

# Studying the effect of manager's Strategic Thinking on Corporate entrepreneurship

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**Abstract**— The purpose of this research is to explore the effect of managers' strategic thinking on corporate entrepreneurship. To this end, one main hypothesis and five secondary hypotheses were proposed. This study is descriptive-applicable and Lidka studies (1998) were employed to measure managers' strategic thinking and Robins and Kutler's questionnaire (1996) was used to measure corporate entrepreneurship. The statistical population included 118 managers and employees of a manufacturing company in Kermanshah industrial estate. The research sample was equal to 90 using Cochran formula. The results disclosed that managers' strategic thinking has a positive and significant effect on corporate entrepreneurship and all hypotheses were confirmed

**Keywords**— Strategic Thinking, System Perspective, Inter Focus, Corporate entrepreneurship.

## I. INTRODUCTION

Entrepreneurship is the key element for growth, evolution and development of modern economy, because thinking about the reason and performance of these organizations is very important in the present age where knowledge-centered organizations meet each other. Through the identification of environmental opportunities, present and future needs, and employing the existing possibilities, entrepreneurship is an attempt to create new ideas in order to exploit the above opportunities. An entrepreneur does his/her activities by looking at the future and an observable perspective. Thus, strategic management should be associated with entrepreneurship and entrepreneur in some way and leads the organization in a successful path in the highly turbulent competitive environment (Taghizade, 2015).

On the other hand, dominance over strategic thinking is very important for organizations which intend to change their future as well as their environment. The topic of strategic thinking has highly been considered in the field of strategic management in the last decade and the importance of strategic thinking capability for managers has been mentioned in many studies. Improving the capability of strategic thinking in managers as one of the key factors in the effectiveness of strategic management

process requires more attention. Strategic thinking is the process of proposing and exploring hypotheses about the future which creates the foundation for mission, purposes and strategies of the organization and contains an extensive range of subjects. For this reason, if a problem is not eliminated structurally, it may be converted into a time-intensive process. Exploring many developed and developing countries which act successfully has shown that one of the important development factors in such countries is to reinforce the private sector and especially, active presence of small and independent businesses as dynamic and creative organizations that coordinate the strategy of their structure and performance with modern changes rapidly. Entrepreneurship, creativity, and risky businesses provide the fuel of modern economy's motor. Strategic thinking is a vital management skill in the modern millennium; a skill which requires empowerment of the organization for survival and growth in the current competitive environment. From Mintzberg viewpoint, better strategies can be proposed if strategic thinking is reinforced. He believes that managers who equip with strategic thinking capability can encourage other employees to find creative strategies for the organization's success (Mintzberg, 1994). Hence, considering the importance of two subjects of strategic thinking and corporate entrepreneurship, this study aims to explore the relationship between strategic thinking and corporate entrepreneurship.

## II. RESEARCH LITERATURE

### *Strategic thinking*

There are several definitions in strategic management literature to explain the concept of strategic thinking. Some authors have employed the concept of strategic thinking for other concepts such as strategic planning and strategic management. Other authors have focused on the process of strategic management and they clearly acknowledge that a good strategic planning will help strategic thinking (Monavarian et al, 2013).

Strategic thinking is a creative and divergent process and is related to the perspective of designing corporate leaders. This requires managers to think beyond daily

operation which aims to focus on strategic intent of long term businesses. Strategic thinking is a continuous process that its objective is to eliminate ambiguity and give meaning to changes of the complex environment. This process involves analysis of the situation and creative combination of the results of analysis in the form of a successful strategic plan (Poursadegh & Yazdani, 2012).

Abraham (2005) believes that strategic thinking is identification of reliable strategies or business models that are led to value creation for customers. According to him, looking for finding suitable strategic options that is usually carried out as one part of strategic management process is indeed the practical result of strategic thinking. Similarly, Graetz (2002) believes that the role of strategic thinking is an attempt for innovation and visualization of a new and very different future for the organization that may be led to redefinition of main strategies or even the industry in which a firm acts.

Strategic thinking is a creative and divergent process and is related to the perspective of designing corporate leaders. Major elements of strategic thinking in Lidka's model (1998) are presented clearly and meaningfully that contain a view of the system, focusing on the purpose (strategic intent), intelligent opportunity-seeking, hypothesis formulation and thinking in time. The nature of strategic thinking shows being informed and understood. This insight helps to perform the following cases under complicated business conditions:

1. Market realities and its principles are recognized well.
2. New market features are discovered sooner than others.
3. Business leap are perceived.
4. Innovative and value-creation strategies are created to respond to these conditions (Poursadegh & Yazdani, 2012).

