

# Entrepreneurship and Performance: a Practical Method to Estimate Entrepreneurship Reward in \*Jordan

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## المستخلص

الريادية والأداء : نموذج عملي لتقدير الريادية المجزية في الاردن  
في الآونة الأخيرة كان هناك اهتمام متزايد في استخدام الريادة في الشركات باعتبارها وسيلة للشركات  
لتعزيز القدرات الابتكارية لموظفيها و في نفس الوقت زيادة نجاح الشركات من خلال إنشاء مشاريع تجارية  
جديدة. ومع ذلك ، ان خلق نشاط ابداعي للشركات أمر صعب نظرا لأنه ينطوي على إحداث تغيير جذري في  
أنماط السلوك التنظيمي الداخلي. والهدف من هذه الدراسة هو فحص تأثير ابعاد الريادة المؤسسية على أداء  
البنوك في الأردن وتقدير منهج عملي للريادة المجزية .بالاضافة الا انه سيتم اختبار اثر الحاكمية الفعالة  
وتأثيرها على الربحية . تضمنت هذه الدراسة 14 بنك تجاري مدرج في بورصة عمان للفترة ما بين 2005 ولغاية  
2008 .

تضمنت النتائج مناقشة مستويات أبعاد الريادية المؤسسية مع الاداء المالي و بناء على الادبيات النظرية  
حيث تضمنت النتائج محور توجيه الريادية ( تنظيم المشاريع ) ، ادارة الرياديه ، مؤشر الأداء الريادي ( برنامج  
التحصين الموسع ) وأداة تقييم مشاريع الشركات . كما أن الدراسة قدمت نموذج كتقدير عملي للريادة المجزية  
وتم احتسابها لجميع البنوك التجارية الأردنية ولفترة سنوات الدراسة . اخيرا تضمنت النتائج وجود علاقة  
إحصائية قوية بين الحوكمة الفعالة وأثرها على الربحية وفي كل سنوات فترة الدراسة .

ان نتائج الدراسة سوف تزودنا بمبادئ توجيهيه لمساعدة المستثمرين ، المديرين والاكاديميين لتعزيز  
اهمية الريادة المؤسسية كطريق لخلق النجاح المالي لاداء الشركات وتستطيع الشركات الحفاظ على جهد  
متوازن لاجراء ابحاث اضافيه جديده وفي الوقت نفسه تقوم على استغلال المعرفة القائمة على تطوير الفرص  
القائمة على الفرد والفريق والريادة التنظيمية .

تصنيف الكلمات الداله : E50, L25, M13

الكلمات الداله : البنك ، الربحية ، الريادة المؤسسية .

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## Abstract

Recently there has been a growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and, at the same time, increase corporate success through the creation of new corporate ventures. However, the creation of corporate activity is difficult since it involves radically changing internal organizational behavior patterns. The aim of this study is to examine the effects of dimensions of corporate entrepreneurship on banks performance in Jordan and estimate a practical method for the entrepreneurship reward. Finally, I test the hypothesis that an efficient governance and effects on profitability. This study has been conducted from 14 Jordanian commercial banks listed in Amman Stock Exchange for the period 2005-2008.

The results indicate there are four dimensions affect of performance: Entrepreneurial Orientation, Entrepreneurial Management, Entrepreneurial Performance Index and the Corporate Entrepreneurship Assessment Instrument and the study present a model to estimate entrepreneurship reward. Finally, the results indicate there is a highly statistical significant relationship between efficient governance and effects on profitability in all period of study.

The results of this study will provide guidelines to help investors, managers, and also academicians to comprehend the importance of corporate Entrepreneurship well on the way to create financially successful firm performance and organizations can maintain a balanced effort of conducting additional research for new knowledge while simultaneously exploiting existing knowledge to develop opportunity-based individual, team, and organizational entrepreneurship.

JEL Classification Number: E50, L25, M13.

Key-Words: Bank, Profitability, Corporate Entrepreneurship

## Introduction

Entrepreneurship, typically construed as the creation of small, and sometimes innovative, businesses, is widely considered a vital component to the success of any economy, and entrepreneurship is often viewed as central to the higher levels of economic growth in the United States

relative to Europe (e.g., Hoenig 2005, Schramm 2006). If the conventional wisdom is correct, then policies shown to produce higher levels of entrepreneurship should generate improved economic performance. Governments, therefore, should structure public policies to encourage more entrepreneurship.

