Constructionpreneurship: Entrepreneurship Activity within Construction Industry

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ABSTRACT

Construction industry and entrepreneurship are regarded as the fuel to economic growth, creating employment and prosperity. For that reason, both of them constitute a vital part of every nation’s economic growth. Yet, little is known about the entrepreneurship activity in construction industry. In most cases, the construction management and entrepreneurship literature have evolved separately, with little cross-fertilization. This paper presents the term of “constructionpreneurship” for the first time to define the process of corporate entrepreneurship within construction industry. It is argues that constructionpreneurs face unique challenges which have made them differ than corporate entrepreneurs from other businesses.

INTRODUCTION

What is the similarity between construction industry and entrepreneurship? Literature reviews revealed that both of them are regarded as fuel to economic growth, creating employment and prosperity (Hillebrandt, 2000; Tijhuis and Fellows, 2012). For that reason, construction industry and entrepreneurship constitute a vital part of any nation’s economic growth. The term “construction” is generally defined as a series of “works” with a proclaimed goal of resulting in a construction product (Turk, 2000). In order to produce a construction product, there must be a constructor to articulate a project predetermined objectives with respect to time, cost and scope, and to manage the construction processes through to its successful completion. This constructor or contractor is the key players of construction industry. They change the “need” into physical product, and without them there will no construction industry. According to the Federal-Chambers Advanced English Dictionary (2013), a contractor is “a person or company that undertakes a job requiring a specialized skills, especially as part of a larger project, e.g. in the construction industry”.

The competitive landscape of construction industry is shaped by intense competition among existing players. The relatively easy to entry in this business has also increased the competition intensity in which new players are freely to compete with existing players. Furthermore, the nature of the industry which is fragmented and compounded with high degree of risk, has also added pressure to the players. To success and survival is the foremost goal for any construction business. Such competitive business landscape has called the need for the construction enterprise to find other effective business methodologies rather than strictly follow the traditional approaches. Today, the new style of business approach that has been successfully adopted by many is entrepreneurship. Within this approach, it is argues that a construction enterprise must adapt an entrepreneurial mindset as a vital requirement to gain a business success.

The need for construction enterprises to adopt entrepreneurship when formulating their strategies has become recognized, and many researchers have highlighted that entrepreneurial attitudes and behaviours are necessary for firms of all sizes to prosper and grow (Hitt, 2005; Kraus, 2013). In other words, it is necessary for every construction enterprise to continually developing, acquiring, and adapting new business methodologies. Failing to do so, construction enterprise is at risk of collapse (Garzón and Pellicer, 2009) and will be out of business within a few years (Merrified, 1993). These circumstances have had highlighted the need for construction business to be more entrepreneurial. Indeed, many businesses outside construction industry attempting to foster entrepreneurship in order to explore and exploit business opportunities (Kraus, 2013; Vecchiariini and Mussolino, 2013). Yet, little is known about the entrepreneurship activity within construction
industry. In most cases, the construction management and entrepreneurship literature have evolved separately, with little cross-fertilization. Given this framework as the fundamental issue, the question arises: is construction business an act of corporate entrepreneurship?

**Entrepreneurship:**

The word entrepreneur is derived from the French verb entreprendre, meaning “to undertake” (Kuratko and Hodgetts, 2004). Under this definition, an entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. Cantillon (1755) viewed that “undertaker” is a class of economic agents that taking risk in the sense of making decisions on market transactions in the face of uncertainty. Knight (1921) distinguished between risk and uncertainties: risk can be calculated, whilst uncertainty cannot be calculated. The more modern interpretation of entrepreneurship has been provided by Schumpeter (1934). He described entrepreneurs as innovators who carry out entrepreneurial change within markets. This function was mechanism for change and economic development through five manifestations: (i) the introduction of a new (or improve) good, (ii) the introduction of a new method of production, (iii) the opening of new market, (iv) the exploitation of a new source of supply, and (v) the re-engineering/organization of business management processes. Under this definition, Schumpeter equated entrepreneurship with innovation, as first to identify market opportunities and then, use innovative approaches to exploit them.

