

Impact of Environments Condition on Corporate Entrepreneurship and Performance: Empirical study of Iranian SMEs

Hamed Armesh, Chong Chin and Wei G. Marthabnd

Graduate school of management, Multimedia University, Malaysia

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ABSTRACT

Modern business environments have two major features - Complexity and Uncertainty. These two characteristics can affect and create stress for young and small businesses. On one hand, remaining in such a competitive environment requires entrepreneurial capabilities, and on the other hand, aspects of corporate entrepreneurial behavior are also heavily influenced by the nature of their relations with the environment. Additionally, in recent years many more firms are looking to compete in the global market and engage corporate entrepreneurship. Therefore, it is essential to identify and analyze the environmental components. On the other hand, nowadays small and medium size enterprises play key role on economic and social growth and development process. These businesses due to having great share on national gross production, employment and reducing economic problems have crucial importance. Therefore, it is necessary for planners and policy makers to pay specific attention to this issue in order to take duly action for improving such institutes. Select volume sample it was benefit from Morgan sampling table, the number of 240 active small and medium size business managers persons were selected as volume sample, this study tries to find out the effect of Environments components and corporate entrepreneurship and performance in Iranian small and medium enterprises. Results of SEM indicated that environmental factors were effective regarding corporate entrepreneurship and performance.

KEY WORDS: Corporate Entrepreneurship, Organizational Factors, Environmental Factors, Organizational Performance, (Small and Medium Size Enterprises, SMEs)

INTRODUCTION

These days the world is full of ever growing evolution and advancement which influences our life either optionally or non-optionally and the societies are successful that benefit from skillful, expert, creative forces with high level of self-esteem; since, at the present time having creative and innovative work force at global level is regarded as origins for great evolution in the field of industrial, education and service affairs (Candida 2008). Entrepreneurship is regarded as a dynamic process consisting of goals, evolution, change and creativity; and this process requires application of human workforces and motivation in the way of creating new ideas and applied solution (Kuratko & Hodegetts 2007).

In fact, motives such as competition at global level, organization downsizing, reducing organizational level, quick advancement in the field of technology and etc ... forced corporate to develop entrepreneurship for increasing their survival (Russel& Kerry 2008). Results of research in recent decade show that corporate entrepreneurship is regarded as national benefit of countries. One of the main reasons of influencing such corporate entrepreneurship is dependency of economic development of countries to the following concepts including: independent entrepreneurship and corporate entrepreneurship that are complementary of each other i.e. countries by benefiting from independent entrepreneurship and corporate entrepreneurship have competitive and dynamic economy (Lupmkin et al 2006).

In fact, corporate entrepreneurship consists of following opportunities: 1) An organization under operating enters into a new business 2) Person or persons offer idea of establishing new corporate in the field of operational corporate 3) entrepreneurship philosophy governs over approach and operation of a corporate (Covin& Miles 1999). Corporate entrepreneurship may emerge through either formal or informal activities, establishment of new business, innovative products and market development. These activities may happen either through corporate, section, applied, project or common market goal in order to improve competition environment and financial performance (Zahra 2007).

Nevertheless, although the role of large industries and corporate is significant on economy of different countries, economy of developed countries is based on SMEs, generally such enterprises are established by entrepreneurs that generally don't have required money for developing their ideas and plans. This corporate plays a key role for developing advanced industries and employment and having high levels of flexibility compared to large enterprise (Kyaw 2008). Small productive enterprises have intangible assets; however, they generally have limited capital and resources to support the production and market and benefit from 4 factors (entrepreneurship, innovation, changing technology and dynamic industry) for creation of employment and

*Corresponding Author: Hamed Armesh, Graduate school of management, Multimedia University, Malaysia
Email: Hamed_dba@yahoo.com

increasing income due to global economy. The production market is changing continuously at global level and their ability for achieving and managing the rare resources is limited for staying survived. In spite of this limitation, the failure of SMEs these days is less than past (Kim et al 2008).

Studies show that performance of organizations dealing with human resource management is generally more appropriate than other organizations. SMEs, for achieving appropriate output require employing appropriate approaches and methods (Mayson & Barrett 2006). Thus, one of the most important factors that lead to development of such corporate and improving their performance is entrepreneurship. Nowadays, it is proved that SMEs benefit from corporate entrepreneurship advantages (Hayton 2005).

The Entrepreneurship Concept

The concept of Corporate Entrepreneurship (generally called Organizational Entrepreneurship or Entrepreneurship Activity) has been investigated for more than three decades. Researchers such as Peterson and Berge (1971), Pinchot (1985), Hanan (1976), were among the first ones who have suggested some definitions for this concept. Further, the Organizational Renewal Process was defined by Sathe (1985). In fact, Corporate Entrepreneurship can stimulate and encourage innovation inside organizations which are familiar with the nature of entrepreneurship. Simply, it requires developing their entrepreneurship activities within the organization. Entrepreneurship is not solely for new business development but also for other innovative activities and approaches such as developing products and services, new technology development, administrative techniques and business strategies. Corporate entrepreneurship research generally concentrates on two aspects: the factors related to the external context of the company and organizational-level internal factors. In researches related to Corporate Entrepreneurship, researchers applied different criterions for the conceptual modeling of Corporate Entrepreneurship.

Entrepreneurship is a driving force for modern economies and societal development through economical growth, generating employment and also promoting innovation (Bosma et al 2010, 2009). Corporate entrepreneurship refers to the process whereby an organization creates new business units or instigates renewal within that organization (Sharma and Chrisman 1999). To stimulate these entrepreneurial activities within an organization, it is necessary to build an adequate level of entrepreneurial orientation (Dess and Lumpkin 2005). Entrepreneurial orientation is related to corporate proactively and innovation as demonstrated by corporate processes, practices and activities. Proactively refers to the influential aspects of initiative, risk assumption and competitive aggressiveness - which are reflected in the actions of the organization's members (Lumpkin and Dess 1996). Innovation is defined as the tendency of an organization to adopt and support new experimental ideas and creative processes which can lead to development of new products and services.