#### *Corporate entrepreneurship*

Today, a special attention is paid to entrepreneurship and entrepreneurs due to the different events that have been occurred at social, cultural and business levels. Moreover, strengthening corporate entrepreneurship in current organizations and creating a suitable basis for its development are tools of economic progress for countries especially developing countries. In each organization, there are potential entrepreneurs and it should be tried to enhance their ability and more importantly, conditions must be provided under which entrepreneurs can show their presence and actualize their capabilities. At social level, much interest is shown towards phrases such as "doing the task with personal innovation and attempt without anybody's help". Those who highly believe in their talents often intend to create things that are of their

own. They need responsibility, intensive need to show themselves, and more freedom in the current organizational structure. When they do not have this freedom and their needs are not satisfied, they will fail and this failure decreases the individual's productivity and even the individual may leave his/her organization in the hope of satisfying such needs in another place (Hadizade Moghadam, 2006).

Corporate entrepreneurship contains nurturing entrepreneurial behaviors in a pre-established organization. It means that organizations can develop helpful innovations by encouraging the employees for similar thinking of entrepreneurs and grant them the required freedom and flexibility to follow their plans without subjecting them to bureaucratic swamp. An entrepreneurial firm may be observed as an empowerment system of individuals for the use of creative processes which enables them to employ and create those techniques in a planned, significant and deliberate manner at the level of a desired innovative activity. Corporate entrepreneurship is essential to ensure survival via restructuring of operations in firms, redefinition of the concept of business, increasing of innovation capacities and the required quality in a dynamic environment (Moghimi, 2014).

There are multiple definitions for corporate entrepreneurship but all of them emphasize factors such as culture, risk taking, innovation in products, recognition of opportunities, new market, creativity, and development of the firm. Some of them are mentioned here. According to Fry (1993) corporate entrepreneurship is a process that is resulted in innovation in products and processes through inspiration of entrepreneurial culture. Also, Bergman believes that corporate entrepreneurship refers to a process through which firms diversify their products and finally develop their organization by means of the whole set of opportunities and competencies.

### **III. LITERATURE REVIEW**

- Moon(2013) in the study whit title Antecedent and outcomes of strategic thinking, focuses on the factors that influence strategic thinking at the organizational level and provides a hypothetical model that links the firm's internal and external variables regarding strategic thinking at the organizational level, which in turn links to marketing performance. The results of empirical analysis provide evidence that the attitude of firms' management toward risk taking, the CEO's emphasis on strategic thinking, interdepartmental teams in the organization, and marketing competency foster strategic thinking at the organizational level, but

formalization in the organizational structure impedes it. Contrary to the proposed hypotheses, centralization in the organizational structure is positively related to strategic thinking at the organizational level. The results also show that market turbulence and technological turbulence foster strategic thinking at the organizational level and there is a positive relationship between strategic thinking and marketing performance

- Simuth(2015) in the paper whit title E-learning Tool for Improving Managerial Strategic Thinking Skills, announced that it is important to find the ways in which the Small and medium enterprises (SME) owners/managers could be trained in the skills necessary for strategic decision making and describe the process of creation of the e-learning portal as well as the e-learning methodology and course content.
- Chakraborty et al (2016) in their papers whit title The culture of entrepreneurship, studied the cultural process through which a society inculcates an entrepreneurial spirit. They concluded that culture is not destiny: it adapts even when some cultural traits do not and human capital shock where existing business expertise is less useful is more disruptive; growth occurs through the emergence of a new class of entrepreneurs.

- Hikkerova et al (2016) in their papers whit title the entrepreneurship process and the model of volition, analyzes the personal characteristics that determine the route of entrepreneurial actions by analyzing volitional skills of three categories of people: students, potential entrepreneurs, and active entrepreneurs. The results show that individuals mobilize volitional skills in a successive order, one after the other. In addition, this order is determined by the individual's progress on the process of creation that the model of volition in this study synthetizes determines such order.
- Wu (2016) in his articl with title Global entrepreneurship and innovation in management: Comparing MRA/SEM versus fuzzy-set QCA theory creation, data analysis, and findings, contribute to new perspectives of entrepreneurship and innovation in comparing MRA/SEM versus fuzzy-set QCA theory creation, data analysis, and findings.

#### IV. CONCEPTUAL MODEL

According to literature review the items related to strategic thinking. and corporate entrepreneurship provided a suitable framework for modeling (Fig 1).

