

# RE-THINKING CORPORATE ENTREPRENEURSHIP AND VENTURING: A CASE STUDY IN THE ITALIAN FOOD INDUSTRY

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## ABSTRACT

The study of Corporate Entrepreneurship (CE) is gaining increasing interest within the field of Entrepreneurship. Much research has been carried out, mainly focusing on identifying determinants and outcomes of CE. Scholars suggest that the term “corporate entrepreneurship” encompasses two types of phenomena: corporate venturing (CV) and strategic renewal. CV is seen as a way in which firm-level entrepreneurship is expressed. Nevertheless, a combination of empirical observation and theoretical reflections has led us to reconsider the phenomenon of CV.

We carried out a case study analysis of a well known Italian company operating in the food industry: Riso Gallo. Past research on the organizational determinants of firm-level entrepreneurship investigated only those factors strictly related to the internal environment of the company, overlooking those organizational aspects that go beyond the current firm boundaries. The case study suggests that CV can be seen not only as an effect of CE but also as an organizational arrangement that enhances entrepreneurship in companies.

## INTRODUCTION

The study of firm-level entrepreneurship, or corporate entrepreneurship (CE), is increasingly central in managerial studies (Dess et al., 2003). CE can be defined as the entrepreneurial behavior shown by existing organizations. This process may result in the development of a new venture (“corporate venturing”) or in organizational revitalization (“strategic renewal”). Both the processes could encompass innovation, which is the introduction of something new to the marketplace (Sharma and Chrisman, 1999).

Before the early Eighties, apart from a few exceptions, entrepreneurship was still seen as embodied in individual entrepreneurs (Schendel, 1990). Some writers even considered entrepreneurship as the opposite of “corporate management” (Vesper, 1984): CE therefore sounded like a real oxymoron, a contradiction in terms (Stevenson and Jarrillo, 1990). Nowadays CE is at the core of management studies, and much research has been carried out, mainly focusing on identifying determinants and outcomes of the phenomenon. The phenomenon has been studied by scholars with different backgrounds: Strategic Management, Marketing, Organization, Innovation Management.

Although much research has been done on CE and its concept seems to be fairly well established, empirical observation led us to rethink the concept of CE and its relationship with the concept of corporate venturing (CV).

The present paper starts by reviewing the literature on CE in order to present the current conceptualization of the phenomenon. It proceeds by presenting the method adopted and describing the case study. It concludes by presenting a new way of thinking about the relationship between the concepts of CE and CV.

## THE CURRENT CONCEPTUALIZATION OF CORPORATE ENTREPRENEURSHIP

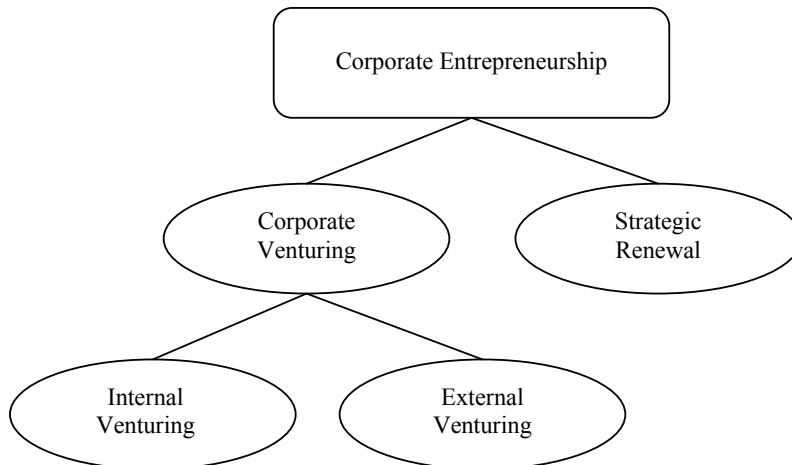
Research into the nature, antecedents and effects of firm-level entrepreneurial activities has been rapidly growing during the last two decades. Despite the development of the field, there is evidence of the fact that scholars have not been consistent in attaching a label to the phenomenon they purport to study (Wiklund, 1998). Labels such as entrepreneurship (Miller, 1983), corporate entrepreneurship (Zahra, 1991; Zahra and Covin, 1995), intrapreneurship (Kuratko et al., 1993; Kuratko, Montagno, and Hornsby, 1990), entrepreneurial posture (Covin and Slevin, 1991), entrepreneurial intensity (Morris and Sexton, 1996) and entrepreneurial orientation (Lumpkin and Dess, 1996) have been used. Different labels have often been used to describe similar phenomena, and different concepts have been expressed with the same word. This section aims at clarifying such a terminological confusion.