The literature on corporate entrepreneurship has labeled two groups of corporate entrepreneurship antecedents: one group refers to the organization and the other to the external environment of a company. The most important result of corporate entrepreneurship is performance. One significant question is whether the direct effects of corporate entrepreneurship and its broader associations are more, less or equally important as the interactive impact of these elements on performance. The importance of congruence among the range of elements regarding the explanation and prediction of company performance, has been emphasized by a number of researchers in organizational design. (Burns and Stalker 1961, Woodward 1965, Lawrence and Lorsch 1967, Thompson 1967, Galbraith 1973 & 1977, Tosi and Slocum 1984, Nadler and Tushman 1992 & 1997, Antoncic & Hisrich, 2001, 2004, Zahra et al 2007, 2011).

Also the theoretical structure for a lot of researches related to entrepreneurship is dealt with most entrepreneurship processes such as ecology, demography or gradual evolution, equilibrium oriented, advance theory, normative theory as well as contingency theory (Aldrich 2004).

Contingency Theory is a behavioral concept that suggests there is no best way to organize a corporation, lead a company, or even make decisions. Instead, the primary course of action is dependent on the internal and external situation. Several contingency strategies were developed simultaneously in the late 1960s.

Contingency Theory attempts to connect research to many management variables, such as the corporate entrepreneurship link and company performance. It may provide results by exploring contingent relationships. For instance, Covin and Slevin (1988) examined the relationship between organizational parts and company performance. The environmental aspect was also investigated small firms in a holistic environment were able to obtain a higher performance ratio (Covin & Slevin 1989).

Measurements of Entrepreneurship

In studies of corporate entrepreneurship, field scientists have always used two ways for measuring desire/ambition and entrepreneurial activities. The solution, called ENTRESALE, was first used in 1977 (Khandwalla 1977). Finally Knight (1997) used it to test the validity and reliability of multicultural companies. This scale is used to measure the level of the general desire of organizations to execute entrepreneurial actions. The second scale was invented and developed by Zahra with the purpose of measuring corporate entrepreneurship (Zahra 1991, 1993, 1995, 2000, 2002, 2005, 2007). Measurements of an organizations

participation in corporate entrepreneurial activities (such as risk actions and innovation) are considered as the characteristics of this scale. Luo et al (2006) used a scale for corporate entrepreneurship consisting of three dimensions: pioneering, risk taking and innovation.

Wang and Li (2006), in their research on Chinese companies, divided corporate entrepreneurship into three areas: innovation, pioneering and self-renewal. They designed a questionnaire with 21 components and its reliability and validity was confirmed. Antoncic and Hisrich, (2000, 2001, 2002) emphasized using a combination of methods for measuring the concept of corporate entrepreneurship. Two researchers, in their numerous studies, used a scale introduced by Zahra that measures a combination of three-dimensional factors (measuring entrepreneurs and entrepreneurial actions), and a scale that uses the five-dimensional factors of Lampkyn & Des(measuring entrepreneurial desire). Antoncic and Hisrich (2000, 2001, 2002) by combining these two scales reached a new method for measuring the concept of corporate entrepreneurship, including three dimensions of innovativeness - proactiveness, new business venturing and self-renewal. There is no doubt that the concept of corporate entrepreneurship primarily requires identifying entrepreneurial companies. This can be done by extraction, definition as well as a component of corporate entrepreneurship.

Antecedent and Corporate entrepreneurship

The literature on corporate entrepreneurship has labeled two groups of corporate entrepreneurship antecedents: one group refers to the organization and the other to the external environment of a company. The most important result of corporate entrepreneurship is performance.

Environment characteristics of corporate Entrepreneurship:

Expanding is becoming more complex and competitive in business due to globalization, trade, rapid growth of technology, diversity, short-life of products, and changing customer needs and it has attracted the attention of many researchers to study the business environment and its effect on organizational performance. Various scientists and researchers have focused on the effect of environmental and organizational characteristics such as Structure on Performance - and have confirmed the importance of this subject. Researchers such as Bettis & Hitt – 1995, D’Aveni – 1994, Emery & Trist -1965, Hamel & Prahalad -1994, McCann & Selsky – 1984, Sampler – 1998, Terreberry – 1968, Thurow – 1995, Toffler – 1970, have studied the relationship between the environment and organizational performance. Moreover, many scientists have analyzed the existed relationships between environmental aspects and organizational performance (Bettis & Hitt – 1995, D’Aveni – 1994, Emery & Trist – 1965, Hamel & Prahalad – 1994, McCann & Selsky – 1984, Sampler – 1998, Terreberry – 1968, Thurow – 1995, Toffler - 1970). Internal environment is critical for the success of Corporate Entrepreneurship (CE), (Peng – 2000, Zahra et al - 2007).

Many pioneering organizations in the business could overcome environmental challenges through development and deployment of strategies based on entrepreneurial activities. Hence, the study of relationship between various dimensions and environmental factors that is reinforced by policies implementing entrepreneurial behavior in organizations, can be a guide for company’s success in the modern business environment (Zahra, 2007).

Kerry & Russel (2008) stated that the Entrepreneurial environment consists of macro-economic factors, cultural aspects, social factors and political support, which stimulate the tendency of company members to engage in entrepreneurial activities, revealed that environmental factors such as credit funds, loans, access to markets, and governmental rules, have the strongest effect on entrepreneurship. Results of research in Nigeria showed that governmental policies – as an environmental factor - had significant negative effects in developing female entrepreneurship (Okafor&Mordi 2010).

Results of research studying the effective environmental factors on entrepreneurship in India suggested that factors such as legal structure, market conditions, access to financial resources, R & D, technology related factors, physical infrastructure, entrepreneurship abilities and entrepreneurship culture were most effective compared to others. Additionally, international economic factors and conditions also have a key role (Kshetri 2011). Environmental conditions of the domestic market may affect performance of a company in abroad (Hitt, Hoskisson& Ireland 1994, Porter 1990).

