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on organizational growth in an IT services company
in India

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Abstract

Background: Corporate entrepreneurship, or entrepreneurial practices at the level of a well-established organization, has long been recognized as a critical component of organizational growth. Corporate entrepreneurship is gaining strategic significance as a result of its effect on the organizational process, which contributes to the organization's growth. Organizational development and growth are some of the most important explanatory variables in corporate entrepreneurship, according to a recent study.

Purpose: The purpose of this study was to examine the relationship between the dimensions of corporate entrepreneurship developed in IT Services companies and organizational growth and the effects of corporate entrepreneurship on organizational growth. This paper tests a framework that examines the nature of the relationship between corporate entrepreneurship and organizational growth.

Methodology: A qualitative case study method to analyze the dimensions of corporate entrepreneurship and their effect on the growth of the organization was used in this study. Semi-structured interview techniques and content analysis were used in this qualitative research.

Findings: The study discovered that innovation, one of the corporate entrepreneurship dimensions, has positive effects on organizational growth. It is found that corporate entrepreneurship dimensions improved organizational growth by growing a company's innovativeness. In addition, the "autonomy" dimension of corporate entrepreneurship has negative effects on organizational growth.

Unique contribution to theory, practice, and policy: The study showed the strategic importance of corporate entrepreneurship by presenting evidence of the relationship between dimensions of corporate entrepreneurship and organizational growth in light of the Greiner Organizational Growth Model. The study also offered useful insights to practitioners on how to transition smoothly to the next phases of the growth by planning for all potential crises that can arise in each phase and the solutions that reflect moving to the next phase of the Greiner growth model. Besides, the outcome of the study contributes both to corporate entrepreneurship and organizational growth literature.

Keywords: *Entrepreneurship, Corporate Entrepreneurship, Organizational Growth, Business Performance, Information and communication technologies, Octaware Technologies.*

Jel: L26, M14

Introduction

Organizations are adopting corporate entrepreneurship practices in their ongoing journey for business growth to succeed in today's highly competitive marketplaces.¹ Corporate entrepreneurship has been described by many researchers as an organizational process that contributes to firm survival and growth.² In a nutshell, it is argued that entrepreneurial attitudes and behaviors are needed for businesses of all sizes to thrive in competitive environments. As a result of these sentiments, a growing body of literature is emerging to assist businesses in better understanding the organizational processes that support entrepreneurial action.³ Since the alignment of an organization's growth with its entrepreneurial aspirations is largely determined by its willingness to increase its entrepreneurial behavior, this line of research is extremely important.⁴

When an organization passes through a growth phase in the organizational lifecycle, it has to manage the organizational growth process successfully at various stages of the growth of the organization. There are organizational growth models and applications that have been established in the context of the organization's life cycle to develop and sustain organizational growth.⁵ Among these models, Larry E. Greiner's Organizational Growth Model⁵ is accepted as a standard in organization literature by organization theorists. The theoretical framework of the Greiner Organizational Growth Model is to use novel solution methods to analyze and solve evolutionary problems in various stages of organizational growth. As a result of the studies conducted in recent years, it has been found that there is a substantial relationship between corporate entrepreneurship and the growth of the organization.⁷ However, only a few studies used Organizational Growth Model to look at the effects of particular dimensions of corporate entrepreneurship on organizational growth.

The current study's aim was to look into the relationship between corporate entrepreneurship and organizational growth with a specific emphasis on identifying the particular effects of different dimensions of corporate entrepreneurship on organizational growth in an IT services company. With this aforementioned aim in mind, the concept of corporate entrepreneurship at the case organization was described, and its dimensions were examined for

¹ McGrath, R. G., Venkataraman, S., & MacMillan, I. C. (1994). The advantage chain: Antecedents to rents from internal corporate ventures. *Journal of Business Venturing*, 9(5), 351–369.

² Covin, J. G., & D. P. Slevin. (1986). The development and testing of an organizational-level entrepreneurship scale. *Frontiers of Entrepreneurship Research*. Babson College, Wellesley, MA, pp. 628–639.

³ Guth, W., & A. Ginsberg. (1990). Guest editor's introduction: Corporate entrepreneurship. *Strategic Management Journal*, Summer Special Issue, 11, pp. 5–15.