However, there is still no consensus among the scholars about the descriptions and definitions of entrepreneurs, entrepreneurship, and their characteristics, and was concluded as remains elusive (Gartner, 1989; Kuratko and Hodgetts, 2004). In recent years, the entrepreneurs have been undertaking more activities, and this has broadened the definition. Thus, entrepreneurship is seen as multi-faceted phenomenon that can be viewed from different angle (Kuratko and Hodgetts, 2004). Nevertheless, consensus has been reached among the scholars in such that entrepreneurship is emerging as a particular promising new engine for economic growth and wealth creation (Kuratko, 2009; Kraus, 2013). Literature reviews also revealed that most of the scholars have been suggested the characteristics of entrepreneurs based on the activities that they perform. A comprehensive literature reviewed by Nijkamp (2003), for example, found four major issues centering on entrepreneurship: (i) the position of the entrepreneur both in the surrounding economic system and within his/her own corporate organization, (ii) the identification of the economic tasks of the entrepreneur, (iii) the financial remuneration of the entrepreneur for his/her risk-taking activities based on his/her economic motives, and (iv) the dynamic in (local and global) markets, seen from the perspective of the entrepreneur. In light of the above, entrepreneurship has been a matter of interest of many researchers because of its central importance to the nation’s economic development.

**Corporate Entrepreneurship:**

Corporate entrepreneurship is viewed as a concept that focused on organizations, organizational culture, and processes rather than individuals (Cornwall and Perlman, 1990), and has been considered as a holistic view of an organization that infuses creative strategic processes throughout the organization (Morris et al., 1994). According to Stopford and Baden-Fuller (1994), the strategy literature identifies three types of corporate entrepreneurship: (i) the creation of new businesses within an existing organization; (ii) the transformation or renewal of existing organizations; and (iii) the changes of the “rules of competition” for its industry which related to innovation. However, each type has distinctive characteristics that need separate consideration (Guth and Ginsberg, 1990). Researchers have been used different terms to describe corporate entrepreneurship phenomenon. For example, the creation of new businesses within the firm that are related to existing products or services is referred as internal corporate venturing (Thornhill and Amit, 2000; Covin and Miles, 2007) or intrapreneurship (Pinchot, 1985; Maier and Zenovia, 2011). The process of transformation or renewal the organization through the renewal of key ideas on which they are built is often called as strategic renewal (Guth and Ginsberg, 1990; Floyd and Lane, 2000), strategic change, revival and transformation (Schendel, 1990; Pettigrew, 2007), and organization renewal (Stopford and Baden-Fuller, 1994; Agarwal and Helfat, 2009). Synthesizing of these views, Mokaya (2012) defined corporate entrepreneurship as a concept that embraces innovations a key ingredient which involve product extensions, re-engineering or cost-cutting, seeking untapped markets, new applications of existing products or services, and new venture. It refers to all not being part of the normal business activity efforts of the firm.

Previous studies have also been provided empirical evidence that justified the proposition that corporate entrepreneurship leads to the business performance. Most of the scholars cited corporate entrepreneurship as a means to economic growth and global competitiveness (Rauch et al. 2009; Putnik and Sauka, 2013; Kahkha et al., 2014). Covin and Miles (2007), for example, hypothesized that firms that embraced entrepreneurship as core to their strategies will outperform those that do not over the long run. In other work, Maier and Zenovia (2011) listed four advantages of corporate entrepreneurship: (i) ability to stay in a friendly and well known environment, (ii) risks can be reduce by practicing personal skills within the organization, (iii) using company’s
resources, good name, and knowledge as mean for competitive advantages, and (iv) existing infrastructure provide easy access to customers.

In shade of these manifestations, it is evident that corporate entrepreneurship leads to superior organization’s performance in term of economic growth and competitive advantages. In a competitive environment such as construction business is, entrepreneurship is an essential element in the long run success of every business organization whether it is small or large, and new or long established.

**Constructionpreneurship:**

According to Kao et al. (2006), all business entities can be entrepreneurial driven corporations, as long as the corporate culture is guided and directed to create wealth and add value in the interest of the individuals in the firm, the corporation, and society. Entrepreneurship is a multifaceted phenomenon that cuts across many disciplinary boundaries (Low and Millan, 1988). Today, the boundaries of entrepreneurship have been expanded from “individuals that creating a new venture” to a “business concept to run an existing company and individual within that company” (Jennings and Lumpkin, 1989; Covin and Selvin, 1991; Lumpkin and Dess, 2001; Antoncic and Hisrich, 2003).