Research in Malaysia suggested that firstly, entrepreneurial attitude has a positive influence on the performance of a company, whereas market direction has a negative influence on the performance of a company. Environmental factors play a mediating and balancing role in this context (Hassim et al - 2011). Moreover, the relationship between corporate entrepreneurship (as an independent variable) and the organizational performance (as a dependent variable) and the study of the effect of intermediate variables like external environmental factors and organizational relationships have been highlighted by researchers of this field. Few studies up to this date have achieved a model of corporate entrepreneurship (Antoncic&Hisrich 2004).

Results of specific studies show that environmental characteristics such as dynamism, technological opportunities, demand for new products and competitive rivalry, have had positive effects on corporate

entrepreneurship and organizational performance in the industrial sector of the US and Slovenia (Antoncic & Hisrich 2001).

Theory and hypothesis development

Hypotheses development is discussed in terms of the relationship between environmental factors and corporate entrepreneurship and performance as well as the influence of corporate entrepreneurship on performance.

Environment condition and corporate Entrepreneurship

Corporate entrepreneurship is influenced by environmental factors and is regarded as preventive and progressive factor. Corporate Entrepreneurship is also influenced by factors in a firm's external environment (Miller – 1983, Khandwalla – 1987, Covin & Slevin – 1991, Zahra - 1991, 1993, Badguerahanian & Abetti – 1995, Antocic and Hisrich, 2001:2004).

Environmental dynamism

This dimension refers to the continuity of changes in an organizational environment - arising from technological progress, competitive rivalry, regulatory developments and the other similar forces. According to Miller and Friesen (1982), this definition emphasizes the persistence of change in the environment, rather than the stability of change rate per se. Dynamism creates opportunities for an organization within its existing markets or in adjacent fields. A firm may set up a new niche in its existing market and then modify its products and processes. Or it may relocate an attractive niche outside its current markets by expanding the scope of its markets or by embarking new product or process ventures. Dynamism prompts a company to exploit opportunities in current or new markets (Zahra and Ellor 1993). In their study, Wiklund and Shephrad (2005) realized that environmental dynamicity modifies the relationship between entrepreneurial tendencies and the performance of companies - and as the rate of environment dynamicity increases, the relationship between two variables becomes more significant.

Technological opportunities

The availability of technology is another organizational aspect affecting corporate entrepreneurship, also provides and promotes the level of entrepreneurial and innovative activities in organizations and moreover impacts the organizational performance (Gantsho 2006). Applying new technology helps the organizations to extend the organizational boundaries, and provides a basis for prosperity of ideas from different sources (O'Hara-Ddeveraux & Johansen 1994, Scharge 2000, Thomke 2001). According to Hayton et al. (2002) countries differ in their commitment to risk taking, alliance formation, venturing innovation, and R&D spending. These differences might influence the strategic choices, companies make for research and development investments.

Environmental Complexity

In new economic situations characterized by dynamism and complexity, firms should develop new responses in order to survive and become prosperous. In such contexts, firms' corporate entrepreneurship activities have a remarkable importance and are becoming a good opportunity for wealth creation (Phan, Wright, Ucbasaran & Tan 2009, Zahra, Filatotchev & Wright 2009).

The main element related to environmental fluctuations is the dominant complexity of the business environment. Perhaps, such complexity comes from the diversity of the needs from different groups of customers and effects the corporate entrepreneurship and organizational performance (Miller 1983, Miller & Friesen 1982, Zahra et al 2000). Environmental complexity results from several pressure factors in an organization. These can happen simultaneously - factors like the increase of the number of organizations in an industrial area, the increase in the level of changes, technology and the rate of its development in an industry, and so on (Ayadurai 2005).

Demand for New Products

Other munificent environmental characteristics are perceived industry growth and the increased demand for new products. Zahra (1993) suggested that the perceived decline of an industry would force companies into intensive renewal activities. Growth of markets, on the other hand, offers incentives that lead to increased entrepreneurial activities. Accordingly, high market growth areas were recommended for corporate start-up success (Hobson and Morrison 1983).

Companies should define their business portfolio, create effective scanning systems to monitor market changes, and develop appropriate structures for new ventures. A strong demand-pull incentive forces executives to modify the reward and communication systems in order to speed up the introduction of new products into the

market (Zahra and Ellor 1993). These changes increase self-renewal activities, as well as increase corporate entrepreneurship, and will positively affect organizational performance (Antonic & Hisrich 2001, 2004).

Strategic Renewal

These days, strategic planning and renewal are the significant issues in organizations. Many researchers and executives have argued that strategic planning is essential for businesses in every size. Crawford and Ibrahim (1985), explain that strategic planning is the process by which an owner/manager of a small business systematically evaluates organizational capabilities, opportunities and risks in the current environment for carrying out the intended objectives successfully.

Zahra et al (2001), state that fast growing companies are more likely to be involved in strategic planning compared to their slower growth counterparts. Kellermanns and Eddleston (2006), state that strategic planning is similar to corporate entrepreneurship.

Strategic entrepreneurship (SE) is an integrated part of the strategy and entrepreneurship fields (Ireland et al 2003) - so to address the management issue of chasing new business opportunities while simultaneously exploiting current organizational factors strengths, in order to increase the value for the company and its shareholders. SE thus refers to capitalizing on both opportunity-seeking activities, which inherently define entrepreneurship, as well as advantage-seeking activities demanded by strategic planning (Ketchen et al 2007).

Firm-level entrepreneurship in established businesses is achieved from a greater resource base than start-ups, but established firms' entrepreneurial capacity for innovation, risk-taking and proactivity is often constrained by their structures, systems and processes instituted during the formalization and growth of the firm. Therefore, established firms need cultivate their entrepreneurial competence through CE (Kyrgidou and Hughes 2010).