Policies such as bankruptcy laws that allow individuals to keep a portion of their assets and get a “fresh start” are thought to foster entrepreneurship because they absorb much of the risk that creating a new business necessarily entails, since most new enterprises fail. If potential entrepreneurs have a choice between working for somebody else and starting their own business, they will select the latter only if the expected benefits are higher. Since the full benefits of entrepreneurship are often not internalized, entrepreneurship may be underprovided unless some partial insurance against those risks is provided. To the extent that bankruptcy laws and other policies provide partial insurance or otherwise reduce the costs of failure, entrepreneurial activity should increase.

Public policies that encourage entrepreneurship by providing insurance against a downside risk also introduce a moral hazard problem. Because insurance reduces the costs of an unfortunate outcome and blunts the edge of failure, it may lead individuals to start enterprises that are unlikely to succeed. It would be surprising if these policies did not encourage more individuals to start businesses, in the same way that it would be surprising if individuals with a managed care plan went to the doctor less often than those individuals without any health insurance.

There is also an adverse selection problem present, similar to Akerlof's (1970) market for lemons. To the extent that creditors are aware that borrowers have the protection of bankruptcy laws and cannot fully discriminate between high-risk and low-risk projects, interest rates will tend to be higher, which may cause individuals with low-risk projects to drop out of the pool, leaving only those individuals with less meritorious proposals. In the extreme, the end result is the collapse of the credit market for new projects (Hynes and Posner 2001). While some individuals may view entrepreneurship as an important activity to encourage irrespective of its consequences, most presumably view entrepreneurship as valuable because of its economic benefits.

Given the presence of a moral hazard and adverse selection problem, though, examining only whether more individuals act as sole proprietors

(the typical measure of entrepreneurship) may provide a misleading impression of the impact of these laws on economic outcomes. If these laws are encouraging entrepreneurship that is likely to fail, then the associated costs for society of these negative consequences may be larger than the benefits from encouraging an individual on the fence to pursue a worthwhile project.

In this paper the relation of organizational entrepreneurship and performance . But first, the subject matter has been explained problem definition , objectives , hypotheses , importance and contribution and the theoretical framework definitions have been given for organizational entrepreneurship , population and sample and the analytical model has been presented, the results have been stated according to the analysis done on the gathered data and finally the conclusion and recommendations.

## **Problem Definition**

As society changes, new technologies evolve, and competition increases, the process for carrying out the Extension mission is being challenged (King & Boehlje, 2000). A variety of forces have put extreme pressure on all educational institutions to become more dynamic, especially the Cooperative Extension System (King, 1999). These pressures include rapid development in the availability of information, expectations of faster response time to problems, greater demand for stakeholder involvement in decision making processes, and a changing funding portfolio (Miller, 2005). In a rapidly changing world, organizations need to continually identify new opportunities beyond existing competencies if they are to survive (Mintzberg, 1994).

Entrepreneurship is the creating or developing process of dynamic organizations through the use of innovation, management, and risk-taking. Today, organizations know it is urgent to have organizational entrepreneurship which is an organizational strategy to respond to the rapid increase of new competitors, the formation of distrust towards traditional management methods and companies and the exit of the best work forces from companies to becoming independent entrepreneurs.

This study focused on the organizational-level entrepreneurship and performance based on banking sector entrepreneurship theory and practice. The literature highlights two research questions that deserve examination. First, estimate a practical method for the entrepreneurship

reward second, is an efficient governance give a positive effects related to profitability.

## **The Objectives of the Study**

- 1- Examine the effects of dimensions of corporate entrepreneurship on banks performance depend on literature review
- 2- Estimate a practical method for the entrepreneurship reward in Jordan.
- 3- Explain the relationship between the efficient governance and effects to profitability.

## **Empirical Hypotheses**

The objective number one explain and discussion depends on description method but the objectives two and three testing through empirical models of banking sector, and formulate two hypotheses :

H (1): There is a Practical Method to Estimate the Entrepreneurship Reward.

H (2): The Efficient Governance Has Positive Effects Related to Profitability.

## **Importance and Contribution of this Study**

Corporate entrepreneurship is an evolving area of research. Today, there is no universally acceptable definition of corporate entrepreneurship .Authors use many terms to refer to different aspects of corporate entrepreneurship: entrepreneurship (Kuratko et al., 1990), internal corporate entrepreneurship .corporate ventures (MacMillan et al., 1986), venture management new ventures (Roberts, 1980) and, internal corporate venturing (Burgelman, 1984).

For despite the growing interest in corporate entrepreneurship, there appears to be nothing near a consensus on what it is. Some scholars emphasizing its analogue to new business creation by individual entrepreneurs, view corporate entrepreneurship as a concept that is limited to new venture creation within existing organizations (Burgelman,

1984). Others argue that the concept of corporate entrepreneurship should encompass the struggle of large firms to renew them by carrying out new combinations of resources that alter the relationships between them and their environments.