Entrepreneurship literature suggested that the ability to recognize business opportunity is one of the first and major skills that an entrepreneur should acquire as it will dramatically shape the future venture. Mostly, two main manifest activities that explain these abilities: willingness to bear uncertainty and specific cognitive abilities starting with alertness (Kao et al., 2006; Farmer et al., 2011). These characteristics are seen to be consistent with the construction business. In other words, the nature of the industry demanded the contractors to be more willing to bear uncertainty and must have more knowledgeable about overcoming this difficulty than non-construction businesses. Furthermore, the sensitivity of the industry to the changes have provided them with sense of alertness to detect and exploit early signs of change and then embedded them to their business strategies. In this view, construction enterprise must have to be enabled by entrepreneurial activities to creating and capturing economic value through the exploration and exploitation of construction business. Therefore, construction enterprise may require a host of entrepreneurial activities, those which can assist their business to be succeeded because productivity and standards of achievement in construction businesses can be improved through entrepreneurial functions. In this vein, Setiawan et al. (2012) viewed that the construction enterprise could be considered as corporate entrepreneurship because they must deal with high business competition and particular challenges of the construction processes which represent the activities of corporate entrepreneurship must covers within the company.

However, the term entrepreneur has different meanings in several ways at different contexts based on business activities (Vijayshree and Hema, 2011). Today, the terminology of entrepreneur has been widened up in order to be more specific instead of the general term of entrepreneur such as technopreneur (Kamarudin and Sajilan, 2013), agropreneur (Halim et al., 2011), artentreprise (Vijayshree and Hema, 2011), and others. Shane and Venkataraman (2004), for example, defined technopreneurship as the processes by which entrepreneurs assemble organizational resources and technical systems, and the strategies used by entrepreneurial firms to pursue opportunities. Halim et al. (2011), in turn, referred agropreneurship as the meaning of entrepreneurship which is practicing by farmers who are desire to succeed in a farm business.

In context of construction industry, construction is unique in sense that no two projects are exactly the same. As such, construction industry is described as complexity, diversity, and an evolving nonstandardized nature of its end product, unlike the steady state and standardized repetition processes in manufacturing industry (Brown and Adam, 2000; Hillebrandt, 2000; Myers, 2013). Risk is another term that most frequently used to describe the characteristics of construction industry. In this sense, the contractors must deal with uncertainties of construction projects that may results in unfavourable effects such as cost overruns, and schedule delays (Rahman et al., 2013; Subramani et al., 2014). Moreover, construction industry is also characterized by the highly competition business environment in which the contractors compete with each other to secure project available in the market. Thus, construction industry has been plagued by all of these characteristics which have made them differ from other industries.

Given the body of evidence that supported the fundamental issue raised by this paper, it is evident that construction business can be considered as an act of corporate entrepreneurship. We contend the need to be more clearly differentiated between the challenges of corporate entrepreneurship within construction business compared to non-construction businesses. We propose the term of constructionpreneurship to encapsulate the phenomenon of corporate entrepreneurship which is practicing by contractors who desired to succeed in construction businesses. The term of constructionpreneurship is a combination of two words: construction, and preneur which is a stand for entrepreneurship, to produce the term of constructionpreneurship. The combination term of constructionpreneurship refers to the roles of entrepreneurial activities which can assist the constructionpreneur to succeed in construction business both in the organizational level or project level specifically in the long run. This term is aimed to help for both scholars and practitioners to distinguish the differences between corporate entrepreneurs that practice in construction industry and those in other industries.
Thus, we define constructionpreneurship as the processes by which constructionpreneurs involve in identifying risks, assemble management skills, organizational resources, technical capabilities, and the strategies used by entrepreneurial firms to bear risk and uncertainty, and pursue opportunities within the construction industry.

**Conclusion:**

In conclusion, literature reviewed has provided evidence that corporate entrepreneurship is not confined to be a particular business or particular industries. The nature of construction business is seemed to be consistent with entrepreneurial activities within it organization, thus, can be considered as an entrepreneurial driven corporation. In other words, construction enterprise could be considered as corporate entrepreneurship, as long as the corporate culture is guided and directed to create wealth and add value in the interest of the individuals in the firm, the corporation and society. However, the important aspect when integrating construction business and entrepreneurship is the need to develop a strategy to guide the particular entrepreneurial activities which is taking place within the firm. Therefore, construction enterprise needs to use the capabilities of its operational level to exploit entrepreneurial opportunities and corporate management must have to consider the need for entrepreneurship in developing its business strategies. We present the term of “constructionpreneurship” for the first time to define the process of corporate entrepreneurship within construction industry. We argue that constructionpreneurs face unique challenges which make them different from corporate entrepreneurs in other businesses.

**REFERENCES**


