 percent and Spain 1 percent). A study of 201 journal articles on the topic carried out by Dias, Aurora, and Texeira (2017) shows that 70 percent of them do not offer an obvious meaning of Business Failure, while 30 percent “explicitly give a definition focused on one or several dimensions of BF, most notably, bankruptcy, business closure, ownership change, and failure to meet expectations” (p. 3).

In the case of Latin American countries, the literature shows no scientific studies related to the effect of CE on BF. Thus, the research will be developed in Colombia and will take into consideration the Colombian companies that are currently restructuring on the basis of Colombian law regarding restructuring as a result of BF. Restructuring means that, as a result of certain triggering events, companies fall into a bailout process that is supervised by the

Colombian Superintendency of Corporations. That means that the research will focus on these companies rather than those that entered into a mandatory liquidation process.

Although there are sufficient academic examples related to CE and BF, there is no conceptual framework based on the effect of CE for the prevention of BF and for driving of long-term sustainable growth, both economically speaking and in terms of the ecosystem.

The literature review on BF suggests that it is a multi-disciplinary field (Appiah, Chizema, & Arthur, 2015). Hence, it suggests that there are studies published in the different types of journals (Appiah, Chizema, & Arthur, 2015). Based on that, there is limited research on why companies fail in Latin American countries. (Appiah, Chizema, & Arthur 2015).

In the case of Latin American countries, particularly Colombia, the literature shows no scientific studies related to the effect of CE on BP and OD or BF. Thus, the research was developed in Colombia and will take into consideration the Colombian companies that are currently restructuring on the basis of Colombian law regarding restructuring as a result of OD or BF. Restructuring means that, as a result of certain triggering events, companies fall into a bailout process that is supervised by the Colombian Superintendency of Corporations. That means that the research was focused on these companies rather than those that entered into a mandatory liquidation process.

As cited by Dias, Aurora, and Teixeira (2017), “BF is a constant in today’s business world, being considered an essential and significant part of new business ventures” (p. 2). Existing literature on the costs uncovered by the companies shows unquestionably that “BF is essentially a learning process” (Cope, 2011, p. 5). Most of the studies on business failures relate to how to predict it by using financial ratios-based modeling, rather than finding a better way to be success after a business failure or even bankruptcy (Aurora & Teixeira, 2017). The approach of Wolcott

and Lippitz (2010) in their book: *Grow from Within: Mastering Corporate Entrepreneurship and Innovation*, responds to how companies can generate and support entrepreneurship and corporate innovation. By doing that, companies may get better results or even find longevity in their business rather than failures. Similarly, the approach of Ackermann and Kern (2013) regarding the determining factors of Corporate Entrepreneurship provides a guide on the implementation of Corporate Entrepreneurship practices. Innovation is a multi-dimensional phenomenon, and at the firm level, it incorporates the behavior and interactions of individuals and various organizational factors. Not only are entrepreneurship and innovation complementary, but a combination of the two is vital to organizational success (Urban & Wood, 2017). As cited by Urban and Wood, the theory of the innovative firm assumes that the investments that the firm makes must be developed and utilized over time, as the firm transforms technologies and accesses markets, before returns from those investments can be generated, or indeed before the rate of return can even be known.

Nevertheless, none of the aforementioned authors had developed studies related to the effect of CE, I and diversification of products or services driven by SR on BF. It can be inferred that business success or business performance (positive or negative) has a close relationship with the term business failure. In the case of Colombia, for example, the solvency regime in Colombia was issued at the end of 2006 by way of Law 1116. This act, combined with its predecessors (Acts 550 and 222), facilitates the liquidation of bankrupt Colombian companies. During the past decade in Colombia, more than 1,400 companies have requested restructuring agreements and more than 1,200 have been liquidated, all of them due to business failure.

During the last decade in Colombia, more than 85% of the companies that requested restructuring agreements have been liquidated, all of them due to business failure and

consequently, bankruptcy. The Colombian Superintendency of Corporations (2018) indicated that the main factors for success and failure of the country's insolvency regulation are applicable to the companies under its supervision. The report mentions that the Colombian companies subject to supervision by the Superintendency need to develop a culture of measuring the impacts of changes in regulation in order to monitor the risk of insolvency, not only for the companies but also for the Superintendency itself.

Summary

While there is considerable research related to innovation and corporate entrepreneurship and the causes of bankruptcies as well as on bankruptcy prediction models, there is no conceptual framework on CE that allows the development of a monitoring methodology or model for the prevention of BF or even bankruptcies. Thus, based on the literature review, this research will consider the results of Ackermann and Kern (2013) regarding the determinants of Corporate Entrepreneurship as well as the four models of Corporate Entrepreneurship raised by Wolcott and Lippitz (2010). This empirical research should underpin and deepen these approaches through the development of a conceptual framework of CE, with the goal of helping to overcome barriers and obstacles to sustainable growth and the prevention of OD or BF or even bankruptcies of companies.

Chapter 3: Method

Introduction

This research was focused on determining the effect of CE, which encompasses Innovation and diversification of products and services driven by SR, on OD or BF in companies, with the goal of providing businesses and regulatory entities an option for the maximization of results and the monitoring of long-term risk. This research will use an explanatory scope and a non-experimental transversal design and a quantitative approach.

This chapter described the design of the research, the appropriateness, the population, the research questions, the informed consent, the sampling frame, confidentiality, the geographic location, the instrumentation, the data collection, the data analysis, and the validity and reliability.

Research Design

This research used a quantitative approach with explanatory scope and a non-experimental transversal research design. The unit of analysis were companies that have been subjected to the Colombian restructuring law. The dependent variables for this research is BP and OD or BP which is interrelated with OD as explain in the literature referenced. The independent variable is CE, which encompasses I and the diversification in products and services driven by SR. The moderating variables are Firm Size and the Sector in which Colombian companies that entered into restructuring operate.

This research did analyze existing financial information of Colombian companies that have entered into the restructuring process under the supervision of the Superintendency of Corporation. Taking into consideration the information gathered from the companies that entered

into legal restructuring in Colombia and the theoretical foundation, this research will enable the development a conceptual framework in order to test if CE has any effect on OD or BF.

The research was non-experimental, as the information was gathered from secondary sources, with no intention of manipulation of the variables under analysis in this research. Finally, the research was transversal, given that the information was collected for a single period of time. This research began with a pilot study developed with a case study that will take into consideration a survey and interviews with representatives of companies that have entered into a restructuring process.

Appropriateness of the Design

Taking into consideration the definition of the problem, the research questions and the scope of the study, the design of the research was based on an epistemological positivist paradigm. Creswell (2014) established that there are four philosophical visions of the world that define the basic guidance of a research process: (a) post-positivism, (b) constructivism, (c) transformative, and (d) pragmatism. He added that post-positivism is a deterministic philosophy and it reflects the need to identify and evaluate the causes that influence the results. That is why post-positivism uses numbers to explain a reality. Because this research will use concepts that have measurable attributes (Rodgers and Yee, 2015), it will consider the post-positivism paradigm.