According to Zahra (1991) corporate entrepreneurship refers to the process of creating new business within established firms to improve organizational profitability and enhance a firm's competitive position or the strategic renewal of existing business. Burgelman (1984) conceptualizes the definition of corporate entrepreneurship as process of "extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations". The term "new resource combinations" is interpreted to be synonymous with innovation in the Schumpeterian sense. Thus corporate entrepreneurship is conceived of as the effort to extend an organisation's competitive advantage through internally generated innovations that significantly alters the balance of competition within an industry or create entirely new industries.

Corporate entrepreneurship is a process of organizational renewal (Sathe, 1989) that has two distinct but related dimensions: innovation and venturing, and strategic stress creating new business through market developments on by undertaking product, process, technological and administrative innovations. The second dimension of corporate entrepreneurship embodies renewal activities that enhance a firm's ability to compete and take risks (Miller, 1983). Renewal has many facets, including the redefinition of the business concept, reorganization, and the introduction of system-wide changes for innovation.

According to Kuratko et al. (1990) the need to pursue corporate entrepreneurship has arisen from a variety of pressing problems including: (1) required changes, innovations, and improvements in the marketplace to avoid stagnation and decline (2) perceived weakness in the traditional methods of corporate management; and (3) the turnover of innovative-minded employees who are disenchanted with bureaucratic organizations. However, the pursuit of corporate entrepreneurship as a strategy to counter these problems creates a newer and potentially more complex set of challenges on both a practical and theoretical level.

Entrepreneurship has long been considered a crucial mechanism of economic development .However, empirical studies on the role of entrepreneurship in economic growth show mixed evidence (Stam 2008). This is not remarkable because there is much heterogeneity in both the kinds of entrepreneurship and the kinds of economic contexts in which economic growth takes place. Until now studies have not sufficiently accounted for this heterogeneity on the micro and macro level, which limits our insight into the contingent role of entrepreneurship in economic growth.

## Theoretical Framework and Previous Studies

Entrepreneurship according to different contexts is defined differently by authors; Morrison (2006) defined entrepreneurship as forming and growing something valuable from virtually nothing; process starts from creating or grasping an opportunity, and then pursuing it. Heilbrunn (2005) defined it as “Entrepreneurship is a dynamic process involving opportunities, individuals, organizational contexts, risks, innovation and resources. As a process, entrepreneurship is applicable to organizations of all sizes and types.” Entrepreneurs generate variety by exploiting opportunities, and creating new ventures. (Tiessen, 1997).

The Entrepreneurship award is a mention, which rewards entrepreneurs, firms or employees for a certain economic activity at a decided date. The competitor with the highest ranking on the basis of the defined criteria wins. In order to incorporate the Business Plan Awards, Fust (2005) expanded the definition as follows. Mentions for products, services and projects, if they concern economic criteria are also included and fictive firms can be rewarded too. The criteria can be as follows: The economic practicability, the market potential, the competitiveness, sustainable profit or any other economic criterion. Business Plan Awards also fall under this definition, if they describe a fictive firm.

Organizational entrepreneurship is consisted of activities that aim to create new business, new products and market development. Organizational entrepreneurship has three main concepts: renewal of strategies (Renovation of strategies or restructuring the organization structure), innovation (offering something new to the market) and business within the company (entrepreneurial company activities that has led to new business and work in the mother company). Tendency has increased towards responding to such rapid entrepreneurship competitor, lack of confidence in traditional methods of business, many smart people creating small independent businesses, international competition and

productivity. Today, many companies have understood the importance of organizational entrepreneurship and in fact such change in strategy is the response to three needs which have been imposed on companies: Rapid increase of new competitors, creating a sense of distrust in companies towards traditional management methods, the best work forces getting out of companies and establishing their own individual and independent entrepreneurship. These factors have challenged each and every company and have even caused industries with advanced technology to face numerous problems. The speed of innovation, rapid environmental changes and their tendency toward more complexity and lack of environmental sustainability and market has forced organizations to change their approach and previous strategies. Thus, many organizations have no choice but to follow organizational entrepreneurship to survive in the current dynamic environment.

The Corporate Entrepreneurship Assessment Instrument (CEAI), developed by Kuratko et al. (1990) is a diagnostic tool for evaluating how supportive the corporate environment is, based on management support of organizational entrepreneurship; work discretion; rewards and reinforcements; time availability; organizational boundaries.