### What is Corporate Entrepreneurship? Phenomena and Process

Sharma and Chrisman (1999) provide a terminological framework that goes from a general to a specific point of view, clarifying the existing boundaries of CE (Figure 1). First of all, Sharma and Chrisman distinguish between “independent entrepreneurship” and “corporate entrepreneurship”. Independent entrepreneurship is “the process whereby an individual or group of individuals, acting independently of any association with an existing organization, creates a new organization” (1999; p. 18). CE is “the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization” (Sharma and Chrisman, 1999; p. 18). This view is consistent with the definition of entrepreneurship given by Shane and Venkataraman, according to which “entrepreneurship is concerned with the discovery and exploitation of profitable opportunities” (Shane and Venkataraman, 2000; p. 217). CE encompasses two different phenomena: strategic renewal, prevalently studied by Strategic Management scholars, and CV, mainly referring to the traditional Entrepreneurship studies. The concepts both suggest changes in either the strategy or structure of an existing corporation, which may involve innovation for the market. On one hand strategic renewal refers to “corporate entrepreneurial efforts that result in significant changes to an organization’s business or corporate level strategy or structure” (Sharma and Chrisman, 1999; p. 19). On the other hand CV refers to “corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization” (Sharma and Chrisman, 1999; p. 19). CV can be classified either as external or internal. External CV refers to “corporate venturing activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain” (Sharma and Chrisman, 1999; p. 19). Internal corporate venturing – or “Intrapreneurship” (Pinchot 1985) – refers to “corporate

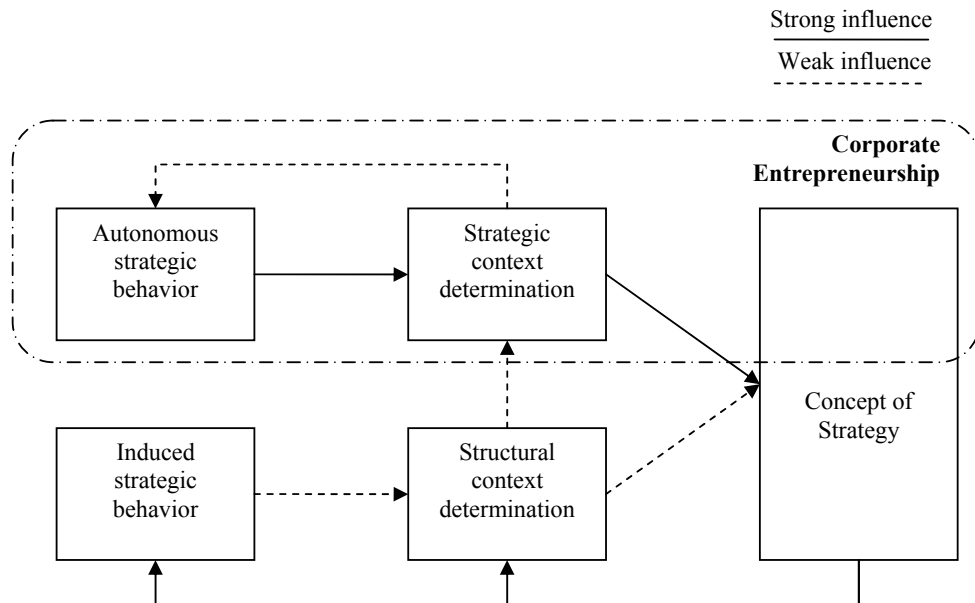
venturing activities that result in the creation of organizational entities that reside within an existing organizational domain” (Sharma and Chrisman, 1999; p. 20).

**Figure 1: The phenomena of corporate entrepreneurship (adapted from Sharma and Chrisman, 1999)**



Whichever way we wish to express CE, Burgelman’s seminal work defines it as “the process whereby firms engage in diversification through internal development. Such diversification requires new resource combinations to extend the firm’s activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set” (Burgelman, 1983; p. 1349). As represented in Figure 2, the concept of strategy induces strategic activity in the form of *induced strategic behavior*, which comprises those strategic activities fitting into the current concept of strategy. The *structural context* comprises the various mechanisms that top management can use to keep the induced strategic behavior in line with the current concept of strategy. It is aimed at influencing managers’ strategic activities at both operational and middle levels, influencing their perceived interests. The direction of the arrows in the model clearly shows that structural context mainly “intervenes in the relationship between induced strategic behavior and the concept of strategy, and operates as a selection mechanism – a diversity reduction mechanism – on the stream of induced strategic behavior” (Burgelman, 1983; p. 1350). The entrepreneurial potential operates instead within a separate dimension of the strategic process, taking shape through an *autonomous strategic behavior*, meaning those strategic activities that do not fit within the firm’s current concept of strategy. As pointed out by Burgelman himself, CE will be identified with the autonomous strategic behavior loop in the model (Burgelman, 1983). Autonomous strategic behavior does not fit into the existing categories used in the strategic planning of the firm. To be successful it must be accepted by the whole organization – and not just by its proponents – and integrated in the current concept of strategy, which will be modified, as a result. The process by which this can happen is called *strategic context determination* and refers to the political mechanisms and activities used by proponents of autonomous strategic behavior to question the current concept of strategy and, circumventing the selection mechanisms of the structural context, to obtain acceptance and integration of business innovations.