⁴ Murray, J. A. (1984). A concept of entrepreneurial strategy. *Strategic Management Journal*, 5(1), pp. 1–13. ⁵

Santora Joseph C., & James C. Sarros. (2009). *Founders, Leaders, And Organizational Life Cycles: The Choice Is Easy – Learn Or Fail!*. Development And Earnings In Organizations, Vol. 22 No. 3 2008.

⁵ Greiner Larry E. (1972). *Evolution and Revolution as Organizations Grow*, President and Fellows of Harvard College, s.39. ⁷ Hornsby, J. S., Kuratko, D. F., Shepherd, D. A., & Bott, J. P. (2009). Managers' corporate entrepreneurial actions:

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their effect on the relationship. Next, the effects of the application of the Greiner Organizational Growth Model in case organization on particular dimensions of corporate entrepreneurship and growth of the case organization were analyzed. Finally, the study concluded, implications, as well as limitations and recommendations for future research and practice, were presented.

The corporate entrepreneurship practices in the case organization

Corporate entrepreneurship, one of the important sub-fields of entrepreneurship, is described as the processes whereby a person or a group of individuals, in collaboration with an existing organization, establish a new organization or activate renewal or innovation within that organization.⁶ In other words, corporate entrepreneurship is defined as entrepreneurial behavior inside an established organization.⁷ The term is also known as corporate venturing or intrapreneurship. The corporate entrepreneurship dimensions include activities such as innovation, risk-taking, proactiveness, new product development, new business venturing, autonomy, competitive aggressiveness, self-renewal, and strategic renewal.⁸ An organization that is entrepreneurially focused is one that deliberately engages in corporate entrepreneurship by taking into account the dimensions mentioned above. In this study, corporate entrepreneurship of the case organization has been classified into four dimensions, namely, innovation, new product development, new business venturing, and autonomy.

The case organization is Octaware Technologies⁹ which is a software development and business Solutions Company with software delivery centers in India located in Mumbai and Pune. Since 2005, the company has been serving global customers through its delivery centers, which are managed by hands-on Vice Presidents who report to the company's Chief Executive Officer.¹⁰ The expansion in the company's business led to the establishment of its subsidiaries¹¹ in the USA, Singapore, and UAE by 2012. Such kind of growth enabled the case organization to develop new business ideas, innovate new products, and explore the markets. Managers with entrepreneurial spirit seized such opportunities, managed new businesses, and deployed innovations to foster the organization's growth and competitive advantage. The organization established entrepreneurial behavior in the business environment to realize more output and growth.

⁶ Sharma, P., & Chrisman, J. J. (1999). Towards a reconciliation of the definitional issues in the field of corporate entrepreneurship. *Entrepreneurship Theory and Practice*, 23, 11-27.

⁷ Morris, M.H., Kuratko, D.F., & Covin, J.G. (2002). *Corporate Entrepreneurship & Innovation*. Mason, OH: SouthWestern College Publishers.

⁸ Ireland, D.R., Covin, J.G. & Kuratko, D.F. (2009). Conceptualizing Corporate Entrepreneurship Strategy, *Entrepreneurship theory and Practice*, 33(1), 19-46.

⁹ Octaware Technologies Limited. *The Bridge To Productivity*. 2021. <http://www.octaware.com>.

¹⁰ Khan, M.A. (2020). The impact of project management styles on digital transformation: A Case Study of an IT services company. *International Journal of Project Management*, 4(1), 1-9.

¹¹ Mathew, R. (2015). Indian professionals 'are real go-getters' Retrieved 4 April 2020 from <https://www.gulfimes.com/story/431433/Indian-professionals-are-real-go-getters>

During the post-financial crisis-era in the year 2008, the investment continued from the funding agencies to entrepreneurs with innovative ideas. The investment fund managers were searching for business ideas with a working prototype of the software products. A gap of good software solution architect team to understand the business idea and design the software structure and immediate availability of engineering team was identified by few enterprising managers of the case organization. A team of enterprising managers proposed to start a new business unit to offer “Enterprise Product Development” services to worldwide customers. The delivery model of this new business unit was proposed to serve the clients with the services of onsite solution architects/project management and professional services from the offshore center to set up in the Pune office. Top management supported this initiative with investment approved by the board of directors. Thus, a pro-active initiative of a group of employees with an innovative model of new “Enterprise Product Development” unit, creating a new business venture, demonstrated a culture of corporate entrepreneurship practice at case organization. The new business venture brought a positive effect to sales growth, an additional source of revenue, and asset utilization to the company. As a result, the company’s revenue and profitability grew to foster organizational growth at the case organization.