**Table 1: Summary of Organizational Entrepreneurship Dimensions**

Scale	Contributors	Organizational Factors
Entrepreneurial Orientation	Miller (1983); Covin & Slevin (1991); Lumpkin & Dess (1997)	risk taking, proactive ness, innovativeness competitive aggressiveness, autonomy
Entrepreneurial Management	Brown, Davidsson, & Wiklund (2001)	strategic orientation, resource orientation, management structure, reward philosophy, growth orientation entrepreneurial culture
Entrepreneurial Performance Index (EPI)	Morris (1996)	Degree of entrepreneurship (company characteristics and behaviors: underlying dimensions of innovativeness, risk taking, and proactive ness, as well as structure, and reward, strategic & resource orientations) Frequency of entrepreneurship (new product, service and process introductions)
The Corporate Entrepreneurship Assessment Instrument (CEAI)	Kuratko, Montagno, & Hornsby (1990);	management support of organizational entrepreneurship; work discretion; rewards and reinforcements; time availability; organizational boundaries

## Entrepreneurial Orientation

Study of organizational entrepreneurship has led to the development of an entrepreneurial orientation construct which includes the dimensions of organizational risk taking, proactive ness, and innovativeness (Miller 1983; Miller). The term entrepreneurial orientation has been used to refer to the strategy-making processes and styles of organizations (Lumpkin & Dess, 2001). Contributions to the evolution of entrepreneurial orientation began with Khandwalla (1977) who defined entrepreneurial orientation as a strategic choice and developed scale elements to measure organizational characteristics, including entrepreneurship. Khandwalla (1977), introduced factors such as proactive ness and risk taking. Building on the work of Miller (1983), Covin and Slevin (1991) stressed that organizations with high entrepreneurial orientation have specific reoccurring behavior patterns and they proposed internal, external, and strategic variables that had a moderating effect on the relationship between entrepreneurial orientation and organizational performance. Lumpkin and Dess (1997) made further contributions, adding the dimensions of competitive aggressiveness and autonomy, and equating the concept of entrepreneurial orientation to the organization's key processes, practices, and decision making activities.

## Innovativeness

Innovativeness is a vital component of an entrepreneurial orientation because it reflects the organization's tendency to engage in and support new ideas through experimentation and creative processes that contribute to the development of new products, services, technologies, or processes (Lumpkin & Dess, 1997). Joseph A. Schumpeter's (1936) definition of innovation included the introduction of a new good, the introduction of a new method of production, the opening of a new market, the conquest of a new source of supply of new materials, or the carrying out of a new endeavor within any industry. Organizational innovation has been defined as a creative idea that produces value (Hitt & Ireland, 2000); as the adoption of an idea or behavior that is new to the organization Types of innovation include discontinuous breakthrough innovation, dynamically continuous innovation offering dramatic improvements, continuous incremental innovation, and imitation which mimics or adapts prior innovation (Morris & Kuratko, 2002). Organizational innovation refers to the creation or adoption of an idea or behavior new to the organization (Damanpour, 1996).

Three steps to foster innovation include making sure that existing structures and practices do not present insurmountable roadblocks to the flexibility and fast action required for innovation; providing tools and incentives for entrepreneurial projects; and developing an entrepreneurial climate that spurs new opportunities in new combinations (Kanter, 1985). Success in innovation depends on rapid learning and fast response to what has been learned (Pinchot & Pellman, 1999).

## **Proactive ness**

Proactive ness, as a dimension of entrepreneurship, has been defined as forward looking assertive strategy making (Miller, 1987); the continuous search for market opportunities and experimentation with responses to changing environmental trends and a disposition to take action to influence the environment (Bateman & Crant, 1993). Proactive ness involves focusing on the future; creating an idea; assuming responsibility; anticipating and preventing problems; communicating effectively; remaining adaptable; and persevering through implementation of the new process or launch of a new product (Morris & Kuratko, 2002). While traditional organizations view information selectively and respond defensively, entrepreneurial organizations are open to new opportunities from several sources and seize opportunities by relating proactively to this information.

## **Risk Taking**

Early definitions of entrepreneurship centered on a willingness to engage in calculated business risks .Entrepreneurial risk, with the potential for both gains and losses, has been defined as decision making about new ventures, products or processes under conditions of risk and uncertainty (Cornwall & Perlman, 1990). Dickson and Giglierano (1986) discussed two types of risk. "Sinking the boat" risks are the result of factors such as poorly thought-out concepts, bad timing, an already-satisfied market, inadequate marketing and distribution approaches, and inappropriate pricing (Dickson & Giglierano, 1986). Factors investigated have included a tolerance for ambiguity risk aversion due to cognitive biases such as overconfidence (Houghton, Simon, and Aquino, 2000); risk propensity due to optimism.

## **Entrepreneurial Management**

Stevenson (1983) defined entrepreneurial management as a set of opportunity based management practices which can help organizations

remain vital and contribute to organizational and societal value creation. Day (1992) defined entrepreneurial management as all management actions and decisions concerning development of innovation from new or reconfigured resources, regardless of the scope of such development efforts.