Positivism, which is an epistemological position, “focuses on the importance of objectivity and evidence to search for truth and the world is unaffected by the researcher” (Al-Saadi, 2014, p. 2). The “essence of objectivism derives from the acceptance of natural science as a paradigm to study human knowledge and, necessarily, employs means and methods for data collection and data interpretation similar to those used in natural science, including hypothesis testing, causal explanations and modelling” (Al-Saadi, 2014, p. 3).

The most appropriate approach of this research is quantitative because has a strong epistemology foundation in positivism since the research variables are well supported in recognized theoretical frameworks (i.e., surveys and observation). On the other hand, the scope is explanatory because it will explain why the absence of focus on CE, I, and diversification of products or services driven by SR, moderated by the size and the industry/sector of the companies, has an effect on BF of Colombian entities and their sustainability, both economically speaking and in terms of the ecosystem. This empirical research will underpin and deepen these approaches through the development of a conceptual framework in order to test whether Corporate Entrepreneurship, Innovation and Strategic Renewal have any effect on OD or BF. IF

The research used a non-experimental design as the information will be gathered from secondary sources, with no intention of manipulation of the variables under analysis in this research. Finally, the research will be transversal, given that the information will be collected for a single period of time. This research did begin with a pilot study to be developed with a case study that will take into consideration a survey and interviews with representatives of companies that have entered into a restructuring process.

Research Questions

The absence of a good understanding of the cause of Organizational Decline or Business Failure and Business Performance and how it is associated with Corporate Entrepreneurship, which encompasses Innovation and diversification in products and services driven by Strategic Renewal would lead the discussion of more research following this one. As a starting point, this research will address the following main research questions:

- Research question (RQ 1): To what extent does the presence of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in

products and services driven by Strategic Renewal (SR) have a positive effect on Business Performance (BP)?

- Research question (RQ2). To what extent does the lack of Corporate Entrepreneurship (CE) that encompasses Innovation (I) and diversification in products and services driven by Strategy Renewal (SR) might explain Organizational Decline (OD)?
- Research question (RQ3): To what extent is there any relationship between BP and OD?
- Research question (RQ4): To what extent do firm size and sector/industry moderate any of these relationships?

Specific research questions will be:

- SRQ1a: To what extent does Innovation (I) have positive effect on Corporate Entrepreneurship (CE)?
- SRQ1b: To what extent does diversification in products and services driven by Strategic Renewal (SR) have a positive effect on Corporate Entrepreneurship (CE)?
- SRQ1c: To what extent does Corporate Entrepreneurship (CE) have a positive effect on Business Performance (BP)?
- SRQ4a: To what extent the relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be moderated by firm size, so that the smaller the company might be, the robust the relationship?
 - SRQ4b: To what extent the relationship between Corporate Entrepreneurship (CE) and Organizational Decline (OD) might be IS ??? moderated by industries/sectors,

so might have robust effect on Business Failure in manufacturing sector than service sector?

Population

The research was carried out using information provided by regulatory entities in Colombia. The information gathered included both financial and managerial information submitted to the Colombian Superintendency of Corporations by the companies that have entered into the restructuring process during the last ten years, as supervised by the Colombian Superintendency of Corporations and based on the Colombian Law on Restructuring during the last decade. For this purpose, this study used the data base information provided by the Colombian Superintendency of Corporations. This research excluded information obtained from agencies other than the Colombian Superintendence of Corporations. During the last decade, more than 1,400 companies have requested restructuring agreements and more than 1,200 have been liquidated, after a restructuring process (see figure 10), all of them due to bankruptcy. Thus, it is critical to comprehend the causes of the failure of Colombian companies that fail or go bankrupt, considering the environment in each case (Colombian Superintendency of Corporations, 2018).

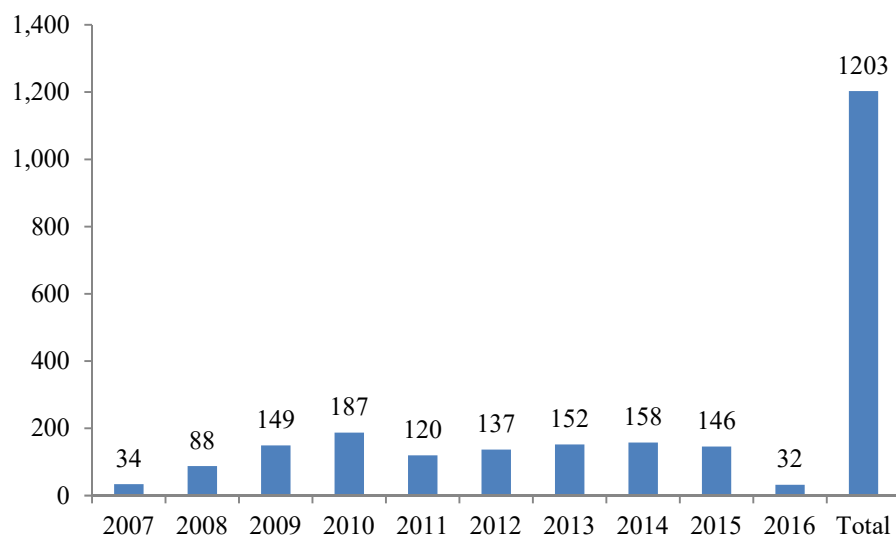


Figure 10. Companies under restructuring process accepted by the Colombian Superintendency of Corporations as of January 30, 2018. Adapted from “Reorganización Empresarial, Validación Judicial: Acumulado al 30 de Enero de 2018 [Corporate Reorganization, Legal Validation: Accumulated to April 30, 2016],” by Colombian Superintendency of Corporations, 2016. Retrieved from http://www.supersociedades.gov.co/imagenes/Gestion_Estadistica/2016/Informes_Periodicos_Abril_30_2016/Reorganizacion_Empresarial_Validacion_Judicial_Acumulado_30Abril2016.htm

Sampling

The unit of analysis were the companies that have been subjected to the Colombian restructuring law supervised by the Superintendency of Corporation. The primary source of soft data was the executive of those companies that have been in the restructuring process supervised by the Colombia Superintendency of Corporation. The secondary data source was the companies that are in the middle of a restructuring process. This information included financial statements and the instruments used by the Colombian Superintendency of Corporation in order to follow the enacted procedures for the restructuring process. This research did analyze existing information of Colombian companies that have entered into the restructuring process, obtained from official sources.

This research did begin with a pilot study developed with a case study that took into consideration a survey and interviews with representatives of companies that have entered into a restructuring process.

The Superintendency's website provides the list of the companies in the restructuring process. This information includes the approved financial services companies and detailed information on the legal representation of those companies. A two-stage sampling process was followed in identifying the subjects for the sampling. In stage one, this research used a probability sampling that is based on stratified random sampling. In this research, the stratified sampling is chosen because the target population (Colombian companies under restructuring as of January 30, 2018) needed to be separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample will be selected from each segment (stratum). The sample selected from the various strata (by size of the Colombian companies under restructuring as of January 30, 2018) will be then combined into a single sample. This sampling procedure is sometimes referred to as quota random sampling (Singleton & Bruce, 2010).

