

The Role of Entrepreneurship in the Performance of Companies Listed In Tehran Stock Exchange

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ABSTRACT

Entrepreneurship is nowadays one of the strategic approaches of organizations to address the increasing functional challenges. Entrepreneurship is a process in which an organization tries to have all its employees to act the role of an entrepreneur, so that all individual and group entrepreneurial activities continuously, quickly, and easily will achieve their goals in the central organization or affiliated companies. The present study was a descriptive-correlation research. Statistical population included all manufacturing companies listed in Tehran Stock Exchange (235 companies) that 146 of them were selected as the sample by simple probability sampling. LISREL 8.5 Structural Equation Modeling was used to test the hypotheses. The results show that there is a positive and significant relationship between Entrepreneurship and organizational performance.

KEYWORDS: Entrepreneurship; Organizational performance; Stock exchange; Structural Equation Modeling

1. INTRODUCTION

Today's environment has brought a new wave of change and the surrounding environment of organizations is more dynamic than before, so organizations are seeking for responses to such dynamicity in order to ensure their success and higher performance (Eisenhard *et al.*, 2010). An increasing attention is being paid to different aspects of an organization and especially what is known as organizational performance. Organizational performance is an indicator that measures the extent to which an organization achieves its objectives (Wagner *et al.*, 2010). All efforts in all areas of an organization should be reflected in the performance, therefore most organizations use a variety of tools and mechanisms to improve their performance. As a result, performance evaluation is a matter of concern for organizations (Lin & Kuo, 2007). On the other hand, the staff who do entrepreneurial activities help the organizations to improve and themselves become entrepreneur managers after a while (Alipour & Marzban, 2013). Entrepreneurship is considered as one of the main sources of all human societies and one of the main assets of each country. Organizations can drive innovation by encouraging their employees to Entrepreneurship and then give them freedom to implement their plans without dealing with restrictive rules and regulations (bureaucracy) (Alipour & Marzban, 2013). Miller (1983) believes that CE can be defined as activities that organizations do for promotion of product innovation, risk-taking, and proactive response to environmental forces (Ahmadi *et al.*, 2011). Studies show that entrepreneurship at organizational level can be considered as a new competitive advantage. This paper aims to evaluate the impact of entrepreneurship on organizational performance. In other words, the objective of the present study is to measure the correlation and relationships between organizational performance and entrepreneurship in companies listed in Tehran Stock Exchange.

2. Theoretical foundations

Extensive changes and increased complexities and competitions are the most important characteristics of today's world and organizations are active in a complex and dynamic environment. What regarded as an economic advantage until a few decades ago was the establishing and maintaining the activity of big companies and it was argued that the larger these companies are, the more dynamic and powerful the economy would be. Although this idea has flourished for decades and giant companies have emerged based on which, recent developments, especially population pressures, every-moment innovations, more complexity of process of management and decision-making, the need for immediate decisions, and the commerce resulting from activities of small and medium businesses have highlighted the importance of small business. While economic units of the private sector are emerging and growing, the most important factor for survival and their strong presence in domestic and international economic arenas is their further development and an entrepreneurial approach to issues and having a coherent and organized a program in this regard. Entrepreneurship has a direct impact on people's social and economic development; the more involved a society is in entrepreneurial activities, the faster it achieves economic and social development. Entrepreneurs are constantly innovating and developing new goods and services and seeking ways to effectively produce and supply them. Hence, quality of life will improve and a huge national productivity will be achieved (Hezarjaribi, 2003).

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Performance is also considered vital to the survival and persistence of organizations. Structure of organizations should be a function of the space and social environment in which they operate to be capable of meeting the social needs of the environment. These factors makes what affects the performance of organizations to be of great importance to organizations. Entrepreneurship, variables of entrepreneurial approach, and effective entrepreneurial management are of the most important factors (Yadollahi, 2005).

CE is process that an entrepreneur goes through to perform entrepreneurial activities in an organization and empower the organization for gaining more growth and profits by producing and promoting new products and services (Farahani et al., 2012).

CE is a process in which an organization tries to have all its employees to act the role of an entrepreneur, so that all individual and group entrepreneurial activities continuously, quickly, and easily will achieve their goals in the central organization or affiliated companies (Hassanzadeh, 2012). Measurement of the extent to which CE is realized can be done through entrepreneurial approach components and entrepreneurial management (Kia & Orouei, 2013):

2.1. Entrepreneurial approach: Activities related to decision-making and procedures that are conducive to entrepreneurship. An important factor which is effective in determining the parameters affecting entrepreneurial approach is the environment which indicates the conditions and features that have a significant impact on the process of setting out a business through combining the existing resources. These factors include variables of innovation, pioneering, and risk-taking (Kia & Orouei, 2013) that were measured by a questionnaire.

2.1.1. Innovation: It means to provide new products and services resulting from the application of creativities in various fields. In the present study, innovation means to develop of new products and services.

2.1.2. Risk-taking: This means to pursue and enter into new businesses and get in touch with new markets (Zahra, 1993). Risk-taking in this paper means to select risky projects and applying an aggressive approach.