Entrepreneurial management behaviors promote a culture of creativity and risk taking, create flat informal structures, and formulate strategy in order to take advantage of identified opportunities (Sadler-Smith, Hampson, Chaston, and Badger, 2003). Entrepreneurial management can be viewed from two extremes, with promoters at one end of a spectrum representing entrepreneurial behaviors and trustees at the other, representing administrative behaviors.

### **Strategic Orientation**

Among the management practices believed to facilitate entrepreneurial behavior are an organization's strategic orientation and strategic management practices. Strategic orientation describes what factors drive the creation of strategy. For Stevenson (1983), the strategy of the promoter-oriented organization is driven by opportunities that exist in the environment and not the resources that may be required to exploit them, while the trustee-oriented organizational strategy is based on utilizing resources of the organization efficiently. Entrepreneurial promoter oriented organizations often see opportunities where others do not, and envision future possibilities that others fail to recognize (Allinson, Chell, and Hayes, 2000).

### **Resource Orientation**

Promoter-oriented organizations act as if all they need from resources is the ability to use them, which enables the organization to access specialization as needed, reduce the risk of expensive obsolescence and maintain flexibility. Trustee-oriented organizations seek stability and efficiency through resource ownership, which they associate with control, power and status. Promoters become skilled at the use of other people's resources including financial, intellectual and political capital. Entrepreneurial organizations create new resources or obtain and combine existing resources in unique ways to innovate. Resources can be knowledge-based or property-based Knowledge-based resources can be focused in various areas such as procedural market (Shane, 2000), or technological (McEvily & Chakravarthy, 2002).

## **Management Structure**

Different types of structures are good for accomplishing particular outcomes under particular circumstances (Morris & Kuratko, 2002). The management structure and strategic position of the promoter-oriented organization is organic which is especially appropriate when organizations are faced with high levels of environmental change (Burgelman, 1983; Miller, 1983). This organic management structure is flat, flexible, and made of multiple informal networks (Brown et al., 2001). The trustee-oriented organization is more mechanistic and organized as a formalized hierarchy characterized by clearly defined lines of authority

## **Reward Philosophy**

Entrepreneurship is about risk and reward (Morris & Kuratko, 2002). Entrepreneurially managed organizations tend to base compensation on how individuals contribute to value creation, rather than solely rewarding seniority. Compensation can be grouped into categories such as indirect pay in the form of benefits and services; direct pay, including base pay, merit pay and incentives; relational forms through recognition challenging work, and learning opportunities. A mixture of variable pay or incentives results in a more significant effect on organizational performance than does any single compensation source. Appropriate use of rewards enhances entrepreneurial activity within organizations (Barringer & Milkovich, 1998; Sykes, 1992). Compensation can have a powerful effect on outcomes resulting from individual and team efforts, and ultimately, on organizational performance (Becker & Gerhart, 1996; Lepak & Snell, 1999). Research findings confirm a relationship among strategies, compensation, and performance (Miles & Snow, 1978). Reward systems in public agencies and higher education present structured and often inflexible situations that support a more mechanistic organization, but public and nonprofit organizations are beginning to explore degrees of flexibility (Miller, 2005; Morris & Kuratko, 2002). The type of compensation system, linked with strategy, has a greater effect on firm performance than does the amount of compensation (Kuratko, Ireland, and Hornsby, 2001).

## **Entrepreneurial Culture**

Researchers claim that organizational culture plays a key role in organizational entrepreneurship (Bygrave, 1997; Cornwall & Perlman, 1990; two primary approaches address culture either through a functional approach that emerges from collective behavior or through a semiotic

approach, with culture residing in individual interpretations and cognitions. Culture, a concept borrowed originally from the fields of sociology and anthropology, can be defined as an organization's basic beliefs and assumptions about what the organization is about, how its members should behave, and how it defines itself in relation to its external environment . Culture consists of substance such as shared systems of values, beliefs, and norms as well as forms, such as vocabulary, myths, rituals, ways of dressing, and office décor.

## **Organizational Performance**

Understanding and improving performance is a central aim of entrepreneurship research. Researchers suggest that organizational-level entrepreneurship leads to improved performance .Studies have included both objective measures which are obtained from organizational records and subjective measures which are perceptions collected from organizational members and stakeholders .Rigorous empirical research examining the link between entrepreneurship and performance is still limited .Recognizing the multidimensional nature of the performance construct, Lumpkin and Dess (1997) recommended using multiple performance measures, such as financial indicators, satisfaction with overall performance, and stakeholder support (Voss & Moorman, 2004). The immense debate on what measures are preferable when measuring performance has revolved around the use of financial or non-financial indicators.

