

PREDICTORS OF RESOURCE ATTAINMENT AMONG CORPORATE ENTREPRENEURS: EXECUTIVE CHAMPION vs. TEAM COMMITMENT

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ABSTRACT

Obtaining start-up funding for new product ideas in large corporations is inherently frustrating. We evaluated teams that were successful in obtaining start-up funds from large corporations to determine the importance of the executive champion and team commitment and conflict. We found that the funding level was strongly correlated ($R^2=0.104$; $p=0.002$) with higher levels ($\beta=0.193$; $p=0.016$) of champion commitment (i.e. executive commitment and excitement to the project). Constructs developed to measure champion conflict (i.e. personality clashes and disagreements with the team) were not correlated ($\beta=-0.12$; $p=0.250$) with funding. In addition, similar constructs for measuring team commitment ($\beta=0.009$; $p=0.915$) and team conflict ($\beta=-0.154$; $p=0.147$) were also not correlated.

INTRODUCTION

Obtaining start-up funds in large corporations is inherently frustrating and difficult (Block & MacMillan, 1993; Hlavacek & Thompson, 1978; Kantor, 1982; Miller & Camp 1985; Sykes, 1986 and Venkataraman et. al. 1993). Research by Koen (1999) indicated that the traditional business factors of strategic fit, business acumen and marketplace understanding are all necessary but not sufficient factors for obtaining start-up funds in large corporations. The same study (Koen. 1999) also found that traditional project success factors (Bacon et. al., 1994; Brown & Eisenhardt, 1995; Cooper and Kleinschmidt; 1987; Montoya-Weiss & Calantone and Song & Parry, 1996) such as product advantage, predevelopment proficiency and marketing and technical synergy did not discriminate between funded and unfunded projects. However, Koen (1999) did find evidence suggesting that two other factors—selecting the right executive champion and requesting a modest amount of funding—were essential for obtaining funds. In addition, teams with a history of being successful (i.e. credible teams) were found to be critical to obtaining start-up funding seed capital exceeding one million dollars. These findings provide knowledge concerning the strategic factors critical to successful efforts by teams to obtain start-up funding.

In subsequent research, these initial findings were expanded by considering cognitive abilities of team members. Koen, Markman, Baron, & Reilly (2001) found that the funded teams were higher than unfunded teams in self-efficacy (i.e. one's self belief that he or she can effectively and successfully pursue certain actions) and in persuasion (i.e. the ability to sway the actions of other individuals). These results suggest that team-level cognitive attributes can predict which teams are more likely to receive start-up funding.

The present research is designed to expand upon these earlier investigations by examining the impact of several additional factors on teams' success in obtaining start-up funding. Specifically, we investigated the impact of commitment on the part of both the executive champion and team members to the project, and level of affective conflict between the team and the executive champion and between team members themselves. We chose to focus on factors relating to executive champions because previous findings suggest that having an effective executive champion (Koen, 1999) is crucial for teams' success.

The term executive champion was first defined by Madique (1980, pg. 64) who indicated these were executives who are not members of the team, who have "...direct or indirect influence over the resource allocation process and uses this power to channel resources to a new technological innovation, thereby absorbing most, but usually not all..." of the project risk. Executive champions are distinctly different from product champions, (Markham, 1998) who are part of the team, adopt the project as their own, show a personnel commitment to it, contribute to and advocate the project in order to generate support from other people in their company. Product champions have been shown to play a critical role in gaining support for their projects in multiple studies (Burgelman, 1983; Chakrabarti, 1974; Frost & Egri, 1991; Howell & Shea, Schon, 1983 and Ven de Ven, 1986), although Markham (1998) and Markham & Griffen (1998) found that while they were necessary to move new products forward that they had no direct effect on the project success. In contrast the role of the executive champion has been less extensively investigated.

MacMillian & George (1985), Day (1994) and McDermott and O'Connor (2002) in systematic studies indicated that having an executive champion or "patron" (McDermott & O'Connor, 2002, pg 432) was critical to high risk innovative projects. In contrast, Knight (1987), based on his own experience of 112 corporate innovations indicated that top management sponsorship was critical for all projects – especially those which originated at the bottom of the organization.

Many previous studies indicate that commitment to a goal or project is crucial for the exertion of effort toward reaching it (e.g., Wright, O'Leary-Kelly, Cortinak, Klein, & Hollenbeck, 1994).. Indeed, literature on commitment with respect to goals suggests that if commitment is lacking, the impact of setting even highly appropriate goals (i.e., ones that are challenging, attainable, and specific) becomes negligible (e.g., Klein, 1991).

