

A Research on Relationship of Institutionalization and Institutional Entrepreneurship

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ABSTRACT: Institutionalization is a dynamic process which is developed as a result of enterprise sensitivity to the environmental transformation and consists of its efforts to conformity to this transformation. Institutional entrepreneurship, however, is the process of building a different constitution inside the enterprise to induce entrepreneurial spirit and to lead the association into transformation and modernism. These two notions can be seen as the activities that will achieve the permanency and the efficiency of family businesses which have a big interest in world economics. In this study, the components of the institutionalization are; social responsibility and professionalization, institutional entrepreneurship components are aimed to be measured on the basis of the risk and proactivity and the modernism in the family businesses which are sampling units. In this study, the deduced survey hypothesis are tested using the statistical analysis data, and the contribution of the study to the association is discussed in the light of derived findings and evaluations, also a set of suggestions which can enlighten the way for next studies are developed and how the business world will profit from this study is emphasized.

Keywords: Family Businesses; Small and Medium Sized Company; Institutionalization; Institutional Entrepreneurship

JEL Classifications: MOO; L26

1. Introduction

Family businesses are the businesses which carry on their activities under the ownership and management of one or more members of a family and most businesses in today's world have the characteristics of a family business (Shanker and Astrachan, 1996:107; Wortman, 1994:3; Bowman, 1991). Sustainability is one of the most important problems faced by family businesses. The most effective way to solve this problem is to adapt institutionalization to the business activities. Institutionalization can be defined as the transfer of certain standards to businesses to accommodate to the changes occurring around businesses. On the other hand, the other one of the concepts of the management science in great demand is institutional entrepreneurship. It is to succeed, focusing the employees on innovativeness and variation by establishing a different organization within the organization. In consequence of the adaptation to the businesses of these two concepts, both sustainability and productivity growth will be achieved.

The purpose of this research is to provide a measurement of the effects of the institutionalization concept on the institutional entrepreneurship in the family businesses which have increasingly more importance for the economy of the world and Turkey. From the point of the review of literature, while the inspected constituents for both of these concepts are determined as social responsibility and professionalization for institutionalization, they are stated as risk, proactivity and innovativeness for institutional entrepreneurship. The scope of this research has been stated as analysing the effect of institutionalization level of The Second 500 Major Industrial Enterprises

determined by Istanbul Chamber of Industry on the institutional entrepreneurship level.

2. The Impacts of Institutionalization Components on Institutional Entrepreneurship

12 hypothesis split into group a and b have been developed in order to assess the survey date. The developed hypotheses are shown in Table 1.

Table 1. Survey Hypotheses

The impact of social responsibility components on institutional entrepreneurship	
H _{1a} :	There is a positive correlation between social responsibility level and risk-taking inclinations of organizations.
H _{1b} :	There is a negative correlation between social responsibility level and risk-taking inclinations of organizations.
H _{2a} :	There is a positive correlation between social responsibility level and proactivity inclinations of organizations.
H _{2b} :	There is a negative correlation between social responsibility level and proactivity inclinations of organizations.
H _{3a} :	There is a positive correlation between social responsibility level and innovativeness inclinations of organizations.
H _{3b} :	There is a negative correlation between social responsibility level and innovativeness inclinations of organizations.
The impacts of professionalization components on components of corporate entrepreneurship	
H _{4a} :	There is a positive correlation between the professionalization levels and risk-taking inclinations of organizations.
H _{4b} :	There is a negative correlation between the professionalization levels and risk-taking inclinations of organizations.
H _{5a} :	There is a positive correlation between the professionalization levels and proactivity inclinations of organizations.
H _{5b} :	There is a negative correlation between the professionalization levels and proactivity inclinations of organizations.
H _{6a} :	There is a positive correlation between the professionalization levels and innovativeness inclinations of organizations.
H _{6b} :	There is a negative correlation between the professionalization levels and innovativeness inclinations of organizations.

3. Reliability Analysis

In this study the data related to the reliability of institutionalization and institutional entrepreneurship variables underwent an assessment using Cronbach's alpha coefficient based on the average correlation between index rates. The results of the reliability analysis of the variables in question are shown in Table 2. As seen in Table 2, Cronbach's Alpha rates of institutionalization and institutional entrepreneurship indices are 0.908 and 0.848 respectively. The survey revealed that both of the measures in question showed a high reliability since their Cronbach's alpha index rates are approaching 1 integer. Therefore, methods used in the survey in order to measure the level of institutionalization and institutional entrepreneurship can be considered adequate.