**Figure 2: Corporate entrepreneurship according to Burgelman (adapted from Burgelman, 1983)**



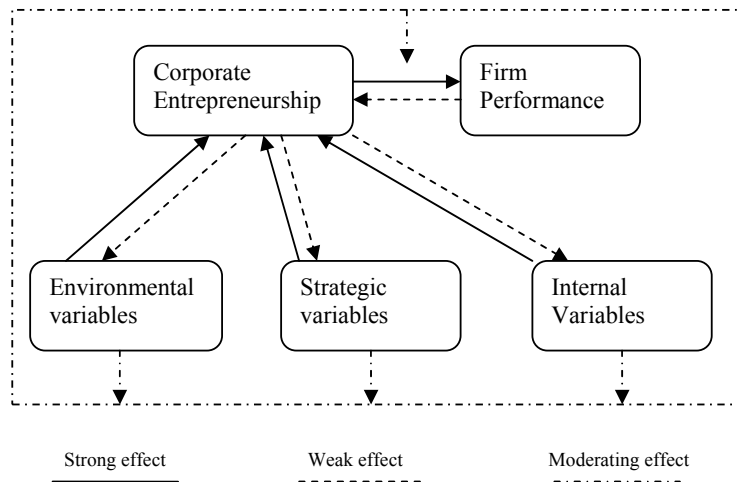
### Organizational antecedents of Corporate Entrepreneurship

Since 1990, when Guth and Ginsberg (1990) reviewed the status of the field, research efforts have been made to understand the main antecedents of CE. First of all, Covin and Slevin (1991) developed a conceptual model which elicits the main variables affecting entrepreneurship in organizations. Their work was refined by Zahra (1993) two years later and it is represented in Figure 3. 46 propositions have been totally developed. Four classes of variables influence firm-level entrepreneurship and vice-versa: external variables (i.e. environmental dynamism, hostility and munificence), internal (i.e. top management values and philosophies, organizational resources and competencies, organizational structure and organizational culture), strategic variables (i.e. mission and competitive tactics) and performance (financial and non-financial). The first three classes influence also the relationship between entrepreneurship and performance, therefore these classes are considered the most problematic to study.

In this paper we focus on the internal antecedents of CE, and more specifically, on those related to the organizational structure. Although organizational structure has been defined in several ways, in this paper it is defined as the arrangement of authority relationships, communication and workflow within an organizational system (Covin and Slevin, 1991).

Several scholars have investigated the role of organizational factors in facilitating or inhibiting firm-level entrepreneurial behaviors, adopting different perspectives and witnessing the central role of organizational structure in Corporate Entrepreneurship studies. For instance, Burgelman (1984) investigated the structural design alternatives, defined in terms of administrative and operational linkages, through which organizations may institutionally foster entrepreneurial activities. Miller and Friesen (1982) have analyzed the relationships between organizational

**Figure 3: Zahra's model of corporate entrepreneurship (adapted from Zahra, 1993)**



structure dimensions and innovation in entrepreneurial firms. Covin and Slevin (1988) discussed the role played by structural organicity on the relationship between an entrepreneurial top management style and firm performance.

There are several main features of an organizational structure that influence firm-level entrepreneurship: formalization, organicity, centralization, integration systems, communication systems and rewarding systems.

Entrepreneurship scholars (e.g. Stevenson & Gumpert, 1985; Covin and Slevin, 1991; Zahra, 1993) argue that a lower degree of *formalization* enhances the emergence of new ideas; companies where operations and procedures are organized by formal rules are less likely to let innovation arise, since they are more oriented to the accomplishment of *processes* rather than *goals* (Barringer and Bluedorn, 1999). If people within the organization feel freer to choose how to go about solving problems, then experimentation and novel ideas are more likely to emerge. Low formalization permits the company to involve employees in the planning process, avoiding good ideas being overlooked (Burgelman, 1983). Moreover the absence of formal constraints allows people to compare their different viewpoints; innovation is more likely to appear in contexts like this (Dutton and Duncan, 1987). Entrepreneurial activities cannot be conducted within a context based on command, but require control systems based on mutual adjustment, which in turn call for overlapping responsibilities (Kanter, 1985). Empirical support for the negative relationship between formalization and CE was found by Zahra (1991).