Since executive champions must, like all executives, deal with limited budgets, it stands to reason that they will exert their direct or indirect influence on behalf of the team's project only to the extent that they are committed to it. On the basis of this reasoning we formulated the following hypothesis:

Hypothesis 1: The greater the executive champion's commitment to the project the greater the chance that the team will be successful at securing corporate support.

When teams seek start-up funding, there is often much at stake: team members become highly involved in their project and realize that they are competing head-on with other teams for a share of limited resources. Under these conditions, emotions often run high, and the likelihood of affective conflict—conflict that generates anger, resentment, and other negative feelings—may occur. Such conflict has been found to be highly detrimental both to team performance (e.g., Amason, & Sapienza, 1997), and to relations between team members and outside persons with whom they must deal. On the basis of these findings, we expect that affective conflict between team members and the executive champion will prove detrimental to the team's success. Specifically, we propose the following hypothesis:

Hypothesis 2: Higher levels of affective conflict between champions and team members will decrease the likelihood that the team will secure funding.

As noted earlier, commitment to goals or projects by team members plays a key role in their progress toward these goals (e.g., Wright et al., 1994). In addition, strong commitment to a goal or project has been found to be linked to motivation to attain that goal or complete the project (e.g., Wright et al., 1994). This suggests that team members' commitment, too, will play a role in their success. Thus, we formulated the following hypothesis:

Hypothesis 3: The greater the team's commitment to the project the greater their chance of financial success.

Finally, a large literature indicates that affective conflict between team members is strongly detrimental to the team's success. The negative affect generated is often distracting, and interferes with performance for this and several other reasons (e.g., it reduces coordination in the efforts of team members; e.g., Eisenhardt, Kahwajy, & Bourgeois, 1998). This reasoning leads to the following hypothesis:

Hypothesis 4 Higher levels of team conflict will decrease the likelihood that they will secure funding.

To investigate these hypotheses, we conducted a multi-company intervention over a 12-week period with employees from 20 large companies (Agere, AT&T, Ciba, DeGussa, Engelhard, Flextronics, Honeywell, Intel, Johnson and Johnson, JP Morgan,

Lockheed Martin, Lucent, Merck, MITRE, Motorola, Sigma-Netics, Telcordia, US Army Communications and Electronics Command, Verizon, and Westlock Controls). Teams from each of the firms attempted to obtain funding for their idea at the end of the intervention for a new product or service concept, which was not already in the company's development pipeline.

RESEARCH STRATEGY AND METHODOLOGY

Intervention

The intervention was comprised of three parts. The foundation portion, or first part, reviews for the employees the key success factors for new projects. The company portion, or second part, reviews the organizational and cultural factors affecting the success of new projects. In the final portion, the employees develop a business plan and attempt to obtain funding for their own project in teams comprised of 3-6 members (i.e., corporate entrepreneurs). The intervention was given over a 12-week period, meeting for several hours each week. Start-up funding from \$15,000 to \$1,500,000 (mean of \$213,000) was obtained for 34 of the 50 projects at the end of the 12-week intervention.

Part I - Foundation

The principal purpose of this portion is to allow the employees to learn the key success factors associated with successful projects by discussing key articles in the literature. Employees were encouraged to choose projects that offer a unique product advantage to the customer, where there is good market and technical synergy and where the market conditions are favorable. Further they were encouraged to optimize speed to the market in their proposal by trading off market dynamics against costs and competitor strengths. The major emphasis was concentrated on the factors that the corporate entrepreneur could influence during the conceptualization of the idea. Activities related to market test and market launch were excluded since they dealt with factors important to later stages of the development process. Based upon this foundation, it was felt that the employees would understand the key issues associated with successful projects and be able to better self-select the higher potential ones. These concepts were further reinforced when the employees evaluated successful and unsuccessful project in their own companies.

Part II - Organizational and Cultural Factors

In order to be successful in acquiring resources, the corporate entrepreneur needs to understand the often-prevalent difficulty that corporations have with new projects that are out of sequence with the funding cycle. Organizational and cultural factors (Burgelman, 1984) along with management behaviors (MacMillan & George, 1985; Venkatraman, Shane, McGrath, & MacMillan, 1993) are reviewed since they play a significant role in determining new product success. Employees then studied their respective organizational structure so that they can better understand the obstacles and

hurdles that they are likely to encounter. All projects required an executive champion (i.e., an active liaison between the newly emerging team and the corporation). The rationale is that since corporate entrepreneurship typically involves activities that disobey “normal rules and procedures” and occasionally violate organizational power structure, the executive champions can help to attenuate and absorb some of the risk. Venkataraman, MacMillian, and McGrath (1992) highlighted the need for champions by indicating that “... new ideas are resisted within the organization and are often viewed with suspicion, a new venture idea requires one or more powerful agents” (p. 503). Others suggested that finding a sponsor is critical for securing resources for new products (Tighe, 1998).