The external environment has historically been viewed as a determinant of entrepreneurial activity in both the individual as well as the organizational level (Covin and Slevin, 1991). Researchers building contingency models (Zahra, 1991; Russell and Russell, 1992; Naman and Slevin, 1993; Zahra and Covin, 1995; Antonic and Hisrich, 2001) or using frameworks (Badguerahanian and Abetti, 1995) to explain and predict corporate entrepreneurship and its outcomes tend to incorporate, in addition to internal variables; there exist a set of external environmental variables. In terms of influencing corporate entrepreneurship, the external environment is an important determinant (Miller, 1983; Khandwalla, 1987; Covin and Slevin, 1991; Zahra, 1993a; Zahra and Covin, 1995; Dess et al., 1997). Certain environmental characteristics, such as dynamism, technological opportunities, and demand for new products may cause firms to engage in entrepreneurial behavior.

Contingency Theory attempts to connect research to many management variables, such as the corporate entrepreneurship link and company performance. It may provide results by exploring the contingent relationships. For instance, Covin and Slevin (1988) examined the relationship between organizational parts and company performance. The environmental aspect was also investigated. Small firms in a holistic environment were able to obtain a higher performance ratio (Covin & Slevin 1989). Research clearly shows that internal organizational factors influence the corporate entrepreneurship activities that a company pursues. In short, despite lack of literature on Iranian SME's, it seems that the same structure would be applicable in Iran as well and with adding one independent variable to framework (environment complexity) we will know which factors have a higher impact on CE and which one has a lower impact on CE. Only two studies have been conducted and examined the effect of both environmental characteristics on CE and organizational performance, (Antonic and Hisrich, 2001, 2004), so because of important direct and indirect effects of environmental characteristics on CE in Iranian SMEs, the researchers will be encouraged to investigate about this case. Therefore it can be argued that:

H 1: There is a significant relationship between environmental characteristic and corporate entrepreneurship in small and medium size enterprises of Iran:

Entrepreneurship will be positively associated with:

H1 A: Increased dynamism;

H1B: Increased technological opportunities;

H1 C: Increased demand for new product

H1D: Environmental complexity

H1 E: strategic orientation

H1 F: technological opportunities

Environment condition and organization performance

Within these day's competitive environments, recognizing environmental factors has a key role related to performance and success of organization. Through recognizing these factors, the required grounds for making ambitious decision is prepared and performances are facilitated and organizations are able to carefully and exactly compare their status with status of similar organizations at national and international level and improve their future continuously. In many different researches, the relationship between environmental factors and

organizational performance is studied and existence of such relationship is confirmed such as: (Russel& Kerry, 2008 ;Mansor& Mat, 2010 ;Hassim et al., 2011 ;Hitt et al., and 201).

Only two studies were developed and examined the effect of both environmental and organizational characteristics on CE and organizational performance,(Antoncic and Hisrich, 2001,2004), as well as mediating effect of CE between organizational factors and organizational performance will be analyzed and through this research we know that which organizational and environmental factors have a higher or lower or no impact on OP and in this regard, because of important direct and indirect effects of environmental characteristics related to OP in Iranian SMEs , the researchers will be encouraged to investigate about this case

H 2: There is significant relationship between environmental characteristic and organization performance (growth and profitability) in small and medium size enterprises of Iran:

H3 A: Increased dynamism;

H3B: Increased technological opportunities;

H3 C: Increased demand for new product

H3D: Environmental complexity

H3 E: strategic orientation

H3 F: technological opportunities

Corporate Entrepreneurship and organization performance

Corporate entrepreneurship has been defined as an important element of successful organizations (Peters and Waterman, 1982; Kanter, 1984; Pinchot, 1985; Thornhill and Amit, 2001; Miles and Covin, 2002; Heidemann Lassen, 2007) since it has its consequences for organizational survival, growth and performance. (Hornsby,et al,1993,Antoncic and Hisrich , 2001,Lumpkin and Dess, 1996,Zahra .et al 2005).

Improved organizational results, usually in terms of growth and profitability are thought to be the outcome of entrepreneurship in established organizations (Covin and Slevin, 1991). Corporate entrepreneurship is assumed to be a part of successful organizations (Peters and Waterman, 1982; Kanter, 1984; Pinchot, 1985) and was found to be related to growth and profitability (Covin and Slevin, 1986; Zahra, 1991, 1993a; Zahra and Covin, 1995) of large firms. It was found to be a good predictor of growth of small firms (Covin, 1991), of performance in hostile environments of small firms (Covin and Slevin, 1989), and of growth of US health care firms (Stetz et al., 1998).

Corporate entrepreneurship was realized to be related to the growth of Slovenian and US established firms of various sizes and from various industries, and to profitability of Slovenian, but not American firms (Antoncic and Hisrich, 2001). Morris and Sexton (1996) found a significant positive relationship between entrepreneurial intensity and increased growth, but not lead to increase of profitability of US firms. Other studies (Zahra and Covin, 1995; Wiklund, 1999) discovered that entrepreneurial orientation of firms tends to have sustainable (long-term) effects on growth and financial performance, in addition to short-term effects.

According to pervious research they argued for suitability of a contingency framework for analyzing the relationship between corporate entrepreneurship and organization performance.

In fact, Zahra (1991) observed a lack of compelling empirical evidence on the contributions of corporate entrepreneurship to organizational performance, a factor that raised concerns that corporate entrepreneurship may become just another managerial fashion. Even though some research has attempted to fill this gap in the literature (Covin and Slevin, 1991; Zahra and Covin, 1995), there is still much more to be learned about the substance and process of corporate entrepreneurship. Using SEM show that which components have effect on EC and OP and which of them have higher effect and which of them have a lower effect. Therefore as the other context, Iranian SMEs are selected to examine such relationship in that environment. Thus it is assumed that:

H3: The extent of corporate entrepreneurship will be positively related to organizational performance in terms of: (a) growth; (b) profitability at small and medium sized enterprise in Iran.

METHODOLOGY

The research methodology will be discussed in term of sampling and data collection as well as measurement instrument and data analysis.