## **Population and Sample Selection**

The empirical investigation on the entrepreneurship and performance to estimate a practical method of entrepreneurship reward on Jordan Banks sampled banks. All banks that have been listed on the Amman Stock Exchange (ASE) during the four-year period, 2005–2008, were sampled. Fourteen qualified to be included in the study sample. The data for the empirical analysis were derived from the financial statements of these banks.

## **Research Design and Hypotheses**

### **First hypothesis**

This study introducing a practical method for the estimation of entrepreneurship reward in banking sector (which could be otherwise named as executives compensation, or managers pay). Further, I will use

an econometric example and finally after modifying this model. I start from the banking sector Let ( RL) denote the average annual interest rate of selling capital ( lending rate ) , (RD) to stand for the average annual interest rate of buying capital ( deposit rate ) , and (I) for the average annual inflation rate Hence , the breakdown of lending rate in to its components as in the next equation ( Georgiou and Kyriazis , 2003) and Lehmann , Warning and Weigand ( 2000) :

$$(1+RL)=(1+I)*(1+RD)*(1+RE) \text{ ----- (1)}$$

Where; (RE): expresses the residual as the average annual reward of entrepreneurship.

The above mentioned equation reminds us of the estimation based on the rule of thumb: "a (say) 8% interest rate for a loan loses (say) 3% from inflation, (say) 2% from the deposit interest rate, and the remaining 3% id left to the entrepreneurship reward ". Assume that the wages and salaries increase at the same rate as inflation does. This assumption is rather realistic, for the labor annual contracts are closely linked to inflation. Entrepreneurship includes the risk of undertaking venture , the organization risk , the new idea ,the stress of realization , and so many other things contrary to other factors ( labor and capital ) that have no initiative , and they just execute what they are paid for , in a situation of a given state of art and a given production function . Hence according to the above mentioned and after knowing the prices (costs) of labor and capital, we are able to estimate the entrepreneurship reward as:

$$RE = \{(1+RL)/ (1+I)*(1+RD)\} - 1 \text{----- (2)}$$

The estimation of RL is given by:

$$RL = \text{all interests to be received} + \text{incomes} / \text{all credits} \text{ ----- (3)}$$

The estimation of RD is given by:

$$RD = \text{all interests to be paid} + \text{expenses} / \text{all deposits} \text{ ----- (4)}$$

Hence, based on equations (3) and (4) estimate (RL) and (RD) (using banking published balance sheet and income statements) and from (2)

derive the value of (RE). Our definition (2) is oversimplified , for it assumes only one banking product ( service ) sold at the price of (RL) as well as one type of source of funds bought at the price of (RD) and finally one type of labor paid at the price if (I) . The advantage however of (2) is that it estimates directly the cost ( price or reward or remuneration ) of entrepreneurship (RE) as a function of the average cost of capital bought ( RD) , the average price of capital sold (RL) ,as well the average cost of labor (I) . In fact ROE is different from (RE). This is due to the fact that these two variables are defined differently (RE) is previously defined by equation (2), while ROE is defined as:

$$\text{ROE} = \text{net income} / \text{equity} \text{-----} (5)$$

ROE refers to the profitability of the owners, and it measures the return on the proprietor's investment in the company. RE refer to the price of entrepreneurship as a highly skilled factor of production. It should be noted that entrepreneurship is not necessarily the proprietor (owner) of the bank. It could be a top manger, or an executive. Nevertheless , since the interest of proprietors and top managers are going the same direction , it is on an ex-ante basis expected that there should be a positive relation between ROE and RE .It should be the same conclusion will apply between ROA and RE.

### Second hypothesis:

I test the hypothesis that efficient governance (measured in terms of the executives compensation (RE) is positively related t profitability (measured in terms of ROA)

The model is shown in (6) as:

$$\text{ROA} = c_0 + c_1 \text{RE} + \text{error it} \text{-----} (6)$$

The subscript (I) refer to the bank and the subscript (t) refers to the year. Date is taken from balance sheet and income statements from banking sector. These data are annual, refer to the period 2005- 2008 and cover 14 banks.

## Data and Empirical Results:

The empirical investigation on the Entrepreneurship and Performance and estimate a Practical Method to Estimate Entrepreneurship Reward in Jordan Banks sampled 14 Jordanian banks .All banks that have been listed on the Amman Stock Exchange (ASE) during the four-year period, 2005-2008, were sampled.