Part III - Business Plan Development

Developing a business plan for the new idea represents the final project of the intervention. The proficiency of developing the idea into business terms has been shown to be important to new product development success definition (Bacon, Beckman, Mowery, & Wilson, 1994; Brown & Eisenhardt, 1995; Song & Parry, 1996). The business plan involves a clear product definition (Bacon, Beckman, Mowery & Wilson, 1994) and emphasizes the risk and assumptions (MacMillan, Block & Narashimha, 1986; McGrath & MacMillian, 1995) associated with start-up rather than focusing on elaborate financials. The participants were required to complete the business plan and attempt to obtain funding.

Procedures and Measures

At the end of the 12-week intervention, participants were asked to complete a questionnaire that assessed champion and team commitment and champion and team conflict. The measures of commitment were ones employed successful in previous research (Sundstrom; 1988). The items that assessed affective conflict were taken from Jehn’s (1994) Interpersonal Conflict Scale. All the constructs are unidimensional and with an acceptable level of reliability. Completed questionnaires were obtained from 209 participants who attended the intervention.

Analysis

Prior to analyses, all variables were examined through various SPSS programs for accuracy of data entry, missing values, and fit between their distributions and the assumptions of regression analysis. As our analysis was based on 209 individuals and four variables, the sample size provided more than the minimum 5:1 ratio of cases to variables suggested by most experts (e.g., Hair, Anderson, Tatham, & Black, 1995). A standard hierarchical regression was performed with the amount of funding secured regressed on champion commitment and conflict and team commitment and conflict.

RESULTS

The means, standard deviations, and correlation matrix for the variables are shown in Table 1. The mean size of the funding that teams secured was \$213,000. In the present case our primary focus was in testing the four specific hypotheses presented earlier. Table 2 displays the regression coefficients (B-weights), standard errors, standardized regression coefficients (Betas), and the overall adjusted R². As shown in Table 2, data offered support only for Hypothesis 1: as predicted by this hypothesis, only champion commitment was a significant predictor-of funding, and our model accounts for almost 10% of the variance in funding level. No support was obtained for Hypotheses 2, 3, or 4.

DISCUSSION AND CONCLUSIONS

Implications

This research has both theoretical and practical implications. From a theoretical perspective, it extends our knowledge concerning the factors that play a role in the successful initiation of new projects in large corporations. Specifically, it appears that projects that have highly committed executive champions behind them stand a significantly better chance of obtaining start-up funding than ones that do not. This finding is consistent with the results of many previous studies indicating that commitment to a goal or activity is often crucial in facilitating its attainment. Indeed, when commitment is low, both motivation and performance have been found to decrease considerably. It seems crucial, then, that teams seeking start-up funding not only choose an appropriate executive champion; but in addition, they should take active steps to assure that this individual is strongly committed to their project. How can such commitment be attained? In part through an exercise in “applied persuasion” in which team members actively “sell” their idea and project to the executive champion. Previous research by Koen, Markman, Baron, and Reilly (2001) indicates that teams high in persuasion—the ability to sway the actions of other persons—are more successful in obtaining funding. The present findings suggest that this may be due, in part, to the team’s success in generating a high level of commitment on the part of the executive champion. This possibility can be readily investigated in future studies of the role of executive champions that include measures of both team and champion persuasiveness.

The finding that executive champion commitment exerts significant effects on teams’ success in obtaining start-up funding also has practical implications, especially for companies wishing to facilitate the initiation of new projects. Such companies, our results suggest, should focus on assuring a good “match” between executive champions and the teams whose projects they support. Only when executive champions are highly committed to the teams’ project is it likely to succeed. This information is particularly important in turbulent periods where large firms are downsizing as corporate entrepreneurs generate new capital to their organizations and provide new employment.

Contrary to our predictions, neither team commitment nor affective conflict between teams and the champion or between team members, had significant effects on

team's success in obtaining funding. The negative findings with respect to team commitment may reflect the operation of a ceiling effect and restricted range for this variable. All teams had high levels of commitment, so there was little opportunity for this variable to exert significant effects. Perhaps research involving teams that are not so highly and uniformly committed to their projects would reveal significant effects for this factor.