Sampling and data collection

This research with respect to its purpose is regarded as applied research and with respect to data collection is regarded as survey research. Statistical universe of this research is all managers of SMEs in Sistan Balouchestan province that are 326 individuals. Among this number by using Morgan table and classification sampling method, 240 participants were selected that each of them were assumed as a class in compliance with volume of society in each city. In order to collect data, after studying literature review, a questionnaire was prepared. Then in order to collect data, in the cities capable of conducting face-to-face meeting, the

questionnaire was delivered and completed by attendees and for other regions, the questionnaire was either sent through email or post. In order to achieve sample size, nearly 280 questionnaires with cover letter was distributed among respondents; in which, 40 questionnaires were not returned or consisted untrue information and finally 240 correctly completed questionnaires were collected. In fact return rate of questionnaires was nearly 84.6%.

Measurement Instrument:

Research tool was the questionnaire prepared by researcher. The first section of questionnaire dealt with studying personal and professional characteristics of specific respondents and through this way the following aspects were investigated including: age, marital status, age, education, job, current organizational position, record and previous job and title of previous job. The second section of questionnaire dealt with components of corporate entrepreneurship consisting of 4 variables including: innovation (5 structures) self-renewal (5 structures) pioneering (3 structures) new business venturing (4 structures). This scale was extracted from research by Zahra 2005, Antoncic&AntonicZon 2003 and Hisrich 2001.

In studies of corporate entrepreneurship, field scientists have always used two ways for measuring desire/ambition and entrepreneurial activities. The solution, called ENTRESCALE, was first used in 1977 (Khandwalla 1977). Finally Knight (1997) used it to test the validity and reliability of multicultural companies. This scale is used to measure the level of the general desire of organizations to execute entrepreneurial actions. The second scale was invented and developed by Zahra with the purpose of measuring corporate entrepreneurship (Zahra 1991, 1993, 1995, 2000, 2002, 2005, 2007). Measurements of an organizations participation in corporate entrepreneurial activity (such as risk actions and innovation) are considered to be characteristics of this scale. Luo et al (2006) used a scale for corporate entrepreneurship consisting of three dimensions: pioneering, risk taking and innovation.

Wang and Li (2006), in their research on Chinese companies, divided corporate entrepreneurship into three areas: innovation, pioneering and self-renewal. They designed a questionnaire with 21 components and its reliability and validity was confirmed. Antoncic and Hisrich, (2000, 2001, 2002) emphasized using a combination of methods for measuring the concept of corporate entrepreneurship. Two researchers, in their numerous studies, used a scale introduced by Zahra that evaluates a combination of three-dimensional factors (measuring entrepreneurs and entrepreneurial actions), and a scale that uses the five-dimensional factors of Lampkyn & Des (measuring entrepreneurial desire). Antoncic and Hisrich (2000, 2001, 2002) by combining these two scales reached a new method for measuring the concept of corporate entrepreneurship, including three dimensions of innovativeness - proactiveness, new business venturing and self-renewal.

There is no doubt that the concept of corporate entrepreneurship primarily requires identifying entrepreneurial companies. This can be accomplished with extraction, definition as well as a component of corporate entrepreneurship. According to Antoncic et al, performance was measured based on growth and profitability in absolute and relative terms (Antoncic and Hisrich 2001). In this respect, absolute growth includes the average annual growth in the number of employees and sales in the last three years. On the other hand, relative growth deals with growth in the market share (Chandler and Hanks 1993) in the last three years. Absolute profitability includes average annual return on sales (ROS), average return on assets (ROA), and average annual return on equity (ROE), in the last three years.

In addition, while relative profitability consists of a subjective measure of firm performance in relation to competitors (Chandler & Hanks 1993) and its expansion (Antoncic and Hisrich 2001, 2004), it refers to the company's profitability in comparison to all competitors, as well as to competitors that are in same age and stage of development. Further data collected on companies' income, rate of return of income, and rate of return on assets, shall be compared for every single SME to find out the relationship between CE, profitability and growth.

In order to measure characteristics of an effective environment factor on entrepreneurial activities, we should use assessment instruments used in previous studies, conducted by Hornsby et al (1990), Kuratko et al (1993), Hornsby, Kuratko, Zahra (2002) and Zahra (2007, 2010) and others. Finally, the last three components of the internal environment were extracted from previous research (Gantsho 2006).

This section deals with dynamism (7 structures) originated from studies by Zahara, Lumpkin et al 2006, Morris and Kuratko 2002, Lumpkin and Dess 1996, Sh, et al 2005, access to resource (5 structures) originated from studies by Lumpkin and Dess 1966, Zahra et al 2005, Lumpkin et al 2006, complicity (3 structures) originated from studies by Kuratko et al 1993, Honrsby et al 1990, Hornsby, Kuratko, Zahra 2002, technological opportunities (3 structures) originated from studies by Kathuria et al 1990, Lerner& Haber 2010, Okafor&Mordi 2010, demand for new product (4 structures) originated from Rogoff et al 2004 strategic tendencies (4 structures) originated from studies by Ahmed Khan et al 2005.

Data analysis

Data was analyzed by using Amos software and benefiting from structural equation model. In this research it was applied from related fit index including: χ^2 , RMR, Normed Fit Index, Incremental Fit Index

(NFI), Comparative Fit Index (CFI) Goodness-of-Fit (GFI) and Root Mean Square Error of Approximation (Joreskog & Sorbom). In order to study whether a model has appropriate performance compared to other models it was applied from following fit models including: Goodness-of-Fit (GFI) Normed Fit Index (NFI), Incremental Fit Index (IFI) and Comparative Fit Index (CFI).