Application of organizational growth model in the business growth of case organization

Organizational growth models were the most frequently used theoretical approach to understanding entrepreneurial growth. The most valuable model is Greiner’s “Evolution and Revolution as Organizations Growth,” which is considered a classic.¹² In addition to this, theorists modeled organizational growth from the evolutionary and revolutionary dimensions.¹³ According to Greiner, the breakdown of each revolution time period dictates whether or not an organization can grow to the next evolution step. At the same time, the completion of growth phases results in managing crises in each phase.¹⁴ Greiner’s Organizational Growth model has five phases, and every phase has two dimensions. The first is the evolutionary dimension, which is characterized by stable organizational growth, and no significant setbacks or disruptions occur. The second dimension is revolutionary, in which every phase triggers other phases. Greiner analyzed the organization’s growth situations in five main phases.

In Greiner’s organizational growth model, each phase of the five phases of the growth model is characterized by management practice to achieve growth, and crisis thereafter describes the

¹² Bedenian, Arthur G., & Raymond R. Zammuto. (1991). *Organizations Theory and Design*, The Dryden Press, Chicago.

¹³ Kaplan, M. Soren., & E. Robert Johnston. (1998). *Dislocations-Drivers of Industry Evolution, Innovation and Corporate Growth*, Strategic Change, N.7.

¹⁴ Nelson K.H.Tang., Ossie Jones., & Paul L.Forrester. (1997). *Organizational Growth Demands Concurrent Engineering*, Integrated Manufacturing Systems, Vol.8, Num.1, s.29.

problem that must be solved by the management in order to continue growth and move to the next phase. In this section, Greiner's growth model was applied to the case organization.

— *Reflection on organizational growth through creativity*

The new business unit "Enterprise Product Development" developed a slogan, "Idea to Prototype in 30 days," and began offering innovative software product development services with project managers and solution architects to design the system/solution working with customers at their location and software engineering team to work on the software product development at the back office of the case organization. This hybrid services offering was well received by customers, demonstrating value proposition, and as a result, the case organization's business unit expanded significantly. At one point in time, the new business unit's sales output surpassed the company's current revenue from other divisions.

The founding employee team of the new business unit was focused entrepreneurially on assisting their operation and technical team in developing the new business model. The organizational structure of the business unit was flat, and communication was informal between the members of the team. The team worked long hours to ensure the customer's satisfaction and the expansion of the new business unit. As the business grew, new systems such as cutting edge data center, software release management processes, and project management tools were required. The founding team lacked the expertise to manage new systems, processes, and tools. This was a leadership crisis in the first phase of organizational growth.

— *Reflection on organizational growth through the direction*

A professional and experienced operation team from the higher-level management group was deputed to manage the new business unit. The new business unit of the case organization survived the first phase and began to expand under the direction of the new management. The new management team expanded the operation in the new region of middle eastern countries such as Saudi Arabia and Qatar with new business development and sales team offering the services of the new business unit. A new infrastructure was established in Pune offshore development center to manage the work orders of the rising customer. The growth continued with a compound annual growth rate (CAGR) of 20% and manpower count doubling each year. The organizational structure of the business unit was reorganized, and an organizational structure of hierarchical reporting was established that made the formal communication between the member of the team. The management function was centralized and regulated at headquarter in Mumbai, India.

As the company's business unit grew, centralized management became ineffective. The new operation management team possessed extensive experience in system management, delivery, and product development. They were equipped with good knowledge and experience in managing the business unit. Nonetheless, centralized management at the headquarter posed a limitation, and they were unable to respond quickly to customer demand. Customer churn became a problem for the

new business unit. The approval process for management was taking longer than expected, resulting in a crisis of autonomy.