This research will take the following steps into consideration in the selection of a stratified sample (Singleton and Bruce, 2010):

1. Definition of the target population. In this research, the target population will be Colombian companies under restructuring as of May 30, 2019, obtained from the Colombian Superintendency of Corporations;
2. Identification of the stratification variables and determination of the number of strata to be used (Size and industry/sectors);

3. Identification of an existing sampling frame or development of a sampling frame that includes information on the stratification variables for each element in the target population;
4. Evaluation of the sampling frame for under coverage, over coverage, multiple coverage, and clustering, and making adjustments when necessary;
5. Division of the sampling frame into strata, categories of the stratification variables, and the creation of sampling frames from each stratum;
6. Assignment of a unique number to each element;
7. Determination of the sample size for each stratum. The numerical distribution of the sampled elements (Colombian companies under restructuring as of January 30, 2018) across the various strata in order to determine the type of stratified sampling to be used (Size and geographical location of the Colombian companies under restructuring as of May 30, 2019); and
8. Randomization of the selected target number of elements from each stratum (Sizes and geographical location of the Colombian companies under restructuring as of May 30, 2019).

In order to determine the size of the sampling, the following formula was taken into consideration: $n = (N * Z^2 * p * q) / ((e^2 * (N-1)) + (Z^2 * p * q))$, where n is the size of the sample, N the size of the universe, Z the level of confidence, e the margin of error p and q the probability of occurrence. A level of confidence of 80% and error margin of 5% was determined by the researcher.

In stage 2, the selection of participants from the organizations represented in the now-established sampling frame will be selected in terms of the criteria that the selected participant be

registered in the restructuring process data base provided by the Superintendency of Corporations. A single contact person will be identified within each organization, with this person furnishing the contact information of employees who, meeting qualifying selection criteria, will be selected to be the research participants. The identified participants will then be called on their telephones, and a follow up e-mail will detail the research objectives). The participants will be considered “front facing” – in other words, they are part of, or were part of the decision-making process in their companies.

For the quantitative part, the paths of the hypotheses among the main latent constructs will be then assessed using a structural equation modeling (SEM) procedure. For the quantitative part the research will use Atlas TI. As with standard regression, the basic measure of association between variables is covariance, and the dynamics of actually fitting SEM models involve covariance structure modeling (Iacobucci, 2009).

Informed Consent

The Colombian Superintendence of Corporations was informed on the nature of the research and provided supporting documentation of the companies under investigation. Each company as well as all the individuals subject to surveys and interviews were duly informed on the nature of the research and their voluntary participation was requested. Individual registers of this agreement were signed for each subject and for his/her personal record.

Confidentiality

Data collection instruments do not contain information that could readily identify participants. The data was processed and grouped in order to satisfy the research questions. These data will not be used for other purposes nor shared with other projects.

Geographic Location

This research was developed within Colombian territory and took into consideration the Colombian companies under a restructuring process as of January 30, 2018, based on the information provided by the Colombian Superintendency of Corporations. The data obtained from these companies and the experts and executive selected for the study were analyzed by sector/industry and by size.

Instrumentation

The study used a data base provided by the Colombian Superintendency of Corporations, the Ernst & Young Form 1035 GL included in appendix B was developed for the selected companies for the pilot study and for the full study. For the qualitative part of the study the questionnaire did include open questions that will be formulated on the basis of prior studies documented in the literature review. While adapting previous studies, care was taken to use the independent variables (Innovation and Corporate Entrepreneurship) and the dependent variables (Business Performance and Organizational Decline or Business Failure). Ethical considerations were taken into consideration by ensuring respondents of their anonymity and respect for their privacy at all times.

The survey was conducted face to face, and results captured in the questionnaires then it was summarized into a spread sheet to facilitate the analysis. All the measures in terms of independent variables (IVs) and the dependent variables (DV) were derived from various literature sources. This research used, with the authorization of the authors, the instrument proposed by García-Morales, Bolívar-Ramos, & Martín-Rojas, (2014). Who propose a scale of 16 items to operationalize the variable through reflective measures? “The items were measured on a Likert scale of five points from 1 "completely disagree" to 7 "completely agree"” (p.1473). This research will be combined with 13 additional items proposed by Carmeli & Sheaffer, (2009)

related to Organizational Decline and Industry Decline. The items were measured on a Likert scale of five points from 1 "strongly disagree" to 5 "strongly agree".

The instrumentation of the research for the secondary source will be subject of the uses of audit programs obtained from Ernst and Young (audit program and checklists related to going concerns to be provided by Ernst and Young, see appendix B form 1035GL), and the observation of information provided by regulatory entities in Colombia that is based on information provided by the Colombian Superintendency of Corporations (2018). This research will use permission statements for each validated instrument and written permission from other authors including Colombian regulatory entities. Ethical considerations will be taken into consideration by ensuring anonymity to respondents of their anonymity and respect for their privacy was respected at all times.

Pilot Case Study

This research did begin with a pilot study developed with a case study that took into consideration a survey and interviews with representatives of companies that have entered into a restructuring process. For the pilot study, the interviews were applied to executives and experts in the companies selected. The analysis was subject to the time people have available to contribute to the study. This pilot study was performed to refine the instrument.

Data Collection

The data for the main study was obtained from a data base provided by the Superintendency of Corporations. It was first be accompanied by a pilot study to be developed using a questionnaire on four legal representatives of Colombian companies that have entered into a bailout process based on the restructuring law supervised by the Colombian Superintendency of Corporations. The clarity in the wording of the survey constructs was

verified, since the data collection instruments originally in English they were translated from English to Spanish for their use, and from Spanish to English to ensure that the original meaning of the constructs is kept up. The final data for the study was obtained through a face to face interview where a survey will be followed by the interviewer by means of a questionnaire self-reported by the officials of the companies that are the object of the study. The data was collected following the following procedure: the executives of the companies were initially contacted by telephone to communicate the relevance and justification of the study, as well as the importance of their participation in it. An invitation via email was sent to the participants with a direct link to the survey. A follow-up telephone call was made to verify receipt of the email and to invite again to answer the questionnaire. The Informed Consent is presented on the first page of the survey. The participants, after reading the Informed Consent, answered the questionnaire to answer the information requested and the questions of the same.

After the pilot (3 companies selected), this research selected 141 companies based on the formula explained above. The questionnaire was developed on a face to face interview where the interviewer will ask the items (questions) selected. The consent form is presented on the first page of the survey.

The data collection phase was preceded in June 2019 by a pilot phase, during which 3 respondents were requested to comment on the questionnaire, allowing refinement of the instrument. The research used three mailings to request response to the face to face questionnaire, one and three weeks following the initial mailing. These efforts resulted in 131 additional responses. No patterns among undelivered surveys were noticed, as undelivered surveys were distributed about evenly among different regions and organizations, resulting in 131 full questionnaires or a response rate of 93% percent. The collection of data was sourced by

the data base of the Colombian companies in the process of restructuration provided by the Superintendency of Corporations.

The research included a tape recording of granting permission. The study focused on restructuring Colombian companies. Data was collected according to a set procedure. An invitation e-mail was sent with a link to the questionnaire. The questionnaire will be kept it physically with the sign of the interviewer and the interviewee. The consent form was presented on the first page of the survey. Then, respondents answered questions in terms of the causes of the restructuring process of the companies under their management. Finally, the participants were invited to fill out the specific questions in the questionnaire.