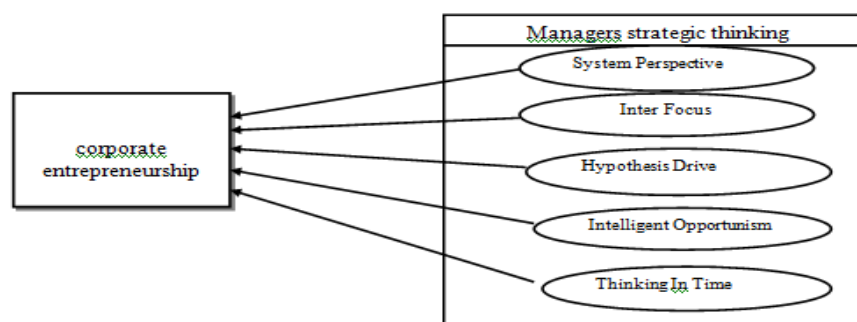


Fig.1: Conceptual model.

#### Hypotheses

- 1) There is a Meaningful relation between Managers strategic thinking and corporate entrepreneurship
- 1-1) There is a Meaningful relation between System Perspective and corporate entrepreneurship
- 1-2) There is a Meaningful relation between Inter Focus and corporate entrepreneurship
- 1-3) There is a Meaningful relation between Hypothesis Drive and corporate entrepreneurship
- 1-4) There is a Meaningful relation between Intelligent Opportunism and corporate entrepreneurship

- 1-5) There is a Meaningful relation between Thinking In Time and corporate entrepreneurship

#### Methodology

This study is applicable from objective aspect and correlational-descriptive from methodological aspect. The statistical population included 118 managers and employees of a manufacturing company in Kermanshah industrial estate. Simple random sampling method was used. The research sample was obtained equal to 90 via Cochran formula. A standardized questionnaire was utilized to test the research model. Lidka studies (1998)

were employed to measure managers' strategic thinking and Robins and Kutler's questionnaire (1996) was used to measure corporate entrepreneurship which was confirmed by the professors and experts. Thus, research questions have the required validity. The collected data was analyzed using statistical techniques including t-value test, confirmatory factor analysis, and structural equation modeling via SPSS and Smart PLS software in order to explain model elements and the relations among them. Construct validity was examined through confirmatory factor analysis. Cronbach's alpha coefficient of all variables was more than 0.7. As a result, research questions have the required reliability. Details can be observed in Table 1.

## V. DATA ANALYSIS

In structural equation modeling, it is necessary to study construct validity and determine whether the selected questions have the required accuracy to measure the constructs or not. To this end, confirmatory factor analysis (CFA) was employed. Figure 4 shows the adjusted model and factor loading of other questions after omitting those questions with low factor loading. In Smart-PLS, Average Variance Extracted (AVE) indexes and composite reliability (CR) were used to evaluate the measurement model. Average Variance Extracted (AVE) is applied to study convergent validity of the research. Values more than 0.5 are suitable for this AVE. In

structural equation modeling, composite reliability coefficient more than 0.7 for each construct shows its suitable reliability. Values of these coefficients are presented in Table 1 which show high reliability of the model.

Table 1: values of Cronbach's alpha , CR and AVE

variables	AVE	CR	Cronbach's alpha
Corporate entrepreneurship	./575	./774	./715
Strategic Thinking	./541	./809	748/.
System Perspective	./673	./814	./711
Inter Focus	./693	./785	./844
Hypothesis Drive	./583	./796	./866
Intelligent Opportunism	./539	./803	./755
Thinking In Time	./504	./750	./780

## Testing the structural model

The structural model is tested to confirm or reject the hypotheses. This is presented in Figure 2. Numbers on paths show path coefficients.

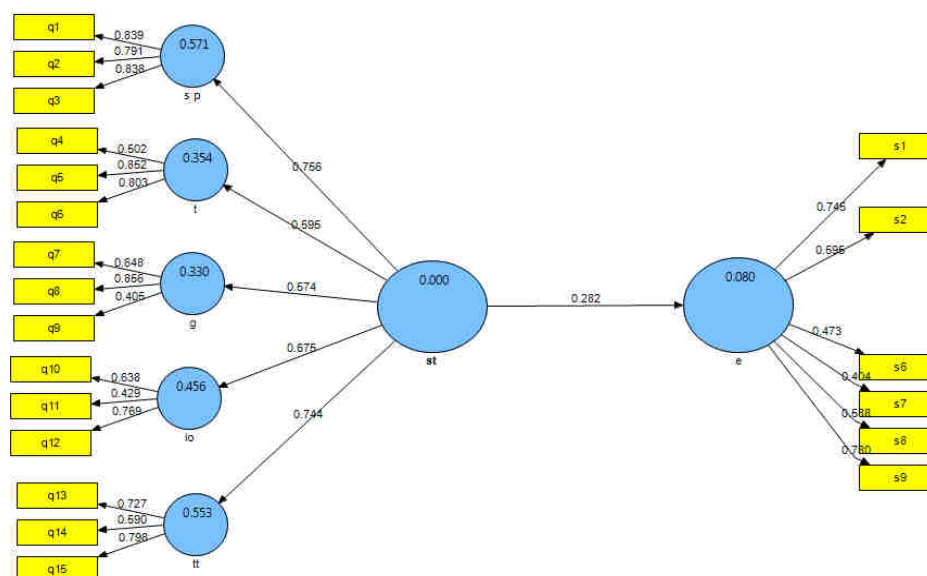


Fig.2: Numbers on paths coefficients

To examine significance of path coefficients, t-values for each path should be calculated. These values are displayed in Figure 3.