Table 2. Reliability values regarding the scales used in the survey

Variant	Number of articles	Cronbach Alpha
Institutionalization level	13	,908
Professionalization	6	,881
Social Responsibility	7	,935
Institutional entrepreneurship	13	,848
Innovativeness	4	,858
Risk	5	,834
Proactiveness	4	,852

*Cronbach Alpha values after factor Analysis

4. Correlation Between Institutionalization and Institutional Entrepreneurship

This section gives an account of the stepwise regression analysis conducted on the hypotheses developed herein in order to determine the institutionalization components effects upon institutional entrepreneurship components which consequently allowed of certain findings. Namely, the analysis proved that there is no effect of neither social responsibility nor professionalisation on modernism and risk. Thus, below are variables that prove the existing correlation between the above mentioned matters which have been identified due to the stepwise regression analysis.

4.1. The Relation Between Social Responsibility and Risk

The relation between social responsibility and risk was handled on Table 3. Given that the data on the table, value P is (0,035), value β is (-0,209). So that P is minor than 0,05 shows that there is a meaningful relation between these two variables in 5% significance level. And value R^2 (0,004) shows that social responsibility has a very little impact on risk. In this regard it can be said that the more social responsibility of organizations increases the less risk levels decrease. Social responsibility can

be summarized as the sensibility of the organizations to their employees and environment. And risk is organizations' taking responsibility by considering the possibility of loss. Hence, improvement of social responsibility can reduce taking risk against both environment and employees.

Table 3. Regression Analysis regarding the relationship between Social Responsibility and Risk

	R ²	Standard Error	Standardized β Value	T Value	Level of Significance (p)
Stable		,97		,000	1,000
Social responsibility	,044	,098	-,209	-2,1377	,035

Dependent variable: Risk

While the hypothesis “There is a negative relation between social responsibility level and risk taking tendencies of organizations”, which was developed in order to analyze the relation between these two variables, is accepted, the hypothesis (H1a) “There is a positive relation between social responsibility level and risk taking tendencies of organizations” was declined.

4.2. Relation Between Social Responsibility and Proactivity

Proactivity is something that businesses, according to their rival, present new products, technologies and management techniques before and catch market leadership (Covin and Slevin, 1988; Antoncic and Hisrich, 2001). One of the proxyship principle extents which is in the structure of social responsibility is stated as targeting secular optimum profitability rather than short-term maximum profitability. There should be secular profit expectation to adaptation proactivity to businesses because novelty starts with costly process and brings profitability in case of prospered. Consequently it can be said that businesses whose social responsibility level is high will be high level proactivity also. When data acquired from businesses that participate in study were evaluated with regression analysis, same result concluded. Regression analysis intended relation between social responsibility and proactivity is shown on the Table 4. When examined data on the Table, P-value is (0,021), β -value is (0,220). Being small of P from 0,05 exhibits that there is a significant relation between these two parameters at a significance level of %5. R2 (0,014) value exhibits that social responsibility has low effect on proactivity.

Table 4. Regression Analysis For Relationship Between Social Responsibility and Proactivity

	R ²	Standard Error	Standardized β Value	t Value	Significance Level (p)
Stable		,093		,000	1,000
Social Responsibility	,014	,094	,220	2,344	,021

Dependent Variable: Proactivity

Accordingly, H_{3a} hypotheses is allowed that has expression of “there is a positive relation between level of social responsibility of companies and proactivity tendency”; and H_{3b} hypotheses is declined that has expression of “there is a negative relation between level of social responsibility of companies and proactivity tendency”.

4.3. The Relationship Between Professionalisation and Proactivity

In Table 5, signs of regression analysis which are applied in order to reveal the impact of professionalisation on the proactiveness were shown. When data in the table were analyzed, P values (0,018), β values (0,026), respectively. P less than 0,05 indicates that there is a significant relationship between the two variables at a significance level of 5%. On the other hand, R2 (0,014) value shows that there is a very low effect of professionalism on proactiveness. Accordingly, in the enterprises involved in research higher level of professionalism will increase the level of proactiveness. The main body of the survey is family businesses whose one of the most important problem is not being institutionalization. In addition, a positive relationship between professionalisation level, one of the components of the institutionalization and level of institutional entrepreneurship has demonstrated the importance of corporate management style. Professional management approach having a more proactive perspective than others may be due to have the professional experience and knowledge in the sector.