The information gathered from the Colombian Superintendency of Corporations was analyzed by the researcher before initiating any survey, audit program or checklist. The main object of this step was to make sure that the research would have objective and sufficient evidence on the information provided by the Colombian Superintendency of Corporations.

Data Analyses

Data was captured in Microsoft Excel format and transferred into the Smart PLS software for analysis. After the hard data was tested for heteroscedasticity and normality, the exploratory factor analysis (EFA) was conducted in order to ascertain whether the hypothesized factor structure holds true. The paths of the hypotheses among the main latent constructs were then assessed using structural equation modeling (SEM). As with standard regression, the basic measure of association between variables is covariance, and the dynamics of actually fitting SEM models involve covariance structure modeling. Subsequently, the majority of the analyses were based on multiple regression analyses in which hierarchical set regression (Cohen et al., 2013).

Data analysis was conducted with partial least squares (PLS), a structural equation modelling (SEM) technique that uses a component-based approach to estimation. The PLS technique is oriented primarily to predictive causal analysis. In contrast to software applications such as LISREL (a SEM technique based on covariance), PLS is based on variance (Chin et al., 1996, p. 25). This technique does not require a large sample size and it is appropriate for early stages of theory development (Barclay et al., 1995; Chin et al., 1996). Since this study does not have a very large sample size and since it constitutes an initial attempt to develop a conceptual framework to explain how Corporate Entrepreneurship, Innovation and diversification of product or services moderated by the firm size and sector might have a negative effect on business failure, it is considered that PLS is appropriate for this research. The analysis was performed using the software SmartPLS 2.0.M3 (Ringle et al., 2005).

As indicated by Hair et al. (1998), convergent validity was evaluated by examining the Cronbach's alphas, composite reliability and average variance extracted (AVE), which passed the thresholds generally accepted in the literature with values of 0.50 (Fornell and Larcker, 1981). Specifically, our Cronbach's alpha values range from 0,55 to 1, our composite reliabilities from 0,818 to 1 and the AVEs from 0,692 to 1, all providing strong evidence of measure reliability. Finally, the factor loadings from constructs to indicators are above the threshold (ranging from 0.626 to 1), indicating that the items have considerable individual reliability.

Validity and Reliability

With the measurement model specified and the data collected, the validity of the measurement model depends on establishing acceptable levels of goodness-of-fit and finding specific evidence of construct validity. To start with, factor structures were checked, and reliabilities were assessed. The research model includes first-order factors, which will be

combined in sets as per the formative structure to form second-order latent constructs and will then be associated in a path analytical structure. At the beginning, first-order factors will be assessed for internal reliability and initial aggregation.

With the measurement model specified and the data collected, the validity of the measurement model depends on establishing acceptable levels of goodness-of-fit and finding specific evidence of construct validity. To test the proposed conceptual framework, the Colombian companies under restructuration process and under the supervision of the Colombian Superintendency of Corporations were designated as our sampling frame (Hsu, C. C.; Tan, K. C.; Jayaram, J., and Laosirihongthong, T., 2014). Existing scale in the literature and feedback from in-depth interviews with real-world managers were used to design the questionnaire. An extensive literature review helped us to locate measurement scales and information for each construct.

Summary

This research was focused on determining the effect of I & CE on BP and OD or BF of companies, with the goal of providing businesses and regulatory entities an option for the maximization of results and the monitoring of long-term risk, respectively. This chapter described that the research a quantitative approach with an explanatory scope and a transversal non-experimental design. The most appropriate approach of this research is quantitative because has a strong positivism epistemology foundation since the research variable are well supported on recognized theoretical framework (surveys and observation).

The research was developed with the information provided by regulatory entities in Colombia. The information gathered, will include both financial and managerial information submitted to the Colombian Superintendence of Corporation by the bankrupted Colombian

companies during the last decade. This research used a probability sampling, based on stratified random sampling. In this research the stratified sampling is chosen because the target population (Colombian companies under restructuration as of March 30, 2018) needs to be separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample is going to be selected from each segment (stratum).

The Colombian Superintendence of Corporation was informed about the nature of the research and they provided supporting documentation of the companies under research. The data for the main study was obtained via observation of the information provided by the Colombian Superintendence of Corporation as well as face to face survey by means of self-reported questionnaires to the CEO's of the Colombian companies under restructuring process.

Chapter 4: Results

As the literature referenced in this research there are sufficient academic studies related to Corporate Entrepreneurship (CE), Innovation (I), Strategic Renewal (SR) and Business Performance (BP), Organizational Decline (OD) or Business Failure (BF). However, there is a lack of empirical studies performed in Latin America related to the effect of CE which encompasses Innovation and diversification of products and services driven by SR, on BP and OD or BF. As part of this thesis, the author published in a Scopus Q3 journal paper, part of the results obtained and explain in detail below. Refer to the publication in the appendix D. The referenced article, provides a conceptual framework trying to explain the effect of Corporate Entrepreneurship that encompasses Innovation and Strategic Renewal on Business Performance (Business Failure or Organizational Decline) in Colombian companies. The results show that innovation affects corporate entrepreneurship, and there is a direct impact on business performance, but there is no effect on organizational decline, Jánica, F., Guevara, R, Hernández – Fernandez, L. (2019).

As indicated in chapter 3 the referenced in the academic literature, there is no conceptual framework based on the effect of CE for the avoiding, preventing or predicting OD or BF and driving of long-term sustainable growth, both economically speaking and in terms of the ecosystem. Thus, this research focused on determining the effect of CE, which encompasses Innovation and diversification of products and services driven by SR, on BP and OD or BF in companies, with the goal of providing businesses and regulatory entities an option for the maximization of results and the monitoring of long-term risk. The main contribution of this research will be to explain the positive or negative relationship between CE on BP and OD or BF. Based on that, this study would contribute to knowledge through the development of a

conceptual framework on how CE can help companies to avoid, prevent and even predict OD or BF, in an effort to reduce the overall number of bankruptcies and improve BP in Colombia. The referenced literature review reveals many studies related to CE and how CE activities can help companies to have a better performance. In fact, the specialized literature recognizes, that there is a lack of empirical studies that address the analysis of how CE can help companies to avoid, prevent and even predict OD or BF, in an effort to reduce the overall number of bankruptcies and improve business performance in Colombia. This study would permit an understanding of the how the moderation of firm size and sector works on the effect of CE on BP, OD or BF. At the same time, this conceptual framework, would help to understand the root cause of OD or BF. The development of a conceptual framework that consider CE activities, may be a point of reference for practitioners, academics and regulators the world over for development of more studies, models and methodologies to avoid, prevent or even predict OD or BF and so, reduce the overall number of bankruptcies and improve business performance in Colombia.