2.1.3. Pioneering: This refers to the tendency of senior managers to enhance competitiveness which includes initiative, risk-taking, competitive firmness, and courage (Zahra, 1993). Pioneering means to be pioneer in introducing products and services.

2.2. Entrepreneurial management: Stevenson defines entrepreneurship as the process by which that opportunities are pursued by the owners of an organization or its members, regardless of the resources that are under the control of that organization (Stevenson & Jarillo, 1990). This component includes variables of strategic orientation, allocation of resources, organizational structure, reward philosophy, and organizational culture (Hassanzadeh, 2012) that were measured by a questionnaire.

2.2.1. Strategic orientation: This is an aspect of an organization which describes the factors affecting the formation of strategy (Farahani et al., 2012).

2.2.2. Allocation of resources: One of the features of entrepreneurial management is that individual learn to make the maximum use from minimum resources and take more risk and venture in their activities.

2.2.3. Organizational structure: An entrepreneur organization is one that has a dynamic and flexible structure providing conditions for its employees to use the existing resources inside the organization in search of external opportunities and resources for value-creating (Nasurdin, 2006). In this study, organizational structure mean the degree to which the structure of an organization is mechanical.

2.2.4. Reward philosophy: Entrepreneurship is fraught with risk and reward. Organizations that are run entrepreneurially tend to pay the wage of their experts based on the amount of value created by them rather than based on work experience or seniority (Morris & Kuratko, 2002). Reward philosophy, in the present paper refers to evaluation based on value-added and its significant impact on the performance of the staff.

2.2.5. Organizational culture: Organizational culture involves values and beliefs of members of an organization and forms their behaviors. Entrepreneurial organizations encourage their employees to create new ideas which results in higher yields (Kanaani et al., 2012).

2.3. Performance: Lexically, performance means implies the state or quality of an operation and is defined as the process of explaining the quality of effectiveness and efficiency of the past measures (Beamon, 1996). In this study, realization of CE was measured by components of financial performance and non-financial performance.

2.3. 1.Financial performance: This includes profitability and effectiveness of an organization. Return on assets and return on equity were the variables of financial performance in this study.

2.3.1.1. Return on assets (ROA): This represents the profit per unit of currency and indicative of the ability of management in the optimum use of resources. ROA is the result of dividing net income by total assets (Bernard, 2006).

2.3.1.2. Return on equity (ROE): ROE shows that how successful the management has been to effectively use shareholders' funds. ROE is obtained by dividing after-tax profit by equity.

2.3.2. .Non-financial performance: General consensus about the criteria of non-financial performance is that they supplement the deficiencies of financial criteria and overcome their restrictions (Hassanzadeh, 2012). The components of non-financial performance in this study includes retaining the key employees, retaining the customers, and customer satisfaction which were measured by a questionnaire.

2.3.2.1.Retaining the key employees: Manpower is one of the inputs of organizational system. If an organization recruits more qualified staff and employ them effectively, it would be more successful in achieving the goals (Mohsenianfar, 2008).

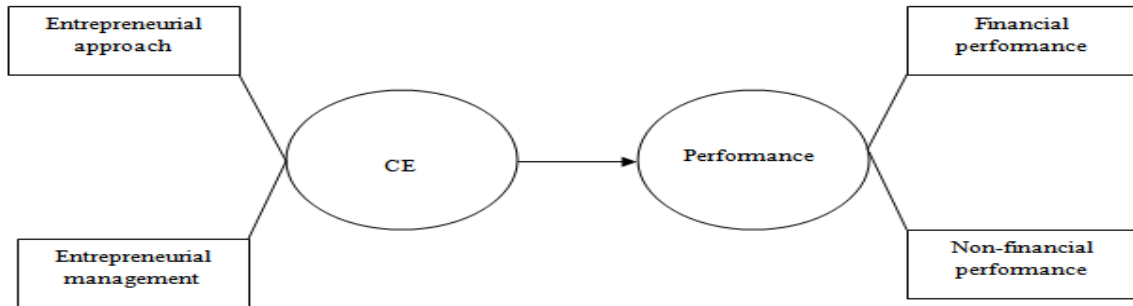
2.3.2.2. Retaining the customers: Since keeping old customers is four to six times less expensive than attracting new customers, managers are recommended to give top priority to find solutions that improves loyalty to brand and customer retention (Allen & Lun, 2004).

2.3.2.3. Customer satisfaction: Companies must develop their activities by keeping the customers satisfied, so that they can maintain their competitive advantages in the business environments (Aydin & Ozar, 2005).

3. Conceptual model of study

The conceptual model for this study was adapted from the model proposed by Fox which examines the extent of relationship between CE and organizational performance (Fox, 2008).

Figure 1: Conceptual model of study



According to the analytical model presented, the main hypothesis of this study is as follows:

Flush left, boldface there is a positive relationship between organizational entrepreneurship and organizational performance in companies listed in Tehran Stock Exchange.