SEM is known by several names such as path analysis, covariance structure analysis and latent variable analysis. Generally, SEM is a statistical methodology that uses a confirmatory, rather than an exploratory, approach for data analysis of a structural theory (Byrne, 2001). There are several distinguished characteristics of SEM which support the utilization of SEM in this study. First, SEM incorporates the strengths of multiple regression analysis, factor analysis and multivariate ANOVA (MANOVA) in one model that can be assessed statistically and simultaneously (Hair *et al.*, 2010; Hoyle & Smith, 1994). Second, SEM has an ability to represent both observed (measured) and unobserved (latent) variables in the relationships and correct the measurement error in the estimation process (Hair *et al.*, 2010). Third, SEM allows directional predictions among a set of independent or a set of dependent variables as well as evaluates modeling of indirect effects (Hoyle & Smith, 1994). Fourth, researchers could obtain the overall measures of model fit using SEM (Peyrot, 1996). According to Anderson and Gerbing (1988), a two-step modeling approach was employed for modeling the data in this study. The first step involves the development of measurement models using CFA to attain the best fitting group of items to represent each scale. The second step performs the specification of the structural model. For the first step, the measurement model specifies how the latent variables are measured in terms of the observed variables. For the second step, the structural model specifies the causal relationships among the latent variables, describes the causal effects and the amount of unexplained variance.

Findings

A simplified form of the model depicting hypothesized relationship is indicated in Figure 1.

In this study Discriminant and convergent Validity has been tested for environmental factors and corporate entrepreneurship as well as performance in this study, AVE is more than 0.5. Furthermore all factors loading are above 0.5 for this construct and Maximum Shared Variance (MSV), and Average Shared Variance (ASV) should be below AVE. In this study MSV and ASV are below AVE. AVE for each construct is more than each of the squared correlation between two constructs. Therefore, discriminant validity is adequate for corporate entrepreneurship and environmental factors as well as performance just for the square root of the AVE for dynamic is less than one the absolute value of the correlations with another factor. Reliability: the CR for dynamic is less than 0.70. Convergent Validity: the AVE for dynamic is less than 0.50. Discriminant Validity: the AVE for dynamic is less than the MSV. The individual validity has been tested for all environment conditions, The results indicated that goodness-of-fit indices such as the GFI, CFI, and IFI significantly pass the cutoff value (0.9). In addition, the RMSEA was below (less than 0.08), which fell between the recommended range of acceptability.

The structural equation with standardized coefficients is shown in Table 2.

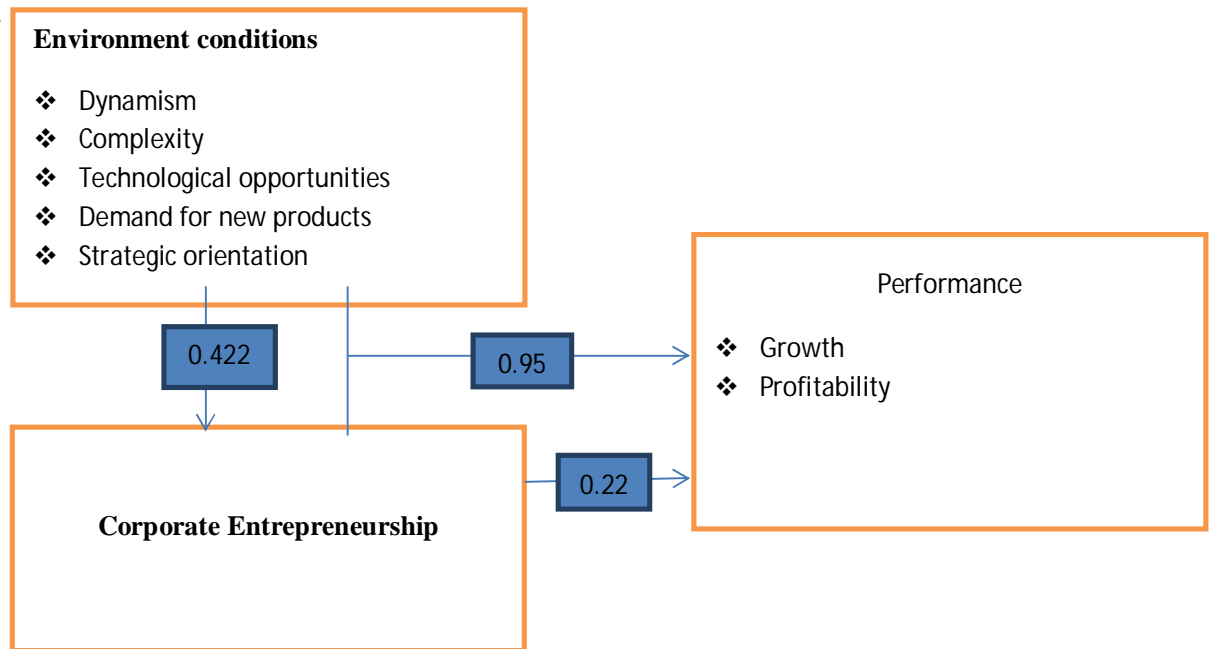


Figure 1. Model of corporate entrepreneurship and performance

Hypotheses testing

Three sets of hypotheses were tested –the direct impact of environmental condition on corporate entrepreneurship as well as the direct and indirect effect of environmental condition on performance.

Environment condition and corporate entrepreneurship: The first set of hypotheses is about the direct relationship between environmental conditions and corporate entrepreneurship. As indicated in table 2,

Based on the result of this study the relationship between dynamicity and entrepreneurship was significant and positive (B=0.351, p<0.05). The relationship between complexity and entrepreneurship was not significant (B=0.073, p>0.05). The relationship between technological opportunity (ED) and entrepreneurship was significant (B=0.390, p<0.05). The relationship between demand for the new product (EE) and entrepreneurship was significant (B=0.447, p<0.05). Furthermore, the relationship between strategic orientation (EF) and entrepreneurship was significant (B=0.299, p<0.05).

Environmental conditions and organizational performance: The second set of hypotheses examined impact of environment conditions on performance in this model. In addition, the relationship between dynamicity and organizational performance was significant (B=0.283, p<0.05). Furthermore, the relationship between complexity and organization performance was significant (B=0.122, p<0.05). Moreover, the relationship between technological opportunity and organizational performance was significant (B=0.350, p<0.05). The relationship between demand for the new product (EE) and organizational performance was significant (B=0.296, p<0.05). The relationship between strategic orientation (EF) and organizational performance was significant (B=0.264, p<0.05).