As indicated in chapter 3, the unit of analysis issued in the research were the individual companies that have been subjected to the Colombian restructuring law. Therefore, the first step was to consult the databases of the Superintendency of Corporation in order to quantify the number of companies that entered into this process in Colombia as of May 31, 2019. As a result, there were 2,375 companies that entered into this restructuring process under the Law 1116. Out of these 2,375, 1,145 companies were immersed into a negotiation process with the Superintendency of Corporation. For its part, a total number of 1,170 companies were confirmed and authorized from the Superintendency of Corporation to follow the restructuring procedures by the Law 1116 approved by the Colombian Congress on 2006. During the last three years (2017, 2018 and 2019) 886 companies entered into a negotiation with the Superintendency of

corporation in order to be accepted and authorized by them, (76% of the companies). Whilst, during the last decade a number of 1,170 companies confirmed and authorized from the Superintendency of Corporation. Based on chapter 3, the universe of the sample was determined as the number of companies that had entered into a restructuring process. Thus, the universe of the companies was 1,170. About the size of the companies, there is a classification used by the Superintendency of Corporation. Out of the 1,170 companies that entered into this restructuring process under the Law 1116, 202 were denominated as big, 459 mid-size companies, and 509 small companies.

Data collection

The research was developed using the information provided by regulatory entities in Colombia. The information gathered included both financial and managerial information submitted to the Colombian Superintendency of Corporations by companies that have entered into the restructuring process during the last ten years, as supervised by the Colombian Superintendency of Corporations and based on the Colombian Law on Restructuring during the last decade. Out of the 131 companies included in this research, 53 (40 %) belonged to the manufacturing sector and 78 (60%) belonged to the service sector. Regarding company size, 60 (45,80%) were small, 27 (20,61%) were medium and 44 (33,59%) were big.

Measurement instrument

Once the companies were identified, a directory was prepared with the name, position, telephone number and e-mail address of the legal representative of the different companies who should be asked to participate in this study by filling out a survey. The Colombian Superintendence of Corporations was informed on the nature of the research and it was provided supporting documentation of the companies under investigation. Each company as well as all the individuals subject to surveys and interviews were informed on the nature of the research and

their voluntary participation was requested. Individual registers of this agreement were signed for each subject and for his/her personal record.

Finally, for the application of the survey a form was prepared that contemplates a total of 29 questions that serve as indicators for the causality of the independent variable and the dependent variable moderated by two variables selected from the conceptual model of this investigation, namely: CE, I, SR and BF moderated by the size and sectors. The content of the form is found in Appendix C.

The application of the surveys was done face to face. The Superintendency of Corporation allowed this research the consultation of the information provided by the companies selected including the contact of the legal representatives of the companies selected. Thus, it was crucial to have the information provided by the Superintendency as well as the instruments the used for their own investigation of the process to get to know the causes of the insolvency that drove the companies into a restructuring process. Several events were held in the Superintendency of Corporation where the companies under restructuring process participated. That allowed the researcher to perform the survey with the legal representatives of the companies selected.

CE and OD were measured through scales previously used by other researchers. For CE there were four items developed by Zahra (1993) were used to measure SR, and four items also developed by Zahra (1993) to measure organizational innovation. For CE the scale of García-Morales, Bolívar-Ramos, and Martín-Rojas (2014). For OD there were adopted five items from Carmeli and Schaubreock (2006). Responses were anchored on five-point Likert scales (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree).

Procedure

The instruments were adapted with a double translation following the guideline of Muñiz, Elosua, and Hambleton (2013). For the first stage, three experts on the field on CE and OD evaluated the translation from the English to Spanish based on the guideline of Escobar-Pérez and Cuervo-Martínez (2008), which measures: sufficiency, explicitness, coherence, and relevance of the items. As a result, few items were reworded. For the second stage, a Spanish translator translated the instrument from Spanish to English and compared the results with the original scales. The translator did not encounter significant difference in this stage. In order to collect data from the 131 companies, in-person interviews took place during two months with the CEOs. It was stated to all participants that all the information will be used for academic purposes and their privacy will be guaranteed because it was not asked too many demographic information. It was just requested the company type and industry type. Each participant filled out his/her survey and the items were randomly assigned to avoid common method variance.

Results

The analysis followed Hair, Hult, Ringle, and Sarstedt (2016), and Hair, Sarstedt, Ringle, and Gudergan (2017) guidelines. The aforementioned guidelines were chosen because they offered updated techniques in variance-SEM based on SmartPLS.

Measurement model evaluation

In order to obtain the items loading factors, it was run the PLS algorithm with 300 iterations and a stop criterion of 7 based on path analysis. As the rule of thumb, to retain an indicator it must be loaded at least 0.60 (see Table 1).

Table 1. Loading factors of the items.

Item	Item description	Mean	SD	Loading	p-value
CE1	The organization has stimulated new demands on the existing products/services in current markets through aggressive advertising and marketing.	6.702	0.457	0.942	0.013
CE2	The organization has broadened the business lines in current industries.	6.351	0.477	0.626	0.000

CE4	The organization has entered new businesses by offering new lines and products/services.	6.710	0.454	0.939	0.010
INN1	The organization has significantly increased the spending on new product/service development activities.	6.359	0.480	0.979	0.013
INN4	The organization has significantly increased the emphasis on R&D, technological leadership, and innovations.	6.313	0.464	0.971	0.000
SR3	The organization has adopted flexible organizational structures to increase innovation.	6.565	0.496	1.00	0.000
BP8	Relative to your main competitors, what is your firm's performance in the last three years in relation to growth of sales in its main products and markets.	6.649	0.477	1.00	0.010
ODEC1	The extent to which the company's responses to changes in environmental conditions were inadequate	4.786	0.410	0.864	0.010
ODEC2	the company's responses to changes in environmental conditions are on the whole untimely	4.863	0.344	0.798	0.013

Table 2 depicts the constructs' reliability and validity in which the Average Variance Extracted (AVE) exceeded the recommended 0.50 threshold as well as Composite Reliability (0,70). Moreover, for discriminant validity, it was used the Heterotrait-Monotrait Ratio (HTMT) technique in which each value should be less or equal than 0.90. Table 3 depicts the HTMT values, as it can see all the values are below the threshold and none of the confidence intervals include one. For these reasons, it is concluded that discriminant validity has been established.

Table 2. Construct reliability and validity.

Constructs	Cronbach's Alpha	Composite reliability	AVE
Business Performance	1.000	1.000	1.000
Corporate Entrepreneurship	0.786	0.882	0.720
Innovation	0.949	0.975	0.951
Organizational Decline	0.558	0.818	0.692
Strategic Renewal	1.000	1.000	1.000

Table 3. Discriminant validity.

Path	Value	2.5%	97.5%
Corporate Entrepreneurship -> Business Performance	0.880	0.786	0.982
Innovation -> Business Performance	0.212	0.049	0.371
Innovation -> Corporate Entrepreneurship	0.675	0.570	0.763
Organizational Decline -> Business Performance	0.038	0.018	0.318
Organizational Decline -> Corporate Entrepreneurship	0.088	0.060	0.399

Organizational Decline -> Innovation	0.118	0.046	0.333
Strategic Renewal -> Business Performance	0.064	0.004	0.225
Strategic Renewal -> Corporate Entrepreneurship	0.096	0.029	0.291
Strategic Renewal -> Innovation	0.143	0.018	0.310
Strategic Renewal -> Organizational Decline	0.078	0.025	0.293

Structural model evaluation

The variance inflation factor (VIF) that quantifies the intensity of multicollinearity value between CE and BP is 1.000, CE and OD is 2.757, BP and OD is 2.757, I and CE is 1.019, and SR and CE is 1.019. The VIF values are below the critical threshold of 5 guaranteeing no collinearity between constructs. For the significance and relevance of the path coefficients, it was run the bootstrapping algorithm with 5,000 subsamples. Table 4 depicts that the relationship between CE and BP is significant, and only I affects CE.