Tables (2 to 5) present the results of Lending, Deposit, Inflation Rate, and Reward of Entrepreneurship and Return of Asset computed as equations above discussion. The results indicate the reward entrepreneurship of each bank and in every year

**Table (2): Results of Lending, Deposit, Inflation Rate, and Reward of Entrepreneurship and Return of Assets in year 2005**

Bank	Lending Rate	Inflation rate	Deposit Rate	Reward of Entrepreneurship	Return of Assets
	1+RL	1+ I	1+RD	RE	ROA
JOKB	1.121525	1.0349	1.043871	0.038158	1.98
JOCB	1.13854	1.0349	1.053181	0.044592	3.58
THBK	1.165819	1.0349	1.037409	0.085882	2.32
JIFB	1.199697	1.0349	1.039815	0.114851	1.79
INDB	1.252636	1.0349	3.713723	-0.67408	8.1
UBSI	1.158988	1.0349	1.042963	0.073771	3.78
ABCO	1.156003	1.0349	1.072929	0.041093	2.89
AJIB	1.309271	1.0349	1.040537	0.215833	4.97
EXFB	1.140264	1.0349	1.06132	0.038152	3.06
MEIB	1.112891	1.0349	1.053064	0.021173	1.38
CABK	1.182258	1.0349	1.044008	0.094234	2.56
BOJR	1.149785	1.0349	1.038926	0.069384	1.96
JONB	1.207407	1.0349	1.053382	0.107566	1.52
ARBK	1.138704	1.0349	1.050441	0.047468	1.19

**Table (3): Results of Lending, Deposit, Inflation Rate, and Reward of Entrepreneurship and Return of Assets in year 2006**

Bank	Lending Rate	Inflation rate	Deposit Rate	Reward of Entrepreneurship	Return of Assets
	1+RL	1+ I	1+RD	RE	ROA
JOKB	1.147803	1.0626	1.068532	0.010904	2.43
JOGB	1.147066	1.0626	1.058013	0.020299	2.08
THBK	1.193948	1.0626	1.0436	0.076667	2.31
JIFB	1.193725	1.0626	1.075697	0.044346	1.52
INDB	1.206904	1.0626	15.97378	-0.9289	5.74
UBSI	1.13252	1.0626	1.052272	0.012857	1.39
ABCO	1.172966	1.0626	1.07549	0.026383	2.12
AJIB	1.202899	1.0626	1.062655	0.065289	1.45
EXFB	1.151941	1.0626	1.081966	0.001952	2.11
MEIB	1.177215	1.0626	1.075731	0.02987	2.01
CABK	1.166511	1.0626	1.056921	0.038667	1.63
BOJR	1.160673	1.0626	1.034706	0.055658	1.86
JONB	1.172861	1.0626	1.061074	0.040235	1.16
ARBK	1.151082	1.0626	1.049359	0.032315	1.43

**Table (4): Results of Lending, Deposit, Inflation Rate, and Reward of Entrepreneurship and Return of Assets in year 2007**

Bank	Lending Rate	Inflation rate	Deposit Rate	Reward of Entrepreneurship	Return of Assets
	1+RL	1+ I	1+RD	RE	ROA
JOKB	1.156881	1.0474	1.067797	0.034398	2.25
JOGB	1.166113	1.0474	1.074691	0.035964	2.26
THBK	1.201106	1.0474	1.04743	0.094822	2.22
JIFB	1.173152	1.0474	1.07021	0.04658	1.1
INDB	1.187681	1.0474	21.56612	-0.94742	4.19
UBSI	1.163143	1.0474	1.076077	0.031994	1.29
ABCO	1.186188	1.0474	1.115343	0.015389	1.76
AJIB	1.183172	1.0474	1.073163	0.052615	0.91
EXFB	1.156995	1.0474	1.102318	0.002102	1.44
MEIB	1.118227	1.0474	1.08109	-0.01246	0.99
CABK	1.182723	1.0474	1.052916	0.07245	1.58
BOJR	1.157281	1.0474	1.05381	0.04849	1.67
JONB	1.162074	1.0474	1.068383	0.03847	0.55
ARBK	1.153689	1.0474	1.061306	0.037853	1.58

**Table (5): Results of Lending, Deposit, Inflation Rate, and Reward of Entrepreneurship and Return of Assets in year 2008**