Corporate Entrepreneurship and performance: The final set of hypotheses is about the direct relationship between corporate entrepreneurship and firm performance (growth, profitability).

There is a significant relationship between entrepreneurship and organizational performance. (B=0.226, p<0.05) with 22 percent ability to predict.

Figure Error! No text of specified style in document.: Standard estimate for final model

Items	B	S.E	β	C.R	P value
Organization Performance <--- Entrepreneurships	0.409	0.185	0.226	2.204	0.028
Business venturing (BD) <--- Entrepreneurships	0.999	0.141	0.617	7.067	***
Self-renewal (BB) <--- Entrepreneurships	1.582	0.208	0.904	7.609	***
Innovative (BA) <--- Entrepreneurships	1.498	0.178	0.796	8.419	***
Profitability (FC) <--- Organization Performance	0.988	0.081	0.763	12.134	***
Growth (FD) <--- Organization Performance	0.755	0.088	0.598	8.540	***
Importance level of performance components for your organizational unit (FB) <--- Organization Performance	1.036	0.087	0.820	11.951	***
Entrepreneurships <--- ENV	0.163	0.100	0.422	1.628	0.103
Organization Performance <--- ENV	0.592	0.173	0.367	3.414	***
Technological opportunity (ED) <--- ENV	3.214	0.655	0.827	4.905	***
Demand for New Product (EE) <--- ENV	1.426	0.340	0.623	4.201	***
Strategic Orientation (EF) <--- ENV	2.924	0.609	0.825	4.801	***
Dynamicity (EA) <--- ENV	2.754	0.610	0.730	4.513	***

*=0.01 **=0.05 ***=0.001

Table Error! No text of specified style in document.-1: Sub dimension of each dimension

Items	B	S.E	β	C.R	P value
Entrepreneurships <--- Dynamicity (EA)	0.148	0.032	0.351	4.612	***
Organization Performance<--- Dynamicity (EA)	0.199	0.040	0.283	4.979	***
Entrepreneurships <--- Complexity (EC)	0.036	0.032	0.073	1.149	0.251
Organization Performance<--- Complexity (EC)	0.100	0.041	0.122	2.443	0.015
Entrepreneurships <--- Technological Opportunity (ED)	0.187	0.038	0.390	4.949	***
Organization Performance <--- Technological Opportunity (ED)	0.287	0.047	0.350	6.047	***
Entrepreneurships <--- Demand for the new product (EE)	0.250	0.045	0.447	5.495	***
Organization Performance<--- Demand for the new product (EE)	0.263	0.054	0.296	4.864	***
Entrepreneurships <--- Strategic Orientation (EF)	0.128	0.032	0.299	4.049	***
Organization Performance<--- Strategic Orientation (EF)	0.202	0.043	0.264	4.712	***

*=0.01 **=0.05 ***=0.001

Limitation of research

The researcher for performing each research is faced with several impediments and problems that may be different depending on conditions of region, type of research and methodology. This thesis attempts to solve these impediments Time& Financial Limitations: Whereas it shall be performed within specific time Naturally one of the main problems of research was limited time and finance which required exact planning Broadness of Universe: Sistan Balouchestan as one of the greatest provinces of Iran has several cities. Whereas sample size of this research was total available jobs in this province, in general accessing to them was impossible; in which, this problem rose while collecting data and in order to solve this issue the research team applied email for easy access to respondents. Especially most of them are refused to give real data which were related to income and

wealth. Lack of cooperation of participants for completing questionnaire: Some people due to negligence from topic of research did not have enough self-esteem or interest to complete it; in which, researcher for having access the volume of required used more people and distributed more number of questionnaires.

DISCUSSION AND CONCLUSIONS

In the final section the findings are summarized, contributions and implication are discussed, future research opportunities are mentioned and conclusion is drawn.

Summary of findings

This study tries to demonstrate the effect of Environments components and corporate entrepreneurship in Iranian small and medium enterprises. Results of SEM indicated that environmental factors were effective regarding corporate entrepreneurship except environment complexity.

Based on fit indices, it can be said that the structural model designed for corporate entrepreneurship model was acceptable and valid in terms of the relationships between structures, and the constructions use for measuring the model showed reasonable adaptability with its factor infrastructure. Accordingly, it can be said that the corporate entrepreneurship model presented and approved in this study is acceptable as an indigenous model with respect to the current status of the active companies in Iran and can be presented and exploited regarding the specific qualities and conditions of such businesses.

Small and medium size enterprises are strongly influenced by organizational factors and these factors may have either positive or negative influence on developing entrepreneurship. If environment is not compatible with entrepreneurship activity, it is regarded as the greatest impediment for developing entrepreneurship; meanwhile, a supportive environment encourages entrepreneurs for searching to find new business, coping with ever changing environment and organizational factors are regarded as the most important factors for determining either success or failure of developing entrepreneurship. This study also confirmed previous research result in term of positive relationship between environmental factors and corporate entrepreneurship. Hornsby, et al (1993) ,Antonic and Hisrich ,(2001), Lumpkin and Dess,(1996) ,Zahra .et al (2005).

This study tries to define the effects of environmental factors and organization performance (growth and profitability) in Iranian small and medium enterprises. (SMEs). However, another finding of this research is demonstrating the relationship between environmental factors variables, and organizational performance with respect to level of literacy and organizational growth it was revealed that there is significant relationship between this variable and organizational performance. Results of SEM indicated that environmental factors were effective regarding organizational performance and the respective research hypotheses were approved.