Table 4. Path coefficients significance.

Hypothesis	Path	Coefficient	T statistics	P-Value
H1	Corporate Entrepreneurship -> Business Performance	0.798	16.040	0.000
H2	Corporate Entrepreneurship -> Organizational Decline	0.123	0.853	0.394
H3	Business Performance -> Organizational Decline	-0.127	0.926	0.355
H4	Innovation -> Corporate Entrepreneurship	0.549	6.459	0.000
H5	Strategic Renewal -> Corporate Entrepreneurship	0.005	0.068	0.946
H6	Industry type moderates CE and BP	0.050	0,088	0,930
H7	Company size moderates CE and BP	0.017	0.320	0.749

The explanation of the model is distributed by 64% for Business Performance, 30% for Corporate Entrepreneurship and 0.06 % Organizational Decline of the explained variance. The model shows predictive power only for BP ($Q^2 = 0.616$), CE ($Q^2 = 0.172$) since all the Q^2 are greater than zero. The model shows that CE has a direct influence in BP. It is important to highlight that CE is influenced only by I. SR does not have a direct impact in CE. It could be

inferred that the Colombian companies do not perceived that CE is not a crucial part of the strategic planning. Furthermore, CE does not impact OD, neither the indirect effect of BP in OD. It could be inferred that in Colombian companies the concept of CE is not well known as an indicator OD. Future research is recommended in this area.

Conclusions and implications

The model shows that CE has a direct influence on BP. It is important to highlight that CE is influenced only by I. SR does not have a direct impact in CE. It could be inferred that the Colombian companies do not perceive that CE is a crucial part of the strategic planning. Furthermore, CE does not impact OD. It can be inferred that the more CE activities the Colombian companies put in place the better the outcomes from the business and financial performance. Thus, the Colombian companies that are facing OD could have avoided it by implementing CE activities.

Further research will be needed in this area. BP neither has an indirect effect on OD or BF. It could be inferred that the concept of CE is not well known as an indicator OD in Colombian companies. Nevertheless, and based on the results of this research, the more the Colombian companies implement I and CE activities, the better result they obtain on the performance of the companies. Other constructs can be included such as the management support on Innovation and the Corporate Entrepreneurial activities as well as the technological support for those activities. Regarding the diversification on products and services driven by Strategic Renewal, future research would be conducted by using a different sample which do not consider the companies that are, currently, under a restructuring process. Based on the results of this research, it can be inferred that the companies under restructuring process do not have the appetite to implement strategic planning process or even a Strategic Renewal activities. By

using an unbiased sample with companies that are not facing any going concern issues, the result could be different.

Discussion

Many authors had emphasized that CE started with entrepreneurship which is the primary concept that supports I (Mcfadzean, O'loughlin, & Shaw, 2005). CE may be considered as entrepreneurial activities within the organization (Napolitano, Marino, & Ojala, 2015). As showed in in figure 2 and table 4, the hypothesis 4 is supported since the path coefficient significance showed: 0.549 coefficient, 6.459 T statistics and 0.000 P-value. Thus, this research shows that CE is influenced by I, as the results. As stated by Mcfadzean, O'loughlin and Shaw (2005), the combination of the CE, I and SR, lead to the opinion by various authors Pinchot (1985); Schumpeter (1961); Thornberry (2001) and Zahra (1995) of the need to continue research on this field. This research took into consideration this guidance as a motivation to determine if the Colombian entities that felt into a restructuring process, supervised by the Superintendency of Corporation, could have avoided this process if they had implemented I, SR and CE activities before they faced liquidity issues. The results of this research show that there is a direct influence of CE on positive BP as the results indicated that the path coefficient significance are: 0.798 coefficient, 16.040 T statistics and 0.000 P-Value, (see results in figure 2 and table 4). Thus, it can be inferred that Colombian entities should implement CE and I activities would drive them to avoid Organizational Decline or Business Failure so that they could avoid a restructuring process in the future. CE covers innovation activities that “consider the discovery and pursuit of market opportunities” (Biewerth, Scwens, & Isidor, 2015, p. 257). Not only are entrepreneurship and innovation complementary, but a combination of the two is vital to organizational success” (Urban & Wood, 2017). As there has been bringing significant

attention to the effects of CE on long-term survival. (Napolitano, Marino & Ojala, 2015), this research also aimed to find the relationship between CE and positive BP in order for the Colombian entities to avoid Business Failure before they got into a restructuring process. Thus, Colombian entities could find a way for long-term survival. The result of this research supports partially the hypothesis proposed. While hypothesis H1 and H4 are supported based on the results showed in Table 4 and figure 2, hypothesis H2, H3 and H5 are not supported. Therefore, the presence of Corporate Entrepreneurship (CE) that encompasses Innovation (I) have positive effect on Business Performance. Conversely the results of the research show that there is no influence of SR on CE as the path coefficients significance indicates that the P-value is 0.946, the T-statistics 0.068 and the coefficient 0.005. Thus, hypothesis H5 is not supported (see the results in tables 4 and figure 2). It can be inferred that SR for Colombian entities it is no so crucial as innovation is.

On the other hand, BF is an endless issue in today's business environment, and considered an essential and significant part of new business ventures (Dias, Aurora & Texeira, 2017). OD or BF happens when a business finishes, either willingly or out of financial necessity, which in former case may be because the proprietors are not accomplishing their financial potentials in contrast to personal reasons (Dias & Texeira, 2017). Existing literature on the costs of BF not covered by the companies, shows unquestionably that BF is essentially a learning process. (Cope, 2011). Why some companies survive while others fail is a fundamental puzzle in both business history and management research (Napolitano, Marino & Ojala, 2015). Organizational decline, for its part, it is defined "as an organizational state of poor adaptability, consistently depleting resources, reduced legitimacy, and high vulnerability" (Carmeli &

Sheaffer, 2009, p. 364). As cited by Carmeli & Sheaffer (2009), decline is an involuntary organizational phenomenon that appears as a result of the fragility of resource management.

The referenced literature review reveals many studies related to CE and how CE activities can help companies to have a better performance. At the same time, the literature referenced explains that the phenomenon of BF and OD is interrelated as both concepts depend on management decisions. As stated by Dias, Aurora and Teixeira (2017), most of the studies on OD or BF are related to predicting it by using financial ratios-based modeling, rather than finding a better way to drive successful business and thus avoid OD or BF. The results of this research show that CE has a direct influence on BP as commented above (see the results on table 4 and figure 2). Thus, Hypothesis H1 is supported.

Nevertheless, the results also show that CE does not impact OD, neither the indirect effect of BP in OD. The results showed in table 4 and figure 2, indicated that the path coefficients significance are: P-value of 0.394, Tstatistics 0.853 and coefficient 0.123. For its part, the path coefficients significance for hypothesis H3 indicates that the P-value is .0355, Tstatistics 0.926 and a coefficient of -0.127. Hence, hypothesis H2 and H3 is not supported in the result of the model. It could be inferred that in Colombian companies neither the concept of CE is not well known as an indicator OD nor the relationship between BP and OD. Future research is recommended in this area. Introducing other constructs like the size of the companies as well as the industry type would help to understand better if it is any effect.