Organizations with low levels of formalization are often called *organic* (vs. mechanistic), although the two concepts do not really overlap: like human beings (vs. machines), such organization are more likely to adapt to changing environments. Khandwalla (1977) argued that an organization with organic structure enhances CE. This is because “risk-taking managements usually seize opportunities and make commitments of resources before fully understanding what actions need to be taken. Unless management is flexible, the organization will not be able

to adapt itself to the evolving situation” (Khandwalla, 1977: 426). Covin and Slevin (1991) found empirically that the combination of entrepreneurial posture and organic structure is associated with higher performance.

*Centralization* refers to the concentration of authority for decision-making (Khandwalla, 1977). It has been found that low levels of centralization are correlated with CE (Jennings and Lumpkin, 1989), meaning that high involvement of employees in decision-making makes the companies more entrepreneurial (Barringer & Bluedorn 1999). This can be explained by two arguments: it is decentralization that allows the most knowledgeable people to help the firm to innovate (Miller, 1983); it is dispersed power that enables the existence of a large variety of innovations supporting coalitions (Jennings and Lumpkin, 1989).

*Integration* refers to the organizational activities that aim to link different units or levels within the hierarchy, like liaison positions, taskforces, committees and integration managers (Mintzberg, 1983). Integration may reduce CE by inducing rigid control systems (Zahra, 1991) and warning managers of potential problems resulting from excessive innovation (Jennings and Lumpkin, 1989). Nevertheless, integration could facilitate CE supporting the necessary knowledge exchange (Kanter, 1985) and generating support for entrepreneurial projects from different positions in the firm (Zahra, 1991). Significant empirical support for the positive impact of integration was found only by Zahra (1991), in the cases of internal venturing (not external).

Similarly to integration systems, *communication systems* enhance CE, given that they favour knowledge sharing for opportunity recognition and for overcoming the problems related to its exploitation. Zahra (1991) and Miller (1983) found empirical support for the positive relation between well developed communication systems and CE. Communication systems aid employees to better scan for opportunities that increase company value, making the whole organization more adaptive (Miller, 1983).

Regarding the type of *rewarding system*, traditional systems in organizations are designed for people who enjoy power and status (Duncan et al., 1988). These systems encourage safe, conservative behavior. Promotion, with broadened responsibilities and higher rewards, attracts and motivates employees to become managers. These conditions, however, are rarely strong motivators for CE. Conversely, a policy of rewarding employees in proportion to their ventures – or the recognition and development of entrepreneurial opportunities – through appropriate bonuses or personal equity stakes is compliant with the will to foster entrepreneurial orientation within an organization (Wall, 2005). Rewarding people for performance rather than responsibility or tasks induces them to adopt a long-range perspective in action (Stevenson, and Gumpert, 1985): innovation has its own domain in the long term. Empirical tests of these arguments are rare (e.g. Salvato, 2002).

To conclude, many dimensions of organizational structure are relevant to CE, either facilitating or impeding CE. They are summarized in Table 1, with a clear specification of the nature (positive or negative) of their impact.

**Table 1: Organizational antecedents of corporate entrepreneurship**

<b>Dimension of organizational structure</b>	<b>Impact on CE</b>
Formalization	Negative
Organicity	Positive
Centralization	Negative
Integration systems	Positive
Communication systems	Positive
Value-based rewarding systems	Positive

## METHOD

This paper is the result of theoretical reflections combined with a case study analysis of a well known Italian company operating in the food industry: Riso Gallo. This company developed a corporate venturing process in 1988 that led to the start-up of Naturis.

The data collection process started in May 2002 and ended in October 2003. Sources of information are reported in Table 2. Primary sources included semi-structured interviews with Naturis top management. Eight interviews were conducted for a total of 16 interview-hours. Direct observation was additionally carried out. Secondary sources included artifacts and documents from Riso Gallo and Naturis archives, catalogues, news clippings, journal and magazine articles, annual reports, budget and plans. Data analysis followed an interaction process between theory and empirical evidence (Miles and Huberman, 1994). We went back and forth between data and literature, in order to interpret data collected and develop our findings. Data analysis followed a six-stage interaction between theory and empirical evidence. In the first stage, secondary data were collected in order to get a general overview of the case and evaluate its suitability for a study on CE.