Table 5. Regression Analysis For Relationship Between Professionalisation and Proactivity

	R ²	Standard Error	Standardized β Value	t Value	Significance Level (p)
Stable		,094		,000	1,000
Professionalization	,141	,094	,226	2,417	,018

a. Dependent Variable: Proactivity

When it's evaluated that hypotheses developed for this relation, H5a hypotheses is allowed that has “there is a positive relation between level of professionalisation of companies and proactivity tendency”; and H5b hypotheses is declined that has expression of “there is a negative relation between level of professionalisation of companies and proactivity tendency”. Research findings have placed in Table 6 in generally.

Table 6. Research Findings and Reviews

Hypotheses	Research Findings	Review
H _{1a} : There is a positive relationship between enterprises' social responsibility level and their risk taking tendencies.	There is negative relationship between enterprises' social responsibility level and risk.	When H _{1a} hypothesis is rejected, H _{1b} hypothesis is accepted.
H _{1b} : There is a negative relationship between enterprises' social responsibility level and their risk taking tendencies.		
H _{3a} : There is a positive relationship between enterprises' social responsibility level and proactivity tendencies.	There is a positive relationship between enterprises' social responsibility level and proactivity.	When H _{3a} hypothesis is accepted, H _{3b} hypothesis is rejected.
H _{3b} : There is a negative relationship between enterprises' social responsibility level and proactivity tendencies.		
H _{5a} : There is a positive relationship between enterprises' professionalisation level and proactivity tendencies.	There is a positive relationship between enterprises' professionalisation and proactivity.	When H _{5a} hypothesis is accepted, H _{5b} hypothesis is rejected.
H _{5b} : There is a negative relationship between enterprises' professionalisation level and proactivity tendencies.		

5. Conclusion

In today's world economy globalising, %75-95 of businesses are in family-owned business status and this rate is % 90 for United States of America (USA), %75 for England, %80 for Spain, %95 for Italy, %80 for Mexico, % 75 for Australia. In Turkey, family-owned business comprises % 95 of all businesses. The contribution of these businesses to employment is % 60 in USA, % 75 Germany, % 90 in Turkey. These rates clearly prove the importance of family-owned business in global economy (Genç and Karcioğlu, 2004; Gersick et al., 1997).

A lot of researches have been done in durablenesses of family businesses having such an importance with regards to both our country and world economy. While scanning the letters about these researches, general discoveries refer that in family businesses continuity can be gained by means of institutionalization. Institutionalization; transferring specific standarts to the organization to comply with environmental change and as a result of transferring these standarts to the organization increases the maintainability and productivity of the business. In institutionalized family businesses, problems like nepotism, role conflict and indefiniteness can be stopped.

Beside specific standards, institutionalization is a process that encourages innovativeness in enterprise. In this stage, reinforcing institutional entrepreneurship for adapting innovativeness to enterprise will be convenient. One of the reasons that institutional entrepreneurship concept is in demand is that institutions are allowed to use innovative talents of their employees and managers in their business (Sharma and Chrisman, 1999; Thomson and Mc Namara, 2001, Hisrich and Peters, 2002). The effect of the institutionalization components on the institutional entrepreneurship components was analyzed in the research. The summary results of this analysis would be evaluated in terms of institutional entrepreneurship variables as such:

- ▲ Whilst the social responsibility component of the institutionalization has a positive relationship with the proactivity component of the institutional entrepreneurship, it has a negative relationship with the risk component. In other words, it would be said that the proactivism level of the corporations which were participated in the field research rises with the social responsibility level raising, correspondingly the risk level reduces.
- ▲ Professionalisation component of institutionalization had a positive relationship with the proactivity component of the institutional entrepreneurship. Put another way, it would be said that the proactivity level of the corporations which were participated in the field research increases with the professionalisation level increasing.

The findings of this study show that increasing of the institutional entrepreneurship and the institutionalization level is necessary to provide continuousness of the family businesses. Furthermore, as a result of effective institutionalization, corporation absents subjectivity and has an objective perspective so it increases its efficiency and it would be able to sustain modernism oriented activities with a more strategic view point and a professional style. Encouragement of institutionalization and institutional entrepreneurship activities together would renders the modernism as the corporate's character with providing more dynamic corporate form.

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