Bank	Lending Rate	Inflation rate	Deposit Rate	Reward of Entrepreneurship	Return of Assets
	1+RL	1+ I	1+RD	RE	ROA
JOKB	1.155092	1.1494	1.067103	-0.05824	2.38
JOCB	1.140971	1.1494	1.075448	-0.07697	1.49
THBK	1.16951	1.1494	1.047031	-0.02821	1.87
JIFB	1.187853	1.1494	1.068661	-0.03294	1.69
INDB	1.148643	1.1494	140.0144	-0.99286	2.76
UBSI	1.141357	1.1494	1.079721	-0.08032	1.38
ABCO	1.192046	1.1494	1.079557	-0.03933	1.69
AJIB	1.164345	1.1494	1.068211	-0.05168	1.3
EXFB	1.142898	1.1494	1.091161	-0.08873	1.55
MEIB	1.134526	1.1494	1.089563	-0.09408	1.45
CABK	1.17107	1.1494	1.065452	-0.04374	1.39
BOJR	1.165013	1.1494	1.05455	-0.03885	1.95
JONB	1.153919	1.1494	1.067798	-0.05981	0.83
ARBK	1.137348	1.1494	1.048903	-0.05662	1.58

The above equation (6) used as an example pointed out that entrepreneurship reward is a measurable as well as it can be used in econometric analysis to prove that firms with more efficient governance have higher profitability. This example refers to the banking sector.

Table (6) presents the results of OLS regression of Return of Assets (ROA) as dependent variable and Reward of Entrepreneurship (RE) as independent variable in every year from 2005 to 2008. The results indicate there is a significant statistical relationship every year in year 2005 the significant .003 at  $p < 0.01$ , 2006 the significant .000 at  $p < 0.01$ , 2007 the significant .001 at  $p < 0.01$  and finally 2008 the significant .013 at  $p < 0.05$ .

Table (6): Results of OLS of Return of Assets (ROA) and Reward of Entrepreneurship (RE) in year 2005 -2008

Independent Variable	Dependent Variable : Return on Assets				
	Index	2005	2006	2007	2008
RE	R	.724	.941	.789	.644
	R <sup>2</sup>	.524	.885	.623	.415
	Adj- R <sup>2</sup>	.485	.875	.592	.366
	SIG	..003***	.000***	.001***	.013**

\*Significant at  $p < 0.10$  \*\* Significant at  $p < 0.05$  \*\*\* Significant at  $p < 0.01$

## Conclusion and Recommendations:

Today, rapid advance in science and technology has brought new tastes which has led to the transformation of invention, innovation and creativity systems and has caused entrepreneurship to be seen as a phenomenon that has undergone such changes. After entrepreneurship was introduced to be the engine of economic development, entrepreneurship became several times more important. Due to the importance of entrepreneurship and the effects it has had in different structures, entrepreneurship has become the factor that helps organizations in promoting their organizational excellence and staff talents. Governments especially count on entrepreneurship for implementing special programs of development.

The researcher recommended to measure, monitor and manage efforts to support entrepreneurship through an integrated dataset could improve upon the information by pooling data from diverse public and private sources, creating a continuous loop of improvement and opportunities for collaboration .Bridge the financing gap: To the extent that this bias is not explainable by economic factors or regulatory barriers, then incentives provided through capital access programs (in which lenders, borrowers and the government each contribute to a reserve fund to cover loan losses) and other state and federal programs may be appropriate to help close the gaps. Increase small business loan-origination and investment vehicles

To develop risk taking, extension organizations can Balance the Extension portfolio with projects ranging in degrees of risk and return;

requiring different development and payoff times; targeting current versus new markets; utilizing familiar or emerging technologies. Recognize that organizational and personal risks are driven by cognitive biases and perceived intensity of threat based on financial, emotional, reputation or other implications. Create an award for individuals or groups that accepted uncertainty and ambiguity, then took risks, perhaps failed on numerous occasions, learned, and then accomplished their objective. To improve innovativeness, provide tools, resources, and systems that tap into stakeholder-focused opportunities and encourage, measure, and reward innovative individual and team behavior Integrate measures of innovation into the organizational reporting and decision systems.

Feature a range of innovations in extension and link them to relevant impact multipliers and narrative that reinforce stakeholder-focused entrepreneurial process. Proactive ness is linked to locus of control, therefore, in order to promote a bias for action, Extension organizations should focus on results rather than processes and personnel should be enabled with the flexibility, authority, and accountability to link actions to meaningful outcomes. To advance resource orientation, recognize personnel who reach across organizational boundaries to leverage resources for high priority purposes.

Highlight best practices demonstrating the value of accessing, not necessarily owning resources. Develop unique and flexible resources for competitive advantage that are valued by stakeholders. At all levels, use slack resources such as time, money and materials for idea development that supports the stakeholder-focused entrepreneurial process. Match levels of formal approval systems with levels of resources requested Management structure is another factor Extension organizations could develop. To enhance reward philosophy, Extension organizations can go beyond tenure based rewards and link short- and long-term strategy, goals, performance results, and creative compensation such as indirect pay, direct pay, and recognition, challenging work, and learning opportunities. Tailor recognition and reward to the unique interests of the people involved, but don't appear to be random or casual.

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