**Table 2: Case study data sources**

<b>I. PRIMARY DATA</b>
<b>I. a. Interviews</b>
1 – Cesare Preve, Naturis President (2 interviews, 2 hours)
2 – Flor Piepp Romero, Naturis R&D Manager (1 interview, 2 hours)
3 – Nicoletta Balladore, Naturis Area Manager (1 interview, 2 hours)
4 – Daniele Bellucco, Naturis Accounting and Logistic Manager (1 interview, 2 hours)
5 – Claudio Carriere, Naturis Production Manager (1 interview, 2 hours)
6 – Francesco Rocchi, Naturis Managing Director (2 interviews, 2 hours)
<b>I. b. Direct Observation</b>
1 – Factory tour: Rovigo plant, Naturis offices
2 – Personal contacts: with Cesare Preve, outside the research setting
<b>II. SECONDARY DATA</b>
<b>II. a. Balance Sheets</b>
1 – Naturis Balance Sheets (1997 – 2002)
<b>II. b. Data on the rice sector</b>
1 – Market survey on rice consumption in Italy (“Indagine integrata sul consumo di riso in Italia”), carried out by Enterisi, February 2001

2 – Rice: evolution of the market and its perspectives (“Riso: evoluzione di mercato e sue prospettive”), carried out by Enterisi, 29th October 2002
3 – Analysis of the Italian market of rice (June/July, 2003), carried out by Enterisi, August 2002
<b>II. c Internal reports</b>
1 – Naturis budget 2004
2 – Naturis – “From quick cooking rice to innovative food ingredients”, (Description of the evolution of Naturis strategy), June 2003
3 – Naturis marketing mix (strategic guidelines for marketing activities)
<b>II. d. Websites</b>
1 – <a href="http://www.naturis.it">www.naturis.it</a>
2 – <a href="http://www.risogallo.it">www.risogallo.it</a>
3 – <a href="http://www.riviana.com">www.riviana.com</a>
4 – <a href="http://www.riceweb.org">www.riceweb.org</a> (International Rice Research Institute)
5 – <a href="http://www.enterisi.it">www.enterisi.it</a>
<b>II. e. Press releases</b>
1 – Naturis press release, July 2001
2 – Naturis press release, June 2003
3 – Naturis press release, July 2003
<b>II. f. Articles in newspapers and magazines</b>
1 – “Riso pronto senza cucinare” – Tecnologie Alimentari, Genuary/February 2002
2 – “Riso per ogni esigenza” – Surgelati Magazine, January/February 2002
3 – “Riso speciale precotto per insalate” – Food Industria, May 2002
4 – “Riso pronto Naturis” – Locali Top, May 2002
5 – “Oggi l’insalata di riso si fa senza pentola” – Fuori casa, May 2002
6 – “Risò, pronto senza cottura!” – Food Machines, May/June 2002
7 – “Naturis gioca con l’acqua” – Mark up, June 2002
8 – “Il nuovo riso che rinvieni in acqua fredda” – Bar Giornale, June 2002
9 – “Pronto senza cucinare il Risò di Naturis” – AL, 9, September 2002
10 – “Arriva il riso supersprint” – Burda, October 2002
11 – “Risò, il riso facile” – Nautica, October 2002
12 – “Tecnologia naturale” – Food Machines, July/August 2003
13 – “La Naturis di Rovigo regina del disidratato” – Il Sole 24 ore, October 2003
14 – “Tutti ricchi i chicchi di F&P (Riso Gallo)” – Mark Up, december 2000
15 – “Riso Gallo innova il mercato” – Mark Up, april 2000
16 – “Riso Gallo, il piatto si fa più ricco” – Il Sole 24 Ore, January 1997
17 – “Sementi fatte in casa” – Il Sole 24 Ore, January 1997
18 – “La Riso Gallo riscopre le antiche varietà cinesi” – Il Sole 24 Ore, October 1999
19 – “I chicchiricchi della quarta generazione” – Il Sole 24 Ore, April 2002
20 – “La cottura che tiene e il piatto già pronto” – Il Sole 24 Ore, April 2002
21 – “Riso Gallo: un anno di novità per il leader del mercato risiero” – Largo Consumo, October 1995
22 – “Riso Gallo” – Largo Consumo, October 1996
<b>II. h. Pictures</b>
1 – Photographic materials realized by Naturis Press Office and Weber Shandwick Italia

In the second stage we interviewed Naturis' founder, Cesare Preve, in order to verify the validity of data collected. After this interview, we started to analyze the relevant literature on the organizational antecedents of firm-level entrepreneurship, obtaining a theoretical framework for continuing information acquisition (third stage). After a few months we completed our information gathering process, interviewing the whole management team in its operating setting, and visited the company for direct observation (fourth stage). Subsequently, we engaged in an iterative process (fifth stage) in which we went back and forth between data and literature, in order to interpret data through the lenses of the CE literature. This brought us to the sixth stage, in which we developed a new way of thinking about the relationship between the concepts of CE and CV.

