

## Innovation Climate and Corporate Entrepreneurship in MNEs: The Intervening Role of Intrapreneurial Activities

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### Abstract

Corporate entrepreneurship (CE) has been widely recognized as a strategic mechanism through which established organizations renew their competitive capabilities and sustain long-term performance advantages, yet the organizational-level conditions that enable CE and the behavioral mechanisms through which CE climate translates into measurable organizational performance remain subjects of theoretical debate. Grounded in Organizational Learning Theory (OLT) and Intrapreneurship Theory, this study examines how innovation climate (IC) influences organizational performance (OP) through the mediation of intrapreneurial behavior (IB), with strategic leadership quality (SLQ) as a moderator of the IC–IB relationship. Multi-source data from 389 business units across 52 multinational enterprises in Sweden, Japan, and Nigeria are analyzed using multilevel structural equation modeling (ML-SEM) in Mplus 8.8. Results demonstrate that IC positively predicts IB ( $\beta = 0.421$ ,  $p < .001$ ) and OP ( $\beta = 0.198$ ,  $p < .01$ ), with IB significantly mediating the IC–OP relationship (indirect effect = 0.217, 95% CI

[0.163, 0.274]). Strategic leadership quality moderates the IC–IB relationship ( $\beta_{\text{interaction}} = 0.163$ ,  $p < .01$ ), amplifying innovation climate's behavioral conversion efficiency. Multilevel decomposition reveals significant between-unit variance in IC (ICC = 0.312) that attenuates but does not eliminate within-unit IC effects, confirming that both organizational-level climate and individual-level behavioral responses independently contribute to performance outcomes. These findings advance Organizational Learning Theory and Intrapreneurship Theory in multinational enterprise contexts.

**Keywords:** corporate entrepreneurship, intrapreneurship, innovation climate, organizational performance, strategic leadership, ML-SEM, organizational learning

### 1. Introduction

Corporate entrepreneurship—encompassing the strategic renewal, innovation, and venturing activities through which established organizations maintain and develop competitive advantages

(Burgelman, 1983; Zahra, 1991)—has attracted substantial scholarly attention as a mechanism for sustaining organizational performance in dynamic competitive environments. The resource-based view's emphasis on the centrality of firm-specific capabilities in generating sustained performance advantages (Barney, 1991) has been extended to intrapreneurship contexts through the argument that organizations that cultivate entrepreneurial capabilities within existing structures can achieve the organizational renewal necessary to sustain competitive relevance across technology and market transitions.

Despite this theoretical richness, important questions about the organizational mechanisms and conditions through which CE generates performance outcomes remain empirically understudied. Specifically, the role of intrapreneurial behavior—the individual-level manifestation of corporate entrepreneurship through employee initiative, opportunity identification, and innovation implementation—as a mediating mechanism between organizational innovation climate and performance has received limited rigorous empirical examination in multilevel designs capable of distinguishing between- and within-unit effects. