



A CONCEPTUAL MODEL OF CORPORATE ENTREPRENEURSHIP IN BANKING INDUSTRY

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ABSTRACT

***Purpose:** The rapid growth of global economies, changes in technology, market competition and ever changing business environment have caused the banks to struggle for profitability, growth and performance.*

With the intense competition among banks in the industry, it is imperative for them to have superior performance, and the banks have attempted to implement and use various initiatives such as: TQM, BPR, SP, Six Sigma, Balanced Scorecard, ABM. However, banks being the backbone of any economy and its importance for the future growth and development of the country. Thereby, the performance of the bank is of a major concern, and with this in mind the scholars have argued that there is a strong relationship between corporate entrepreneurship (CE) and bank performance. Therefore, corporate entrepreneurship with innovative products, strategic renewal and quality services will provide the banks with competitive advantages in the organization, sustaining them in their business challenges and survival in the market place with greater performance.

***Design/methodology/approach:** Conceptual paper*

***Findings and implications:** Conceptual paper*

***Originality/value:** The study is important to decision maker in the banking industry*

Keywords: Bank, Performance, Corporate Entrepreneurship

INTRODUCTION

The bank by definition is a financial intermediary that accepts and channels deposits into loan activities and their objective is to connect the customers with capital deficits to customers with capital surpluses.

The rapid changes in technology, increase in globalization and market competition have caused organizations to struggle for profitability and growth.

The consumer's choice on products and competitive strategy among the banks are almost the same as there is no corporate innovation, the study also revealed that referral from friends or family is very important to the customer.



In order to survive and prosper in the banking industry, the banks need to become more entrepreneurial (Lumpkin and Dess 1996; Thornberry 2001). Entrepreneurial firms/organizations tend to do better than those that are less entrepreneurial (Miller, 1983). This study proposes that a corporate entrepreneurship firm may affect its innovation performance.

LITERATURE REVIEW

Entrepreneurship can be defined as important steps in promoting and keeping the business to have a competitive advantages in their respective business or related industry (Covin & Miles, 1999), and hence it will improve its overall effectiveness and performance.

In order to enhance the performance of the banking industry, the banks should incorporate corporate entrepreneurship in the banking industry as it plays a very key role in the economy of both in the developed world as well as in developing economies. Thus, understanding corporate entrepreneurship in the banking industry should not be ignored. It is noted that past empirical work has extensively examined the corporate entrepreneurship on firms' financial performance.

With the understanding of "What is corporate entrepreneurship (Zahra, 1993)", and with the above reasons, this proposal thus aims to lead towards a study in supporting the main objective: to examine the enhancement of corporate entrepreneurship strategy and organizational performance for banking industry.

Corporate entrepreneurship or intrapreneurship refers to entrepreneurial activities within existing business organizations (Schollhammer, 1982). Likewise, Zahra (1995) views Corporate Entrepreneurship as the sum of a company's innovation, renewal, and venturing activities.

CE is further defined as the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation (Sharma & Chrisman, 1999).

In this paper, we define CE as strategic organisational innovation, strategic renewal and corporate venturing initiatives or activities and its environment to achieved bank performance.

PROPOSITION DEVELOPMENT

In order to achieve the proposed objectives, the following hypotheses were developed for testing;

- P1 That corporate entrepreneurship will be positively associated with innovation performance in banks
- P2 That external corporate entrepreneurship factors will moderate the relationship between corporate environment and innovation performance in banks



Innovation

The success and survival of entrepreneurs are further enhanced by their innovation in their product and process innovation (Huang & Wang, 2011). Corporate entrepreneurship has demonstrated in terms of innovation, strategic renewal & corporate venturing (Zahra, 1993). Innovation is key to competitive advantage (Zahra 1991 & 1993)

Corporate Venturing

As a safety precaution and for the growth of corporation. It is vital that the corporation has to further improve their overall corporate entrepreneurship strategy by upgrading their operational capability and to seek opportunities in corporate venturing as it has to compete in different corporate environment, and also to implement effective activities in order to face the highly successful corporation (Ferreira, J. 2002).

Environment

The hostility of the environment is one of the most dangerous external forces that affect firms' entrepreneurial performance (Covin & Slevin, 1991a; Zahra, 1991). Past studies had shown that hostility can have a significant impact on the CE-performance (Zahra & Covin, 1995). Changes in industry, intense regulation, fierce rivalry among competitors (Werner, Brouthers & Brouthers, 1996); competitive market, and product-related uncertainties (Dess & Beard, 1984).

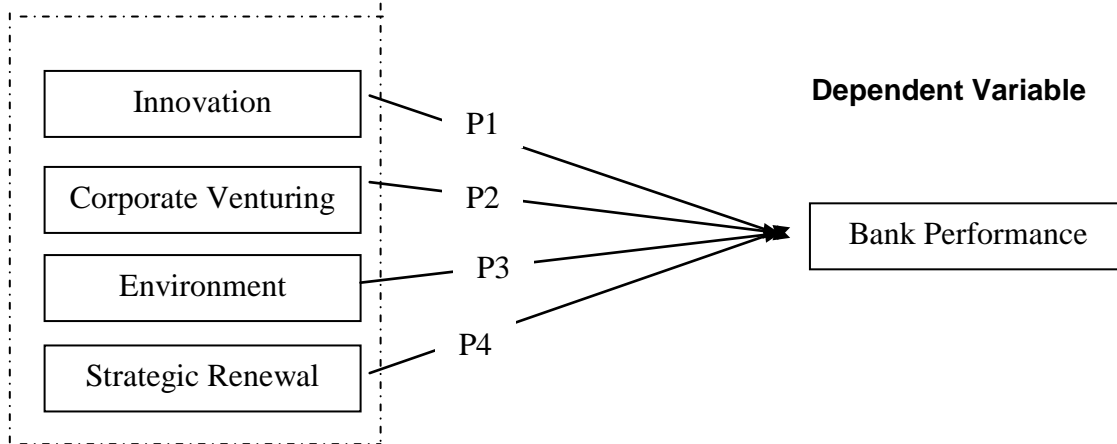
Strategic Renewal

The process that attribute to the outcomes by driving and transforming the bank to survive and sustained in the long term through their creativity by identifying new venture.
(Agarwal R. and , Helfat 2009)

PROPOSED MODEL OF CORPORATE ENTREPRENEURSHIP FOR BANKING INDUSTRY

In order to examine the relationship between Innovation, Corporate Venturing, Environment and Strategic Renewal with Bank Performance, Covin & Slevin (1991a) had shown that the characteristics of a good model should show the performance of bank as the ultimate dependent variable, the independent variables are clearly defined. Therefore, the relationship between independence variables and dependent variable can be shown in the conceptual model as follows:

Independent Variables



IMPLICATIONS, LIMITATION & FUTURE STUDIES

The key aspects of Corporate Entrepreneurship and the effects are of great magnitudes to the corporate performance.

Top management support has been found to have a positive relationship with new product performance and the empowerment of employees that facilitate and promote entrepreneurial behavior, that provide innovative ideas and the resources towards achieving good financial performance in banking industry.

The limitations were noted because the results and the findings of the present study were from main branches of the banks. Therefore, this may limit the generalisability of this study.

Corporate Entrepreneurship not only contributes to companies' financial performance but also innovation activities i.e. non-financial performance of a firm

Future study may also examine, the effects of Corporate Entrepreneurship on the financial performance of banks and also the effects of Corporate Entrepreneurship initiatives on the financial performance of banks.

The study is believed to be able to contribute significantly to the Corporate Entrepreneurship of research literature, by helping quality practitioners and academicians to better understand the relationship between Corporate Entrepreneurship, corporation performance among banking industry in structural relationships.



CONCLUSION

In summary, this paper attempts to enhance the performance by conducting a thorough finding of the corporate strategy between corporate entrepreneurship and banking industry. The management may learn that the ability to exert proactiveness, innovativeness and risk-taking behaviour would determine the extent of which their organisations will pursue innovation initiatives/activities. The banks may observe that the dimension of the external organisational factors will be strong and significant to their innovative activities.

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