## CASE ANALYSIS AND DISCUSSION

### **Riso Gallo: a history of continuous innovation**

The company started its activities producing rice, a traditional product in the all over the world diet. Riso Gallo was founded in 1876 in Genova. After some years it moved near to Pavia, in the north-western part of Italy. Most vintage qualities of rice have been produced since the Middle Ages in this area, which is well known worldwide.

Riso Gallo is a family business, run since its foundation by the Preve family and today holds the Italian market leadership. Riso Gallo has a market share of 26.2%, that reaches a peak of 35% in the parboiled segment. In 2003 the company processed 120,000 tons of rice for a turnover of € 100 million. Today Riso Gallo employs 146 people.

The company plays an important role on the international market as well. Riso Gallo is part of an international group with subsidiaries in France, Switzerland and UK. More than 30% of Riso Gallo production is exported all over the world, even to China and Japan. These results were achieved thanks to continuous investment towards innovation. The marked maturity of the industry in fact led the company to search for innovation to revitalize the product. Among the main innovations introduced by Riso Gallo, we may mention the introduction of parboiled rice in 1978 and the launch of "5 Minutes", the quick-cook dehydrated rice, in 1987. After the discovery of the properties of dehydrated rice, Riso Gallo was able to spot different opportunities related to them.

Given the market potential of quick-cook rice, Riso Gallo decided to invest in this research line, in order to spot all the opportunities related to the dehydration process. For this reason in 1988 Riso Gallo set up a joint venture with a micro-firm, Puccinelli, producing dehydrated vegetables: the joint venture was called Naturis and has been run since its foundation by a Preve family member (Cesare Preve). The setting up of Naturis was a clear case of CV in Riso Gallo.

The research efforts of Naturis helped Riso Gallo identify new opportunities and sustain its orientation towards CE. In 1996 Riso Gallo was able to introduce "Chicchi Conditi" (flavoured grains), a line of "ready to cook" risottos, which can be considered the main innovation of Riso Gallo. While completing and refining existing product lines, in the following years the company developed a wide range of new products. An innovative rice which takes 7 minutes to cook in the pan, named "Risottate", was launched in 2000. One year later the "Arancini Siciliani" were presented on the market: they are frozen rice balls. In 2004 Riso Gallo launched "Risotto Espresso", a risotto that takes 2 minutes to cook in the pan or in the microwave oven.

It appears clear how the continuous innovation characterizing Riso Gallo's growth in the last years did not occur by chance, but thanks to the role played by Naturis.

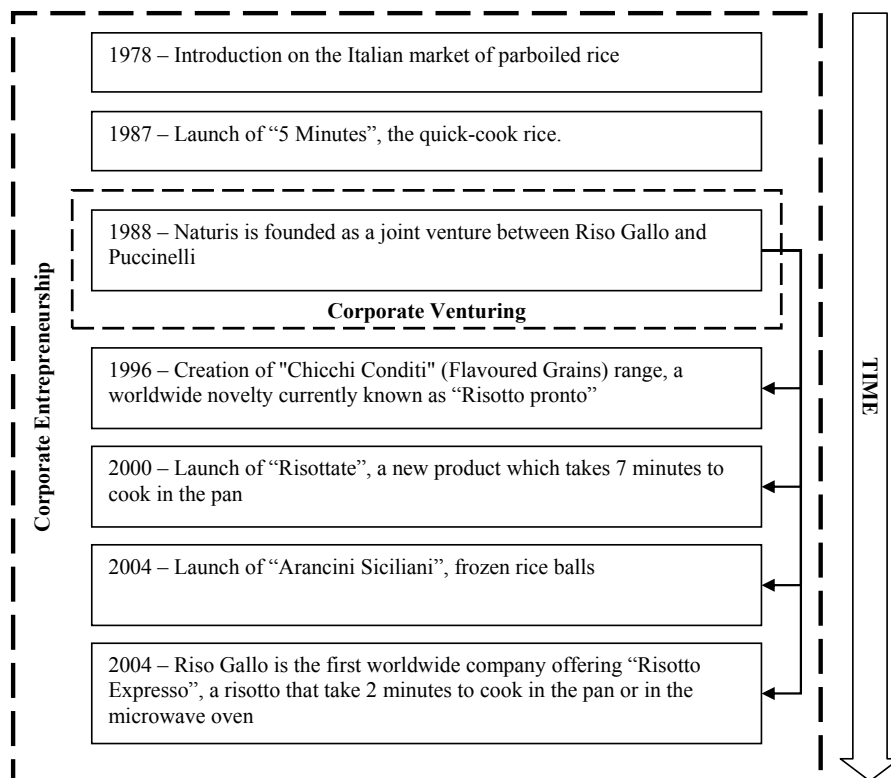
### Corporate Entrepreneurship and Corporate Venturing in Riso Gallo: the role of Naturis

Naturis was conceived as being a research oriented company, organized in a flexible and organic way in order to be ready to spot innovation opportunities. The company acted exploring the potential opportunities related to the dehydration process, thus identifying new uses for pre-cooked dehydrated rice.