4. METHODOLOGY

The present study was a descriptive-correlation research. Statistical population included all manufacturing companies listed in Tehran Stock Exchange (235 companies) that 146 of them were selected as the sample by simple probability sampling. In order to collect data about the studied variables, field methods and questionnaire were used. In order to evaluate the validity of the questionnaire used in this study, the comments of a number of experts and scholars in this field were taken. Cronbach's alpha coefficient was also used to determine the reliability of the questionnaire. Accordingly, this coefficient for the variables of entrepreneurial approach, entrepreneurial management, and non-financial performance was obtained 93.5, 95.5, and 93.8, respectively. The results show that reliability of scales is desirable.

5. Data analysis

Structural equation model is a specific causal structure between a set of invisible variables. A structural equation model consists of two components; a structural model that specifies the causal structure between hidden (latent) variables and a measurement model that defines the relationships between the observed variables. In the present study, the overall test of model was done and then the hypotheses were examined.

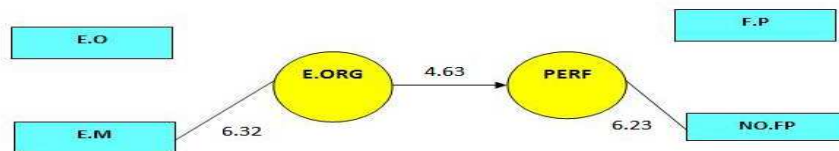


Figure 2: The basic model of research in standard mode

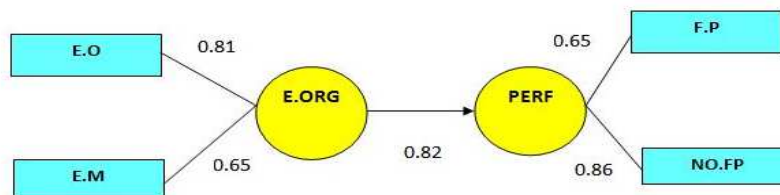


Figure 3: The basic model of research in significant numbers mode

The intensity of the relationship between two latent variables can be found in this mode and it would be possible to judge about the influences of variables on each other. In t-test, the numbers are significant if they are in range from -1.96 to 1.96.

Table 2. The fit indices were significantly

NNFI	NFI	CFI	GFI	AGFI	$\frac{\chi^2}{d_f}$	RMSE A	Item
0.97	0.95	0.99	0.97	0.93	1.26	0.043	Amount
≥ 0.9	$0.8 \leq \geq 0.9$	≥ 0.9	≥ 0.9	≥ 0.8	≤ 5 $1 \leq$	≤ 0.1 $0 \leq$	Ideally

According to the standardized coefficient, it can be also stated that the intensity of the effect of CE on organizational performance is equal to 0.82. The results indicate that there is a positive relationship between organizational entrepreneurship and organizational performance in companies listed in Tehran Stock Exchange, as one unit of increase in CE leads to increased organizational performance by 0.6724.

6. Conclusion and recommendations

According to the results of testing the hypothesis, it can be asserted that there is a positive and significant relationship between CE (and its components) and performance, as orientations and activities of entrepreneurs always lead to improved performance and growth of organizations. This is consistent with the findings of previous studies in developed countries.

Kevin *et al.*, (2006) found the dramatic impact of CE on sales growth. In summary, entrepreneurial attitudes and measures are essential for prosperity and growth of any company in today's competitive environment, regardless of its size (Entrialgo, 2006).

Components of CE (pioneering, innovation, and risk-taking) have a positive and significant relationship with components of organizational performance. Chen & Kangulaha (2010) have confirmed this relationship. The findings suggest that the more the companies invest in entrepreneurial activities, the more likely their performance is to improve.

In order to improve the performance of companies and considering the minimum average of the variable risk-taking and sub-variable decision-making with uncertainty, it is recommended that managers create opportunities for the introduction of successful new products through finding opportunities, take part in emerging markets, and getting involved in activities such as the introduction of new products, anticipation of future needs, and market fragmentation. Given the minimum average of variable organizational structure and sub-variable written job description, it is recommended that documented guidelines and procedures to be used in the structure of organizations, compiled and written job descriptions be available for all staff and senior managers, and the superfluous bureaucracy be eliminated from the organization in order to improve the performance of managers. Since CE maintains and intensifies dynamism and vitality of an the organization's members and paves the way for inclusive participation of members in achieving the goals, expansion of existing capacities, creating new job opportunities, and strengthening risk-taking in society and in organizations should be taken into account.

In order to improve the performance of companies, considering the minimum score of variable retaining the employees, it is recommended that managers pay more attention to the problems of their staff. Non-financial and financial difficulties and dissatisfactions can be decreased by more attending to employees through the human resources management system and reward system which is based on innovation aspect.

Finally, according to the results of the present study, the following practical suggestions seem to be helpful for further research. This paper studied the relationship between CE and organizational performance of companies listed in Tehran Stock Exchange from different aspects. Surely, there will be other effective aspects that each of them can be an area of study for researchers interested in this field.

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