Effect of Corporate Entrepreneurship on Performance of Food Fortification Companies in Kenya

Gisemba Beatrice Moige
PhD. Candidate Jomo Kenyatta University of Agriculture and Technology, Kenya
School of Entrepreneurship, Procurement and Management, Nairobi, Kenya

Elegwa Mukulu
Professor Jomo Kenyatta University of Agriculture and Technology, Kenya
School of Entrepreneurship, Procurement and Management, Nairobi, Kenya

George Orwa
Senior Lecturer Jomo Kenyatta University of Agriculture and Technology, Kenya
School of Mathematics, Nairobi, Kenya

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ABSTRACT
Corporate entrepreneurship is the process of generating, developing and implementing new ideas and behaviors by a company. The environment that business operates is volatile intensifying global competition and rapid technological progress. Better quality and service are no longer enough to give competitive advantage. However once companies embrace corporate entrepreneurship it influences competitive advantage. The need for corporate entrepreneurship has arisen from a variety of environmental pressing problems including, required changes, innovations, and improvements in the market place to avoid stagnation and decline. Therefore this study sought to investigate the effect of corporate entrepreneurship determinants in the performance of food fortification companies in Kenya.

The study was conducted using descriptive method. Statistical population included managers and employees of food fortification industries. Data was collected using questionnaires. Statistical population included managers and employees of food fortification companies. From the study, it was found out that organizations should have clear policies, goals and objectives supports performance in food fortification companies. Also, it was found out that, rewards incentive given to employees who come up with new products promotes performance in fortification companies in Kenya which was highly rated. Finally, it was found out that corporate entrepreneurial management and Corporate entrepreneurial incentives increase performance in food fortification companies in Kenya.
INTRODUCTION

Leaders must find ignition and sustain the revolution rather than be victimized by it (Gary Hamel, 2007). The scholar points to the inevitable diminishing returns experienced by most organizations using traditional strategies suggesting that conventional management practice has simply run its course and that an entirely new model of management is needed in the companies for sustainability to be achieved. Joseph Schumpeter (1934) contribution to majority of the people understands the mechanisms of technological progress and economic development which is widely recognized. Economic Development theory advanced by the scholar emphasizes the role of the entrepreneur as prime cause of economic development. He describes how the innovating entrepreneur challenges incumbent firms by introducing new inventions that make current technologies and products obsolete. This process of creative destruction is the main characteristic of what has been called the Schumpeter Mark I regime.

Today many organizations are recognizing the need for corporate entrepreneurship (Kuratko & Hohgetts, 1998). Based on global statistics entrepreneurship has a strong correlation between national economic growth and degree of national and organizational entrepreneurial activity (Archibong, 2004). Moreover the existing applied studies in literature show positive impact of corporate entrepreneurship on performance of organizations. Economies of the world have turned their focus onto corporate entrepreneurship and analysis of issues is focused on entrepreneurial viewpoint among success factors of economic firms in the current world (Danka, 2000). Corporate entrepreneurship shows advancement engine of stable organizations, because new products due to innovations, new markets are established, modern technologies are discovered and new businesses are established through it and this promote growth and development (Shepherd et al, 2008). With all this in focus the Global Alliance for Improved Nutrition now considers multi-sectorial efforts to increase food fortification and improve nutrition globally through food processing companies as well as provide an impetus for companies that are processing foods to have competitive advantage over their counterparts through innovations. It is clear that socially responsible actors in businesses can play a key role in fortification since companies already own the right technology to make a difference as well as the distribution channels and communication networks. Therefore the Government of Kenya has passed a policy to strengthen public-private partnership for food fortification. The Food, Drugs and Chemical Substances Act of 2012 requires all packaged wheat flour, maize meal, salt and cooking fats and oils to be fortified with basic nutrients. Manufacturers of basic foodstuff however have ignored a directive issued by the government nearly two years ago. Statistics indicate that only 30 per cent of maize millers in the country have complied with the Act. Similarly, only 180 wheat flour brands have the KEBS certification. A spot check by the Business Daily 29th July 2014, however, indicates that the few companies that have complied with the law are treating the fortified items as premium products that are sold at slightly higher prices. The high shelve prices are likely to defeat the whole purpose of the campaign which sought to make the essential elements available to low
income earners. Therefore the question to be answered, is this happening due to lack of corporate entrepreneurship within the companies?