The contribution of Naturis to Riso Gallo's entrepreneurship is evident. In the first 7 years the activity of Naturis was characterized by the study and the production of dehydrated rice, sold to those companies using rice as an ingredient for their dry-food products. After this Naturis' research efforts led the company to identify different opportunities, subsequently exploited by Riso Gallo.

Naturis identified the opportunity to fill dehydrated rice grains, so that in 1996 Riso Gallo was able to introduce the "Chicchi Conditi" line. The fact that Naturis' rice is already cooked allowed Riso Gallo to exploit other opportunities. Fast cooking products like "Risottate" and "Risotto Espresso" were launched thanks to the activity of Naturis. The opportunity to sell fried rice balls ("Arancini Siciliani"), where rice is mixed with other ingredients, was recognized in Naturis as well. Figure 4 describes how Naturis contributed to the development of CE in Riso Gallo in recent years.

**Figure 4. The role of Naturis in Riso Gallo entrepreneurship (personal elaboration)**



In 1996 Naturis became independent from Riso Gallo, and was sold to Cesare Preve. Riso Gallo is no longer the exclusive client and Naturis now operates for several business segments in the food industry, such as bakery, dry mix food and frozen food, thus widening the opportunities of application of Naturis' products. Recently the company has started selling its products directly to the end user. "Risò" was launched on the consumer market in 2002: it is the first rice that can be prepared by just resting in cold water so that people can prepare rice dishes without heating elements or ovens.

### **The organization of Naturis**

Naturis is deliberately organized to let CE emerge. All the organizational arrangements necessary for CE (discussed at page 7) are promoted and sustained in Naturis.

*Formalization.* The organization of Naturis has a low level of formalization. There are no formal rules and continuous experimentation is promoted. Workers in the company are explicitly asked not to follow procedures, but to introduce variations in their operations. Once Cesare Preve, had obtained the full control of the company, he reduced both vertical and horizontal barriers between employees.

*Organicity.* Naturis is structured in an organic way. In order to expand the possibilities of opportunity identification and to perceive any change in the external environment, Naturis promoted the development of a function continuously scanning the environment, which is explicitly considered at the heart of the company. We refer to the R&D unit, which is called on to continuously interface with customers. Naturis researchers do not work by themselves: they develop Naturis' new products working with customers and cooperating with research centres. The relations with research centres and the ties built up with customers are increasing in number, intensity and variety. This is permitting the company to increase the understanding of its market, thus raising the likelihood of anticipating its nascent needs

*Centralization.* There are many episodes in Naturis' history clearly showing that the company is not centralized. Authority is spread among all the relevant players in the company. Each person operating in Naturis is called on to identify and exploit opportunities: the production manager identified the opportunity to include dehydrated rice in canned food; the President spotted the opportunity to produce Risò; marketing and R&D staff equally contributed to the recognizing of other opportunities. The President of Naturis stated that even the secretaries are called on to identify opportunities.

*Integration systems.* There is a person acting as a system integrator: Cesare Preve. He is involved in all the activities of the company, thus reducing barriers between functions. Moreover, frequent and apparently redundant meetings are organized by Cesare Preve. These meetings aim at creating commitment towards new initiatives among all the employees.

*Communication systems.* In order to facilitate integration, Naturis has also developed a strong communication system. Frequent meetings are the occasions for knowledge exchange. Furthermore Cesare Preve imposed a system of regular information reporting, so that everyone in the company can be informed about the activities taking place in other functions.

*Value based rewarding systems.* The compensation system is anchored to the capacity of the company to create value through the development of new products. Employees are extra-rewarded for identification of new entrepreneurial opportunities. Moderate risk-taking is promoted and mistakes are tolerated if related to experimentation.

Summing up, the organization of Naturis has all those features that are considered organizational antecedents of CE.

## FINDINGS AND CONCLUSIONS

The set up of Naturis appears to be a case of CV, an expression of CE. More precisely, Naturis is a case of internal venturing, resulting from the entrepreneurial orientation of Riso Gallo. Nevertheless, Naturis was responsible for the subsequent entrepreneurial activities of Riso Gallo, consisting in the continuous development of new products based on the dehydration technology. Thus, the case study suggests that CV can be considered not only as a way through which the CE expresses itself, but also as a determinant of it.

Past research on the organizational determinants of firm-level entrepreneurship investigated only those factors strictly related to the internal environment of the company, overlooking those organizational aspects that go beyond the current firm boundaries. As the case suggests, the creation of an independent organization could represent a way to save an organizational environment where entrepreneurship could express itself. Without creating Naturis, Riso Gallo could not have exploited the opportunities deriving from the adoption of the dehydration technology. Thus, organizational arrangements for firm-level entrepreneurship should be identified also outside the strict firm boundaries.