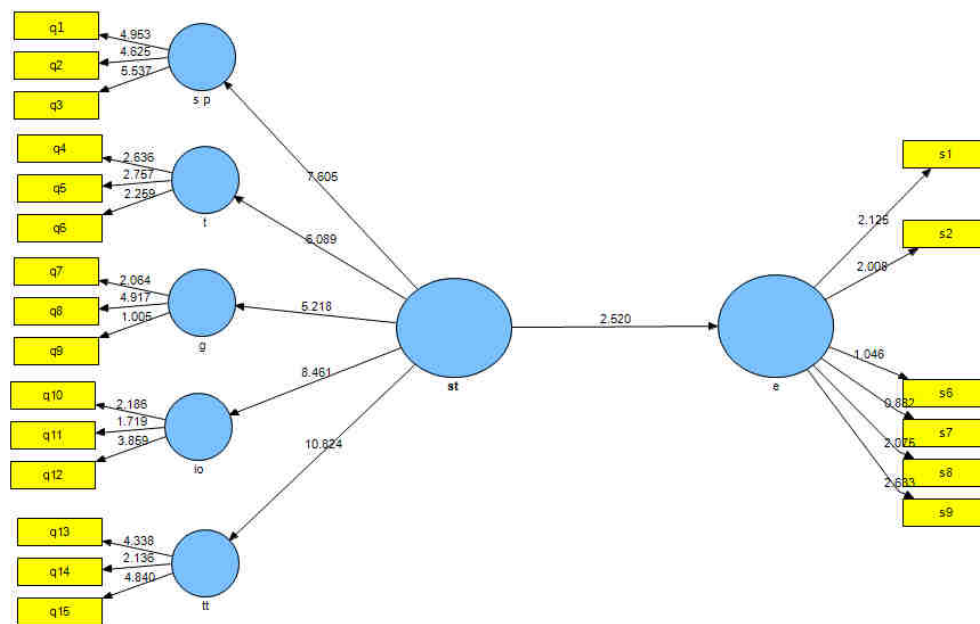


Fig.3: T-value

In this figure, the numbers show T-values. Values larger than 1.96 and those equal to it mean that there is a significant relationship between the two variables. Hence, summary of testing the research hypotheses is presented in Table 2.

Table 2: Results of testing the hypotheses

Result	t-value	$\beta$	relation			Hypothesis
Confirmed	2/520	/.282	Strategic Thinking	→	Corporate entrepreneurship	1
Confirmed	2/321	/.145	System Perspective	→	Corporate entrepreneurship	1-1
Confirmed	1/983	/.351	Inter Focus	→	Corporate entrepreneurship	1-2
Confirmed	2/645	/.463	Hypothesis Drive	→	Corporate entrepreneurship	1-3
Confirmed	2/143	/.386	Intelligent Opportunism	→	Corporate entrepreneurship	1-4
Confirmed	2/454	/.757	Thinking In Time	→	Corporate entrepreneurship	1-5

## VI. DISCUSSION AND CONCLUSION

The effect of managers' strategic thinking on corporate entrepreneurship was explored in this study. The findings indicated the positive effect of managers' strategic thinking on corporate entrepreneurship. Results of testing the main hypothesis illustrate the positive effect of managers' strategic thinking on corporate entrepreneurship at confidence level 99%. Having confirmed the research hypotheses, it was shown that all

components of managers' strategic thinking have a positive effect on corporate entrepreneurship. In other words, it can be stated that existence of strategic thinking and strategic vision among the managers is led to more concentration and attention to the effective strategic factors on survival and growth of the organization and therefore, gaining competitive advantage, increased innovation and creativity, and corporate entrepreneurship. This finding is consistent with the results of Marashi's



study (2015) regarding the positive effect of strategic thinking on productivity, innovation, and organizational creativity. Also, it can be stated that managers who have strategic thinking pave the way for the establishment of the culture of innovation and entrepreneurship. This is also consistent with Chakraborty et al's study (2016). In this regard, one of the tasks of experts and researchers in the field of human resources is to expand the strategies of strategic thinking via training the concepts and principles of employing strategic thinking among the managers and leaders and focusing on its positive role in increasing of entrepreneurial atmosphere in the organization.

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