Based on fit indices, it can be said that the structural model designed for corporate entrepreneurship model was acceptable and valid in terms of the relationships between structures, and the constructions used for measuring the model showed reasonable adaptability with its factor infrastructure. Accordingly, it can be said that the corporate entrepreneurship model presented and approved in this study is acceptable as an indigenous model with respect to the current status of the active companies in Iran and can be presented and exploited regarding the specific qualities and conditions of such businesses.

Within today's competitive environments, recognizing organizational factors has a key role on performance and success of organization. Through recognizing these factors, the required grounds for making ambitious decision is prepared and performances are facilitated and organizations are able to carefully and exactly compare their status with status of similar organizations at national and international level and improve their future continuously. Within different researches, the relationship between environmental factors and organizational performance is studied and existence of such relationship is confirmed such as: (Russel& Kerry, 2008 ·Mansor& Mat, 2010 ·Hassim et al., 2011 ·Hitt et al., 2011).

This study tries to define the effect of corporate entrepreneurship and organizational performance (growth and profitability) in Iranian small and medium enterprises. (SMEs). Results of structural equation model revealed that the relationship with corporate entrepreneurship is effective on organizational performance and the research hypothesis was confirmed. In addition, this study confirmed the relationship between organizational performance, environmental factors, organizational factors and corporate entrepreneurship. Also the fitting index structural designed model for corporate entrepreneurship is acceptable and valid for fitting and studying relationship between variables. Therefore, it is possible to say that the Corporate Entrepreneurship model offered here is confirmed and according to status of available active enterprises in Iran, this model is accepted as the native model and in compliance with properties and specific conditions so such businesses are acceptable and applicable both.

This study also confirmed previous research results in terms of positive between CE factors and OP and many researchers confirmed this relationship. Corporate entrepreneurship activities can reinforce their relationship with firm performance. We propose that a firm involved in corporate entrepreneurship will perform even better if it acquires knowledge from inter-organizational relationships. Contingency studies have shown

that rich knowledge-based resources and high network capacity are the most effective factors for translating entrepreneurial activities into superior performance (Walter et al., 2005; Wiklund & Shepherd, 2003).

Corporate technological entrepreneurship and Performance Growth and profitability are performance elements that can be considered as the important consequences of corporate entrepreneurship. Corporate entrepreneurship has been known as the important element of successful organizations. (Peters and Waterman, 1982; Kanter, 1984; Pinchot, 1985; Thornhill and Amit, 2001; Miles and Covin, 2002; Heidemann Lassen, 2007) since it has its consequences for organizational survival, growth and performance (Kazanjian et al., 2001; Antoncic and Hisrich, 2001, 2004).

Contribution and Implications

In this section, contributions and implications of the study will be presented both theoretically and practically, and new horizons which are opened in this field, will be explained.

Perhaps, the above point is the first main theoretical contribution of the present, besides approving previous models. On the other hand, although several studies may have conducted on corporate entrepreneurship and the factors influencing it in Iran and/or other countries, they have not been so much focused on the effect of organizational components and environmental factors systematically. Generally in Iran, even less attention is drawn to the effect of these two factors. And, in most studies, only the effect of individual characteristics is considered. But as mentioned before, here, the effect of these important factors is discussed with respect to the components composing each one of them.

Another theoretical contribution of the present study is to define the unique components and variables added to the variables developed in previous models and it is richer in this regard. In the model of Antoncic and Hisrich (2001) regarding the effective environmental factors on corporate entrepreneurship, components such as environment's dynamicity, technological opportunities, demand for new product and competitiveness were implied. In this study, components such as environment's complexity were also considered; In addition to the above mentioned points, using SEM through AMOS in this study is a highly effective and suitable method for data analysis and defining unobservable and observable existing relationships, and testing the model which in previous comprehensive research was done by Antoncic and Hisrich that they used ESM by means of EQS. This study will help policy makers, investors and entrepreneurs to make better decision-making, for future investment with considering and applying all effective organization factors which are necessary for emerging new established companies and helping to stay valid and competitive in domestic as well as global market. Also identifying weakness and strength of company as well as increasing profitability and gain from global market will be accomplished. As we have witnessed in other countries especially developed countries increasing a number of SMEs in all sectors especially in industrial sector will lead to job creation, reducing poverty, increasing export and decreasing import as well as increasing GDP of country and faster growth and development of countries especially among developing and less developing countries.

Future research opportunities

Considering the process and results of the study, we can make suggestions for further studies in this area some of which will be implied below:

Conducting Comparative Studies with Other Countries

This study was conducted in Iran so the results are based on the conditions of this country. While by conducting comparative studies with other countries including developing ones, it is possible to identify the weaknesses and strengths of each of them.

Conducting Longitudinal Studies

However, this study was carried out in a certain and special time interval. While conducting a longitudinal study can show the influence of effective factors better in a longer time and present more negotiable findings.

Examining the Obstacles of Corporate entrepreneurship

Definitely, developing entrepreneurship in these businesses has various obstacles in cultural, infrastructural, supportive, policy making, financial, and similar areas. And, it is possible to carry out more suitable executive strategies and policies as well as better long term planning regarding the development of entrepreneurship in small and medium businesses by studying, examining, and identifying these obstacles.

Conclusions

As mentioned, the present study was done with the aim of presenting a process-model of corporate entrepreneurship in Iran's small and medium Enterprise which was confirmed by applying the SEM model for research hypotheses related to the effect of the relationship between environmental factors on corporate entrepreneurship and the direct and indirect effect of environmental conditions on organizational performance in

these businesses. The complexity and turbulences of today's business environment have pushed the organizations to enhance their abilities to react to the environmental changes. In response to considerable changes in the business environment, many organizations have a lot of entrepreneurship issue. So, if businesses cannot promote their entrepreneurial capabilities, besides not being able to compete other businesses, they cannot employ all their capacity and power.

The findings of this study demonstrate that environmental condition has strong direct effect on corporate entrepreneurship and also has positive direct and indirect effect on performance, the environmental complexity additionally influenced performance and corporate entrepreneurship has direct effect on performance. We should mention that corporate entrepreneurship has a mediation role between environmental condition and performance.

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