Due to the world globalization and converting industrial society to that of the technological ones, companies need to employ new strategies to compete with small and medium-sized enterprises (SMEs) that are flexible and innovative. In order to maintain their growth and existence, most of the organizations have to restructure the ways they do business and focus more on innovation and new technology to fit into new opportunities (Dehnad & Mobarak, 2010).

Many scholars have found that intensifying global competition, corporate downsizing and delayering, rapid technological progress, and many other factors have heightened the need for organizations to become more entrepreneurial in order to survive and prosper (Dess et al, 2005). Therefore food companies have to redefine themselves by adding value to their products to gain competitive advantage through corporate entrepreneurship. The challenge for organizations in today’s market place is to build competitive advantage. Continuous innovation, ability to redefine continuously in the competitive playing field are among the skills that will define corporate performance in the global economy of the 21st century and few companies will be exempt (Hitt et al, 2001).

**Problem statement**

Although Kenyan government has provided a policy opportunity for food processing companies, to fortify foods to solve a social entrepreneurship problem, as well as have corporate competitive advantage in the manufacturing industry through entrepreneurial innovation. Statistics indicate that only 30 percent of food processing companies have ceased the opportunity to fortify foods (Business Daily 29th July, 2014). Is this happening due to lack of corporate entrepreneurship within the companies? Studies have also shown that for companies to remain relevant and productive corporate entrepreneurship is an essential component for large companies which were traditionally risk averse (May, 2011). Therefore this study sought to establish the effect of corporate entrepreneurship in the performance of food fortification companies.

**General objective**

To investigate the effect of corporate entrepreneurship in the performance of food fortification companies in Kenya

**Specific objectives**

1) To determine the corporate entrepreneurial management support that promote performance of food fortification companies in Kenya

2) To establish the corporate entrepreneurial innovation and creativity that promote performance in the food fortification companies in Kenya
Hypothesis

Ho1 Corporate entrepreneurial management support does not give a positive impetus to cultivating performance in food fortification companies in Kenya.
Ho4 Corporate entrepreneurial innovation and creativity has no positive effect on the performance of food fortification companies in Kenya.

Literature review

Schumpeterian theory on Innovation
One of the best known contributors to the theory of entrepreneurship has been Joseph Schumpeter in his book the theory of Economic Development. The discovery and opportunity theory of entrepreneurship equilibrium destruction theory. Schumpeter (1934) looks at entrepreneurship as individual who introduces new combination and not imitation. Schumpeter's economic and social leader does not care much about economic profits and only the joy he gets from being an innovator and being a server to his society. Schumpeter's entrepreneur is an innovator in the entrepreneurship arena.
In the Schumpeterian theory, the entrepreneur moves the economy out of the static equilibrium. Schumpeter (1934) argues that the process of accumulation is the ladder to social power and social prestige, but he thinks the very mainspring of the exercise of the entrepreneurial function is the powerful will to assert economic leadership. The entrepreneurs gain their joy through innovations which is the primary motive, the acquisition of social power is an added advantage. The entrepreneur is one identifies how these new combinations can be applied in production but not invention of new products. This then implies that a business owner is considered an entrepreneur only if he is carrying out new combinations. The entrepreneur drives the economic system out of the static equilibrium by creating new products or production methods thereby rendering others obsolete. This is the process of "creative destruction" (creating uncertainty) which Schumpeter observes as the driving force behind economic development (Schumpeter, 1934)
Innovation may be in product uniqueness, brand image, superior quality or in leading edge products and services designed to fit the changing needs of customers. According to Damanpour (2005) there is a positive relationship between organizational innovation and performance. Innovativeness is perceived as discovering something new that is not in existence hence it is a firm’s strategic choice influenced by environmental opportunities or an application of knowledge to produce new knowledge. Within the flexible leadership theory propositions innovative adaptation includes the ability of a company to adapt to changes in the external environment, which has led to a shift in strategic emphasis beyond the sole efficient management of tangible assets to additional emphasis or innovation resulting from effective usage like human and social capital. The effect of efficiency on firm performance has been supported by a variety of studies as well as direct effect on innovative adaptation. The two determinants can have simultaneous joint effects on firm performance and lead to competitive
advantage. Empirical evidence also supports the joint effects of efficiency and innovative adaptation on firm performance. Innovation is attributed to product uniqueness, brand image, superior quality or in leading edge products and services designed to fit the changing needs of customers. According to Damanpour (2005) there is a positive relationship between organizational innovation and performance. For the new product or service to be successful in the market a positive mediation effect of quality on the relationship between innovativeness and market success through structural equation modeling should be carried out. Cho and Pucik (2006) established that innovativeness, profitability and quality both have mediation effect on market value.