Turning to the lack of significant effects for conflict, it seems possible, again, that a restricted range for this variable played some role. Perhaps reflecting the fact that team members had already worked together for some time before the measure of conflict was collected, and the fact that the executive champion had already become an advocate for the group by this time, the level of affective conflict would, presumably, be relatively low. It may also have been the case that when the executive champion's commitment was high, teams perceived a high probability of success; this in turn, generated strong pressures to work together cooperatively and to ignore the disagreements and inevitable irritations that can generate affective conflict. In short, the situation in which the teams worked was highly cooperative by nature, and this may have reduced the likelihood and intensity of affective conflict, and so, too, the potential effects of this factor on teams' success. This possibility can be investigated in future studies in which teams work under conditions more conducive to conflict—for example, when they are not highly committed to their projects, when the chances of success appear relatively small, and where communication between team members is impeded.

In sum, the present findings extend previous research on the factors that influence the success of teams seeking start-up funding in large organizations. In addition to factors operating within teams, members' self-efficacy, persuasiveness, the team's past track record of success - commitment on the part of the team's executive champion—was found to be important. This finding, in turn, adds to a growing body of evidence indicating that in order to fully understand both entrepreneurship and intrapreneurship, it will be necessary to consider individual-level factors (e.g., the skills, abilities and characteristics of team members), organization-level factors (e.g.; resource availability, organizational structure and culture), and team or group-level factors (e.g., relations between teams and outside persons such as executive champions). Only through attention to all three levels of analysis will we obtain a clear and useful picture of the processes through which innovation can be enhanced within large organizations.

One final point: findings from our research and intervention are highly authentic. The study was carried out in the context of established corporations, where successful teams of entrepreneurs develop business initiatives in which the successful plans lead to actual funding. Thus the research permitted a direct comparison of teams who secured capital, and who therefore were responsible for new business creation, with teams who tried, but failed to attain capital.

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TABLE 1: The means, standard deviations, and correlation matrix

	Mean	sd	1	2	3	4
1. Funding	\$213,000.	\$349,000.				
2. Champion Commitment	5.82	1.00	0.21			
3. Champion Conflict	6.27	1.24	-0.19**	-0.068		
4. Team Commitment	6.01	1.09	0.005	0.210**	0.047	
5. Team Conflict	5.61	1.39	-0.21**	-0.006	0.68**	0.22**

** Correlation is significant at the .01 level (2-tailed).

* Correlation is significant at the .05 level (2-tailed).

TABLE 2. Results of Hierarchical Regression Analysis on Amount of Funding Secured at Course End.

Variables	B	SE	Beta	t	Sig.
Intercept	262,921	2501		1.051	.00
Champion Commitment	67,204	2762	.193	2.433	.016
Champion Conflict	-36,314	3142	-.120	-1.156	.250
Team Commitment	2774	2599	.009	.107	.915
Team Conflict	-39847	2730	-.154	-1.459	.147
	R ² = .104	F = 4.369	p = .03	N = 154	

TABLE 3. Constructs Reliability.

Variables that comprise each measure	Item Total Correlations
<i>Champion Commitment (α = 0.92)</i>	
1. I feel the champion is happy to be part of this project	0.88
2. I feel the champion is fully committed to the team	0.85
3. I feel the champion is excited to be part of this venture project	0.85
4. The champion is fully accepted by the team	0.77
5. I see the champion as an integral part of the team	0.76
6. This is one of the best champions anywhere	0.68
<i>Champion Conflict (α = 0.96)</i>	
1. During discussions of the venture project personality clashes were evident between the champion and the team	0.942
2. During discussion of this project the tension level between the champion and the team was apparent	0.942
3. Personal friction took place between the champion and the team concerning this project	0.904
4. Disagreement between the champion and the team members regarding the content of the project occurred	0.832
<i>Team Commitment (α = 0.92)</i>	
1. I am happy to be a member of the team	0.877
2. I am excited about the ability of this team to put together this venture project	0.805
3. I feel fully committed to the team	0.797
4. I am fully accepted as a member of this team	0.771
5. I see myself as an integral part of the team	0.728
6. This is one of the best teams anywhere	0.724
<i>Team Conflict (α = 0.95.)</i>	
1. During discussion of this project the tension level among the team was apparent	0.898
2. Personal friction took place among team members concerning this project	0.884
3. During discussions of the venture project personality clashes were evident between team members	0.867
4. Generally, the level of disagreement among venture team members over the opinions concerning project decisions were	0.864
5. Anger was apparent between members of the venture team during discussions concerning project decisions	0.826
6. Disagreement among team members regarding the content of the project occurred	0.756