The reason why Naturis allows Riso Gallo to keep on innovating lies in the fact that the Naturis organization, unlike the Riso Gallo organization, is characterized by those features that literature indicates as organizational determinants of CE: low level of formalization, organicity, decentralization, well developed integration and communication systems and a value-based rewarding system. Generally speaking, an established company can sustain entrepreneurship over time saving its entrepreneurial orientation within an independent smaller organization, where the organizational arrangements necessary for corporate entrepreneurship are better and more easily developed.

As a matter of fact, once a company grows, the distance between the decision-makers and the sources of innovation – that could be the employees – tends to get larger and this implies that it is unclear who bears the responsibilities for innovation (Morris and Trotter, 1990). People do not receive the profit that their entrepreneurial activity would receive if they had established their own venture (Jones and Butler, 1992). Moreover, the larger the firm, the larger are the vested interests, the core rigidities, the stronger the beliefs in past successes and the resistance to change (Saly, 2001). This situation occurred in Riso Gallo, once it became a large business. In this kind of company it is hard to identify and exploit opportunities unless organization is structured properly. The structural context is strong and well established, so that the strategic behavior is in line with the current concept of strategy (Burgelman, 1983).

Indeed, a corporate venture can represent the locus of further innovation, since in a smaller organization we are more likely to set up an organizational structure having those features that are considered to be organizational antecedents of CE. As in the case of Naturis, entrepreneurial opportunities can be better and faster identified and exploited in this kind of organizational context. In such an organizational environment, entrepreneurial behaviors are stimulated and the success rate of entrepreneurial activities can be increased (Hisrich and Peters, 1986). The strategic behavior is more autonomous, not fitting within the firm's current concept of strategy. Within this context the selection mechanisms of the structural context can be more easily circumvented, obtaining acceptance and integration of business innovations (Burgelman, 1983). In other words, the tension between entrepreneurial and administrative management can be overcome (Stevenson and Jarillo, 1990).

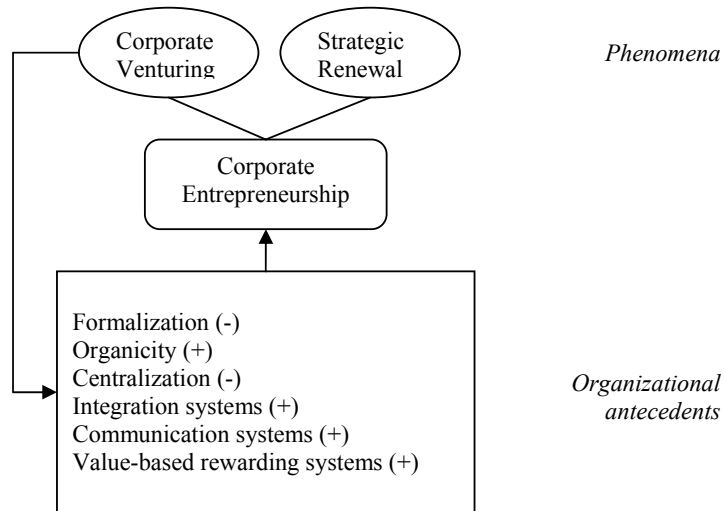
On the basis of the above-mentioned reflections, combining theoretical reflections and empirical observation, we propose that:

*Corporate venturing can be an effective organizational antecedent of corporate entrepreneurship*

Such a way of re-thinking CE and CV is graphically expressed in Figure 5. CE expresses itself in two alternative phenomena: CV and strategic renewal. CE can be sustained by an organizational structure based on low level of formalization, organicity, decentralization, well developed integration and communication systems and a value-based rewarding system. CV can be considered not only as an expression of CE but also as an antecedent, given that in a smaller organization the organizational antecedents of CE can be more easily arranged.

This study contributes to the development of the research field re-conceptualizing the relationship between CE and CV, more precisely indicating CV as an organizational determinant of CE. This conceptualization calls for further research on the topic. On the one hand, theoretical research should explore the conditions in which such a relationship exists or not, as well as investigating those factors that moderate the relationship itself. On the other hand, future empirical research on these topics may assess the proposed conceptual relationship in the empirical domain. To this end, further in-depth case studies may allow us to further refine the proposed relationship, while survey studies may develop and test hypotheses from our suggestion. Once more empirical evidence has been gained, this line of research may have practical contributions, suggesting how managers can better use the proper organizational levers to develop CE in the firms they run.

**Figure 5. Re-thinking corporate entrepreneurship and corporate venturing (personal elaboration)**



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