**Corporate entrepreneurial Management Support**

Management team should be open to innovation, and be willing to provide the necessary resources, expertise and protection. MacMillan, Block et al (2002) ascribe lack of top management support and commitment as a major contributor to the failure of many attempts to create new ventures in the 1970s. This factor is important in promoting entrepreneurship in companies. Carter and Jones-Evans (2006) explain how to achieve management support, the top management support can come from any level of the organization, from chief executive to project manager to other intrapreneurs (Carter & Jones-Evans, 2006). So called ‘sponsors’, as Carter and Jones-Evans (2006) call them, have to support the creative activity and resulting failures and need to have the planning flexibility to establish new objectives and directions as needed. This means that according to Carter and Jones-Evans (2006) these sponsors should persuade other managers that the intrapreneurs ideas are good and have positive financial outcomes in initial phases and follow-up meetings permit flexible budgets in terms of money, people and equipment, ensure the corporate venturing project develops quickly within an organization, fight internal departmental issues.

With a sponsor doing all this, an intrapreneur can prosper. Resource availability is essential for entrepreneurship. Managers must perceive the availability of resources for innovative experimentation and risk-taking. When there are enough resources available for entrepreneurial activities, intrapreneurs will be flourishing (Stopford & Baden-Fuller, 1994). According to MacMillan et al. (2002), it is important that corporations do not abandon all venturing efforts when one or two venture attempts have failed. Venture managers gain experience and are more successful when they have passed the stage of initial venturing. Companies should be aware that “initial ventures are not likely to be highly successful per se but that the experience benefits can be substantial. This suggests selecting modest initial ventures, with relatively low resource requirements, as a vehicle for learning to be effective at venturing (MacMillan et al., 2002). So the resources should not only be available from the manager’s perspective.

Employees realization that such an opportunity for innovation and experimentation and risk taking. The structure must foster the administrative mechanism by which ideas are evaluated chosen and implemented. Structural boundaries tend to inhibit the flow of information for employees in corporate entrepreneurial activities. It is also important to examine corporate
entrepreneurship strategies that are employed by management that are geared to achieving the goals. Senior management should be open to innovativeness, and be willing to provide the necessary resources, expertise and protection. MacMillan, Block and Narasimha (2002) ascribe lack of top management support and commitment as a major contributor to the failure of many attempts to create new ventures in the 1970s. So they identify this factor as one of the most important factors. Carter and Jones-Evans (2006) explain how to achieve management support, the top management support can come from any level of the organization, from chief executive to project manager to other intrapreneurs (Carter & Jones-Evans, 2006). So called ‘sponsors’, as Carter and Jones-Evans (2006) call them, have to support the creative activity and resulting failures and need to have the planning flexibility to establish new objectives and directions as needed. Very specifically, this means that according to Carter and Jones-Evans (2006) these sponsors should persuade other managers that the intrapreneurs ideas are good and have positive financial outcomes in initial phases and follow-up meetings permit flexible budgets in terms of money, people and equipment, ensure the corporate venturing project develops quickly within an organization, fight internal departmental issues. With a sponsor doing all this, an intrapreneur can prosper. Resource availability is essential for entrepreneurship. Managers must perceive the availability of resources for innovative experimentation and risk-taking. When there are enough resources available for entrepreneurial activities, intrapreneurs will be flourishing (Stopford & Baden-Fuller, 1994). According to MacMillan et al. (2002), it is important that corporations do not abandon all venturing efforts when one or two venture attempts have failed. Venture managers gain experience and are more successful when they have passed the stage of initial venturing. Companies should be aware that “initial ventures are not likely to be highly successful per se but that the experience benefits can be substantial. This suggests selecting modest initial ventures, with relatively low resource requirements, as a vehicle for learning to be effective at venturing (MacMillan et al., 2002). So the resources should not only be available from the manager’s perspective.