— *Reflection on organizational growth through Delegation*

When the founding team realized that development was being stifled, they decided to delegate roles and hand over administrative duties to the operations management team. The decision-makers in charge of financial statements and clients were the service managers. From the founding team to the members of the team, there was less frequent communication. The company introduced incentive plans such as employee stock options and performance bonuses that promoted loyalty and increased motivation among the employees of the case organization.

The decentralized founding team, operations team, and service managers focused and worked for the customers in the new markets, streamlined the offshore development centers in Pune, and responded to the customers with greater responsibility and autonomy. The founding team hired a new sales director and account managers to manage existing customers. The company introduced a new customer relationship management (CRM) system to manage customer issues. The business unit progressed and was able to show the board of directors positive financial results. Despite this, the founding team realized that the control over a diversified and global business unit was lost, resulting in a control crisis.

— *Reflection on organizational growth through Delegation*

The board of directors decided to incorporate structured processes and assumed administrative responsibility. The board combined the “Enterprise Product Development” business units with the existing ICT services division and measured the results of the operation using the return-on-capital¹⁵ investment method. The offshore development centers in Pune and Mumbai, India, planned for converting to profit centers. The company’s global operations were under the oversight of the board of directors. The move, which seemed bureaucratic, was criticized by the operation management team at headquarters and abroad. The offshore delivery centers increased in size, and onsite new business units became more complex to manage from remote locations. The new staff that managed the centers complained about the lack of cooperation from the operation managers. The lack of trust between the head office and the offshore development centers in Pune resulted in a high level of bureaucracy.

Despite the fact that the business issued stock options and performance incentives to keep the operation management team and service managers motivated, the company still experienced attrition. The company’s operations managers resigned, as did key service managers from the Pune office. The company’s growth in India’s offshore development centers came to a halt. The company’s board of directors made the decision to combine the new business unit with the global

¹⁵ Singh, D. J., & Yadav, D. P. (2013). Return on Capital Employed-A Tool for Analyzing Profitability of Companies. International Journal of TechnoManagement Research, 1(1), 1–13.

operation. Case organization continued to operate in the United States and Middle East region after the merger of the India development center with the global operation, but its growth was stagnant.

These stages of growth, as well as the challenges they present, can be examined further to identify the aspects of corporate entrepreneurship present in the case organization that contributed to its growth.

Analysis of Greiner's Organizational Growth Model on corporate entrepreneurship practices

To cope with the challenges and fast-changing competitive market climate in the global economy, companies must engage in more entrepreneurial activities. Corporate entrepreneurship has a positive impact on an organization's growth and performance by offering a strategic advantage over technological transformations powered by innovation. In this study, four dimensions of corporate entrepreneurship, namely innovation, new product development, new business venturing, and autonomy assessed for their possible direct and indirect effects on a company's growth during the lifecycle of the organization. Therefore, this study incorporates a corporate entrepreneurship perspective into its analysis of the relationship between dimensions of corporate entrepreneurship and a company's growth.

The first phase of Greiner's model, which is the creativity phase, onsite project management/solution architect idea is represented by the dimension of corporate entrepreneurship that can be described as the characteristics of innovation. The model's second phase, which is the direction phase, is represented by the dimension that describes the characteristics of the new enterprise product development and the crises that lead smoothly to the next phase if resolved. The third phase is the delegation phase, which is represented by the dimension that describes the characteristics of the new business venture. The fourth phase of the model is the delegation phase, which is represented by the dimension that shows the characteristics of the autonomy that affect the growth of the organization. Thus, the total number of dimensions found was 4, representing all phases of the Greiner growth model.

First, innovation and new business venturing dimensions of corporate entrepreneurship have an indirect impact on a company's growth. While involvement in organizational decisionmaking processes, such as proposing ideas and exploring alternative business, encourages both internal and external innovation/new business ventures, the effect of participation on decisionmaking is far more relevant for innovation/new business ventures. Innovation refers to a firm's inclination to engage in and support new ideas, uniqueness, creative processes, and experimentation

that may result in new services, products, or processes.¹⁶ Employees may feel a sense of involvement and control of the results of organizational decisions if they are given the opportunity to participate in decision-making, and so they may be more likely to contribute to organizational success by generating creative ideas and initiatives.