According to Opoku, Chizema and Arthur (2017), most of the selected studies found in the literature dealing with BF originate from 11 countries: 53 percent, 15 percent and 11 percent of the studies use the information set from the United States, South Korea and the United Kingdom, respectively. Additionally, France, Belgium, and Australia account for 4 percent each,

while the rest of the world accounts for the remaining 9 percent (i.e. Finland (3%), Greece (2%), Italy (2%), Brazil (1%) and Spain (1%). Thus, this research took a Latin American country (Colombia) to start the analysis of the hypothesis mentioned in this paper. An examination of 201 paper articles on the theme carried out by Dias, Aurora and Texeira (2017) shows that 70 percent of them do not offer an unequivocal meaning of BF, whereas 30 percent openly provide an explanation focused on one or numerous proportions of BF, most particularly, business closure, bankruptcy, ownership change, and failure to meet expectations. As stated by Hornsby, Kuratko & Zhara (2002), future research should investigate the relationship between CE and financial performance. Thus, as financial performance is an indication that the company might be potentially associated in the future on BF or OD, this research took into consideration the suggestions of Hornsby, Kuratko & Zhara (2002).

Limitations

This research has limitations the readers should take into consideration for the interpretation of the results. First, the research uses data provided by the CEO of the Colombian entities that accepted to participate. As long as the responses from the CEO of the entities under analysis for this study are unbiased, there would be an opportunity to triangulate the answers from the CEO with another managerial level at the companies. Second, the sample used for the research considered the Colombian entities that are under restructuring process. The results of the research could be different if the selected entities would not be an ongoing concern as the restructuring event suggest it. Third, Business performance was assessed based on previous research in other geographies. As this is the first study in Colombia and Latin America, the model resulted should have additional constructs in order to adapt to the local business environment.



Chapter 5: Conclusions and Recommendations

The purpose of this research was to find The Effect of Corporate Entrepreneurship, Innovation and Strategic Renewal on Business Performance, Organizational Decline and Business Failure. A sample of 144 manufacturing services companies in Colombia was used. The explanation of the model is distributed by 64% for Business Performance, 30% for Corporate Entrepreneurship and 0.06 % Organizational Decline of the explained variance. The model shows predictive power only for BP ($Q^2 = 0.616$), CE ($Q^2 = 0.172$) since all the Q^2 are greater than zero.

Conclusions

The model shows that Corporate Entrepreneurship has a direct influence on Business Performance. It is important to highlight that CE is influenced only by I. SR does not have a direct impact in CE. It could be inferred that the Colombian companies do not perceive that CE is a crucial part of the strategic planning. Furthermore, CE does not impact OD. It can be inferred that the more CE activities the Colombian companies put in place the better the outcomes from the business and financial performance. Thus, the Colombian companies that are facing OD could have avoided it by implementing CE activities.

Further research will be needed in this area. BP neither has an indirect effect on OD or BF. It could be inferred that the concept of CE is not well known as an indicator of OD in Colombian companies. Nevertheless, and based on the results of this research, the more the Colombian companies implement I and CE activities, the better result they obtain on the performance of the companies. Other constructs can be included such as the management support on Innovation and the Corporate Entrepreneurial activities as well as the technological support

for those activities. Regarding the diversification on products and services driven by Strategic Renewal, future research would be conducted by using a different sample which do not consider the companies that are, currently, under a restructuring process. Based on the results of this research, it can be inferred that the companies under restructuring process do not have the appetite to implement strategic planning process or even a Strategic Renewal activities. By using an unbiased sample with companies that are not facing any going concern issues, the result could be different.

The main contribution of this research was to explain the positive or negative relationship between CE on BF. Based on that, this study would contribute to knowledge through the development of a conceptual framework on how CE can help companies to avoid, prevent and even predict BF, in an effort to reduce the overall number of bankruptcies and improve business performance in Colombia. The referenced literature review reveals many studies related to CE and how CE activities can help companies to have a better performance. In fact, the specialized literature recognizes, that there is a lack of empirical studies that address the analysis of how CE can help companies to avoid, prevent and even predict BF, in an effort to reduce the overall number of bankruptcies and improve business performance in Colombia. This study would permit an understanding of the how the moderation of firm and sector size based on CE effect BF. At the same time, this conceptual framework, would help to understand the root cause of BF. The development of a conceptual framework that consider CE activities, may be a point of reference for practitioners, academics and regulators the world over for development of more studies, models and methodologies to avoid, prevent or even predict BF and so, reduce the overall number of bankruptcies and improve business performance in Colombia.

Future research directions

Although there are sufficient academic studies related to CE and BF, there is no conceptual framework based on the effect of CE for the avoiding, preventing or predicting BF or even bankruptcy and driving of long-term sustainable growth, both economically speaking and in terms of the ecosystem. This empirical research provided important findings for Colombian entities. Nevertheless, it is suggested that future research can take into consideration additional variables that could explain better the effect of CE on BF by introducing moderating variables like firm size and industry type. Moreover, the sampling needs to consider not only companies under restructuring process but also, companies with no going concern issues of the companies.

Managerial and academic implications

With the goal of understanding the underpinnings of business sustainability in the long-term, it is necessary to understand why Colombian companies fail. This research contributed to this understanding by addressing the effect of the independent variable: CE, which encompasses I, and the dependent variable BP and BF. The main contribution of this research is to explain the positive relationship between CE on BP on Colombian entities. Based on that, this research aims to contribute to knowledge through the development of a conceptual framework on how CE can help Colombian companies to avoid, prevent and even predict BF, to reduce the overall number of bankruptcies and improve business performance in Colombia. This conceptual framework will incorporate CE activities, encompassing I. The development of a conceptual framework that considers CE activities, maybe a point of reference for practitioners, academics and regulators in Colombia and Latin America for development of more studies, models and methodologies to avoid, prevent or even predict BF and so, reduce the overall number of bankruptcies and improve business performance in Colombia.

Conclusions and implications

The model shows that Corporate Entrepreneurship has a direct influence on Business Performance. It is important to highlight that CE is influenced only by I. SR does not have a direct impact in CE. It could be inferred that the Colombian companies do not perceive that CE is a crucial part of the strategic planning. Furthermore, CE does not impact OD. It can be inferred that the more CE activities the Colombian companies put in place the better the outcomes from the business and financial performance. Thus, the Colombian companies that are facing OD could have avoided it by implementing CE activities.

Further research will be needed in this area. BP neither has an indirect effect on OD or BF. It could be inferred that the concept of CE is not well known as an indicator OD in Colombian companies. Nevertheless, and based on the results of this research, the more the Colombian companies implement I and CE activities, the better result they obtain on the performance of the companies. Other constructs can be included such as the management support on Innovation and the Corporate Entrepreneurial activities as well as the technological support for those activities. Regarding the diversification on products and services driven by Strategic Renewal, future research would be conducted by using a different sample which do not consider the companies that are, currently, under a restructuring process. Based on the results of this research, it can be inferred that the companies under restructuring process do not have the appetite to implement strategic planning process or even a Strategic Renewal activities. By using an unbiased sample with companies that are not facing any going concern issues, the result could be different.