Research Methodology
This study adopted descriptive research design. This design utilized both quantitative and qualitative data, which enabled the researcher to have an in-depth examination of the key indicators under investigation. It was also intended to provide answers to the research question. The design was chosen since it was deemed to be the most effective to significantly contribute to the depth and specificity of the study. The study focused all the 22 food fortification industries in Kenya registered with the Kenya Association of Manufacturers (KAM) by 2011. The study used probability sampling design by using a simple random sampling technique to select individual respondents and a sample size of 150 was used.
The questionnaire was designed to collect information from respondents. Pilot study was conducted by involving 15 respondents to ascertain reliability and validity of the instrument. The filled questionnaires were analyzed both qualitatively and quantitatively and the findings were presented in tables with the help of SPSS.

Research Findings and Discussion
From the 150 questionnaires administered, 120 were filled and returned. This represented a 80% response rate, which is considered satisfactory to make conclusions for the study. This high response rate was attributed by the data collection procedure, where the researcher personally administered questionnaires and waited for the respondents to fill and picked the filled questionnaires. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very good. This implies that based on this assertion; the response rate in this case of 80% is very good.

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Sample size</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>120</td>
<td>80</td>
</tr>
<tr>
<td>Un-returned questionnaires</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
</tr>
</tbody>
</table>

Corporate Entrepreneurial Management Support
The purpose of this study, descriptive statistics were used to describe the phenomenon under investigation and help the researcher come up with conclusion about the characteristics of data used in order to proceed to inferential statistics. The study sought to determine the influence of Corporate Entrepreneurial Management Support Strategies on performance in food fortification companies and the findings are indicated in table below

<table>
<thead>
<tr>
<th>Management support</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation have clear policies, goals and objectives that support and govern</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>corporate entrepreneurialship in your firm.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policies have been mutually communicated and agreed upon by employees and</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>management.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management allows resource sharing and flexibility.</td>
<td>44</td>
<td>37</td>
</tr>
<tr>
<td>Organisation allocate special funds for entrepreneurial activities.</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>There is sufficient resource slack to allow people to experiment new business</td>
<td>41</td>
<td>34</td>
</tr>
<tr>
<td>opportunities without formal budget approval.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table above, it indicates that organizations with clear policies, goals and objectives supports performance in food fortification companies as it was rated highly with 45%. It was followed by management that allows resource sharing and flexibility, which was rated at 37%; sufficient resource slack to allow people to experiment new business opportunities was rated at
34%; organizations that allocate special funds for entrepreneurial activities was rated at 13% and policies that have been mutually communicated and agreed upon by employees and management which was rated at 10%.

The researcher conducted regression analysis so as to determine the influence of corporate entrepreneurial management support to performance in food fortification companies in Kenya. The hypothesis to test for this specific objective was:

\[ H_{01} : \text{Corporate entrepreneurial management support does not give a positive impetus to cultivating performance in food fortification companies in Kenya.} \]

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.638(^a)</td>
<td>.407</td>
<td>.402</td>
<td>.529</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Corporate entrepreneurial management

### ANOVA\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>39.673</td>
<td>1</td>
<td>39.673</td>
<td>74.940</td>
<td>.000(^b)</td>
</tr>
<tr>
<td>Residual</td>
<td>57.704</td>
<td>109</td>
<td>.529</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>97.377</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Performance

\(^b\) Predictors: (Constant), Corporate entrepreneurial management

### Regression Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>((\text{Constant}))</td>
<td>-0.142</td>
<td>0.069</td>
</tr>
<tr>
<td>1</td>
<td>Corporate entrepreneurial management</td>
<td>0.591</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Performance
The linear regression model in table above shows $R^2 = 0.407$ which means that 40.7% change of performance in food fortification companies in Kenya can be explained by a unit change of Corporate entrepreneurial management. Further test on ANOVA in table above shows that the significance of the F-statistic (74.940) is less than 0.05 since p value, p=0.00. Further test on the beta coefficients of the resulting model, as shown in table above, the constant $\alpha = -0.142$, if the independent variable of Corporate entrepreneurial management is held constant then there will be a negative performance in food fortification companies in Kenya by 0.142. The regression coefficient for Corporate entrepreneurial management was positive in table above and significant ($\beta = 0.591$) with a t-value=8.657 (p-value<0.001) implying that for every 1 unit increase in Corporate entrepreneurial management, performance in food fortification companies in Kenya is predicted to increase by 0.591 units and therefore $H_{01}$ is rejected.