Second, the study revealed that some management practices, such as recognizing the opportunity, are intensified in order to demonstrate corporate entrepreneurship. Opportunity recognition, which is a precursor to entrepreneurial behavior, is often synonymous with a management practice, but it is most often the product of a long period of product and services scanning and business understanding. As a result, the fundamental practice of recognizing opportunities to develop new products is a principal concern of corporate entrepreneurship. Such managerial practices during the lifecycle of the organization are directly related to the corporate entrepreneurship dimensions, which are positively related to the organization's growth.

Third, the analysis indicated the positive outcome regarding the direct effect of the founder's commitment on the company's growth. The founding team interpreted with clarity the direction the organization headed in order to attain the company's growth. They took the initiative and dictated what happened rather than reacting to things after they have happened. These autonomies encapsulated the kind and level of growth the company pursued. The joining of operation managers with the required knowledge empowered the employees. The freedom and independence granted to employees defined autonomy in the case organization and depicted the positive relationship between corporate entrepreneurship and organizational growth.

The study examined the relationship between corporate and growth of the organization in the light of Grenier's growth model in an ICT company. Corporate entrepreneurship is often analyzed based on the following factors; risk-taking, innovativeness, proactiveness, and competitive aggressiveness and autonomy.¹⁷ Each dimension of corporate entrepreneurship is found positively related to organizational growth. In other words, as aforementioned, all aspects of corporate entrepreneurship have positive effects and are significantly correlated with organizational growth.

Conclusion

The purpose of this study was to examine the relationship between the dimensions of corporate entrepreneurship developed in IT Services companies and organizational growth in the light of the Greiner Organizational Growth model. In this paper, by applying the five-stages of the Greiner growth model, a new business unit within an organization was studied. The emerging dimensions of corporate entrepreneurship during the lifecycle of organizational growth were

¹⁶ Clark, N. D. (2010). Innovation Management in SMMEs: Active Innovators in New Zealand. *Journal of Small Business and Entrepreneurship*, 23 (4), 601-619.

¹⁷ Lumpkin, G. & Dess, G. (2001). Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle. *Journal of Business Venturing*, 16, 429-451.

analyzed. The strength of this study was that the Greiner organizational growth model provided a reasonably fine-grained examination of the effect of corporate entrepreneurship dimensions included on a company's growth during the complete lifecycle of the organizational growth. The result of this study reaffirmed the notion further by showing that ICT companies in a developing country could benefit from growth when pursuing corporate entrepreneurship. It can, therefore, be concluded that the corporate entrepreneurship dimensions improve organizational growth by growing a company's innovativeness, willingness to take risks through the development of new products/services or business ventures.

The current study makes some unique contributions. First, it integrates a corporate entrepreneurship perspective into its investigation of the relationship between dimensions of corporate entrepreneurship and an organization's growth. Second, this study focuses on the effects of selected dimensions of corporate entrepreneurship, namely innovation, new product development, new business venturing, and autonomy. In this respect, the outcomes of the study contribute both to corporate entrepreneurship and organizational growth literature. Furthermore, practitioners can use the current study as guidance to anticipate contingencies in the joint integration of the organizational growth model and corporate entrepreneurship for the company's results and growth.

This study has a limitation. The analysis of the study was confined to four specific dimensions of corporate entrepreneurship. Obviously, corporate entrepreneurship is a much broader multidimensional construct, and other dimensions of corporate entrepreneurship may influence an organization's growth. In addition, the study was limited to an information technology firm in India. Future studies may focus on extending the study in a different country and across different types of organizations.

Recommendation

The following are the some suggested recommendation for the ICT companies that they can pursue:

First, this paper recommends that those corporate entrepreneurship aspects that impact organizational growth, such as innovation, proactiveness, and risk-taking on new product/services development, must be recognized and improved upon by organizations.

Second, it is recommended that a company's degree of corporate entrepreneurship be squarely based on being consistently innovative, behaving proactively, and improving its products, services, and processes in order to enhance efficiency and compete favorably.

Third, it is also recommended that ICT companies in India consider introducing and implementing corporate entrepreneurship dimensions into their businesses.

Fourth, ICT companies that have already incorporated entrepreneurial behaviors into their operations should follow policies that encourage intrapreneurship by making organizations flatter,

less formal, and less centralized. This type of structure is found ideal for fostering creativity, innovation, self-managing teams, and other entrepreneurial behaviors.

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