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Appendix A: Informed Consent Form

I _____ holder of citizen's I.D. card

number _____ from _____ have been informed of the objective of the research study called "Effect of Corporate Entrepreneurship, Innovation and Strategic Renewal moderated by the firm size and sector, on Business Failure" which seeks to develop a conceptual framework. This study will be carried out by Felipe A. Janica Vanegas under the supervision of his advisor, Dr. Ruben Guevara.

My participation in this study is voluntary, and I can therefore withdraw my consent at any time without any detrimental effects, and the results of my participation, which can be identified as my own, will be returned to me or destroyed and removed from the research.

Similarly, I understand that the motive for the investigation is to study the effect of Corporate Entrepreneur Innovation and Strategic Renewal moderated by the firm size and sector, on Business Failure, for which purpose I will participate in an in-depth interview and that will last for about two hours, and where the researcher or the designated person will ask me questions about the subject under investigation. I understand that I can also refuse to answer these questions and can discontinue my participation at any time.

The information I provide will remain confidential and will not be published in any personally identifiable manner without my prior consent. A recorder and/or video cameras will be used during the interview or group session, and my answers will be transcribed with a code to protect my identity.

If there are any doubts, the researcher will answer any additional questions, at that time or over the course of the project.

Research signature: _____

Participant signature: _____ Date: _____

Appendix B: Form 1035GL

SORRY I AM NOT REALLY SURE WHAT THIS IS ? IS IT AN EY FORM FOR GOING CONCERN ? USED IN THE RESEARCH ? WHERE IS THE QUESTIONNAIRE ACTUALLY USED IN THE RESEARCH AND FOR THE PILOT ?

Entity name _____

Date of financial statements _____

When and how to use this form

Requirement for use: This form is REQUIRED for all audits when events or conditions are identified that cast significant doubt on the entity's ability to continue as a going concern.

When using this form, please make sure that the paragraph markers (¶) are hidden.

We conclude in the Conclusion section of the form, and document our conclusion in the VSE Planning and Completion form



Purpose

This form is used to document our procedures to meet the requirements of EY GAM to obtain sufficient appropriate audit evidence to conclude:

- ▶ Whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- ▶ Whether it is appropriate for management to prepare the entity's financial statements using the going concern basis of accounting.

Completion of this form addresses the EY Canvas task:

- ▶ Consideration of going concern

  Applicable methodology

Information produced by the entity

The preparation of management's supporting documentation is likely to rely on information produced by the entity (IPE). IPE is integral to our auditing of controls and performing our substantive audit procedures. The risks related to IPE are defined in the IPE topic and are to be addressed for IPE used in the execution of the procedures in this form. Consider using Form 265GL *Information produced by the entity* to support your documentation and/or include a cross reference to applicable workpapers.



Conclusion

When events or conditions have been identified, and we conclude that no material uncertainty exists

We identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We have obtained sufficient appropriate audit evidence to conclude that no material uncertainty exists and that the use of the going concern basis of accounting is appropriate.

(Select when applicable) **We consulted with the Regional PPD and documented the results of our consultation, because we gave serious consideration to whether a material uncertainty exists.**

With regard to disclosures:

(Select as appropriate)

No disclosures are required in the financial statements with respect to those events or conditions.

As required by the applicable financial reporting framework, adequate disclosures have been made in the financial statements with respect to those events or conditions.

Management has not provided adequate disclosures in the financial statements with respect to those events or conditions, as required by the applicable financial reporting framework. We have determined the effect on our auditor's report in accordance with the

applicable auditor reporting requirements, and consulted with the Regional PPD as required by the applicable Reporting Manual.

We documented in the *Summary review memorandum (SRM)*, our considerations and conclusion regarding the entity's ability to continue as a going concern.

When events or conditions have been identified, and we conclude that a material uncertainty exists

When we conclude that the going concern basis of accounting is not appropriate

Document additional considerations as needed:

--

We sign-off this form, including the above conclusion statement, in EY Canvas to evidence the preparation, review and approval of this form at the *Execution and Conclusion* phase of the audit as well as completion of the following EY Canvas task at this phase of the audit:

► **Consideration of going concern**

Documentation of results

When we make inquiries of management about the entity's ability to continue as a going concern, document their names and titles:

Name:	Title:	Date:






 Applicable methodology


Additional audit procedures when events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern


1. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, we perform the following additional audit procedures to determine whether or not a material uncertainty exists related to events or conditions that individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.

Our evaluation of going concern requires the exercise of professional skepticism by the audit team, especially when there are several events or conditions that may cast significant doubt, and includes consideration of mitigating and conflicting factors.



 Applicable methodology

Procedures	Document results of procedures here. Alternatively, cross refer to the applicable documentation:
a. If management has not yet performed an assessment of the entity's ability to continue as a going concern, request management to make its assessment.	
b. Document any additional facts or information that have become available since the date of management's assessment and determine their effect on our evaluation of whether or not a material uncertainty exists.	
<p>Evaluate management's plans for future actions in relation to its going concern assessment including whether management's plans are feasible in the circumstances and whether the outcome of these plans is likely to improve the situation.</p> 	
<p>c. If the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in assessing the future outcome of events or conditions in the evaluation of management's plans for future action:</p> <ul style="list-style-type: none"> ▶ Evaluate the reliability of the underlying data generated to prepare the forecast. ▶ Determine whether there is adequate support for the assumptions underlying the forecast. 	

Procedures	Document results of procedures here. Alternatively, cross refer to the applicable documentation:
<p>d. We challenge whether management has appropriately considered the measurement and classification of assets and liabilities in the financial statements.</p> 	
<p>e. Consider the adequacy of disclosures in the financial statements and whether they are in accordance with the applicable financial reporting framework.</p>	
<p>f. Request written representations from management and, when appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans.</p>	
<p>g. Communicate with those charged with governance the events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	
<p>Consider performing other audit procedures to obtain supporting audit evidence. If applicable, describe the audit procedures performed.</p>	

Procedures	Document results of procedures here. Alternatively, cross refer to the applicable documentation:
	



		efecto sólido en el Fracaso de Negocio (BF) en el sector de manufactura que sector de servicios?							
#	Dimensión	Ítem (pregunta)	Escala						
		La escala de respuesta va de 1 a 5, donde 1 es nada importante, 2 No importante. 3 no estoy seguro. 4 Importante. 5 Muy importante	1	2	3	4	5		
47	Sector o Industria de la empresa	¿Hasta qué punto la relación entre las actividades de Emprendimiento Corporativo (CE) asociadas con la Innovación (I) y el fracaso empresarial (BF) podría estar moderada por sectores, de modo que la Renovación estratégica (SR) podría tener un efecto sólido sobre el fracaso empresarial (BF) en el ¿Sector manufacturero que sector servicios?							



Appendix D

Research Paper accepted and published by a Scopus Q3 Journal

Jánica, F., Guevara, R, Hernández – Fernandez, L. (2019)



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