**Corporate Entrepreneurial Incentives Employed**

The study sought to investigate the influence of corporate entrepreneurial incentive systems in place that promote performance in food fortification companies in Kenya. This objective was measured by using the incentives statements. Respondents were asked to indicate the incentives statements they agree and the results are shown in table below.

<table>
<thead>
<tr>
<th>Incentives Statements</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards are given to employees who come up with new products</td>
<td>61</td>
<td>51</td>
</tr>
<tr>
<td>Organisation have a policy on incentives of entrepreneurial activities</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Employees are given time to work on their own projects which could benefit the organisation</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>Organisation have flexible job designs rather than formal descriptions.</td>
<td>22</td>
<td>18</td>
</tr>
</tbody>
</table>

From the above, it indicates that rewards incentive given to employees who come up with new products promotes performance in fortification companies in Kenya which received the highest percentage of 51. It was followed by time given to employees to work on their projects which was rated at 33 percent; flexibility job designs by organizations rather than formal descriptions which were rated at 18 percent and finally organization policy on incentives of entrepreneurial activities which was rated at 10 percent. This finding agree with Shepherd, Covin and Kuratko (2009) that the appropriate use of rewards, gaining top management support, resource availability, supportive organizational structure and risk taking and tolerance for failure is the main factor that promotes corporate projects.
The researcher conducted regression analysis so as to assess the corporate entrepreneurial incentive systems in place that promote performance in food fortification companies in Kenya. The hypothesis to test for this specific objective was:

H₀₂: Corporate entrepreneurial incentive of employees does not promote performance in food fortification companies in Kenya.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.590⁷</td>
<td>.348</td>
<td>.342</td>
<td>.582</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Corporate entrepreneurial incentives

**ANOVA⁸**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>33.900</td>
<td>1</td>
<td>33.900</td>
<td>58.212</td>
<td>.000⁹</td>
</tr>
<tr>
<td>1</td>
<td>63.477</td>
<td>109</td>
<td>.582</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>97.377</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Corporate entrepreneurial incentives
/csv

**Regression Coefficients⁹**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.147</td>
<td>0.072</td>
<td>-2.043</td>
</tr>
<tr>
<td>1</td>
<td>Corporate entrepreneurial incentives</td>
<td>.562</td>
<td>0.074</td>
<td>0.590</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

The linear regression model in table above shows R² = 0.348 which means that 34.8% change of performance in food fortification companies in Kenya can be explained by a unit change of Corporate entrepreneurial incentives. Further test on ANOVA table above shows that the significance of the F-statistic (58.212) is less than 0.05 since p value, p=0.00.

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⁷ Model Summary
⁸ ANOVA
⁹ Regression Coefficients

Further test on the beta coefficients of the resulting model, as shown table above, the constant α= -0.147, if the independent variable of Corporate entrepreneurial incentives is held constant then there will be a negative performance in food fortification companies in Kenya by 0.147. The regression coefficient for Corporate entrepreneurial incentives was positive and significant (β = 0.562) with a t-value=7.630 (p-value<0.001) implying that for every 1 unit increase in Corporate entrepreneurial incentives, performance in food fortification companies in Kenya is predicted to increase by 0.562 units and therefore H02 is rejected.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this study, organizations should have clear policies, goals and objectives supports performance in food fortification companies. Also, management should allow resource sharing and flexibility, put sufficient resource slack to allow people to experiment new business opportunities and organizations should allocate special funds for entrepreneurial activities in their organizations. From the results it was found that corporate entrepreneurial management increase performance in food fortification companies in Kenya. Therefore, food fortification companies in Kenya should sound corporate entrepreneurial management. Rewards incentive given to employees who come up with new products promotes performance in fortification companies in Kenya which was highly rated. Also, food fortification companies in Kenya should employees time to work on their projects, design flexible jobs and finally food fortification companies in Kenya should have a policy on incentives of entrepreneurial activities. Lastly, Corporate entrepreneurial incentives have positive performance in food fortification companies in Kenya and thus, food fortification companies in Kenya should embrace Corporate entrepreneurial incentives to increase performance of their companies.

REFERENCES


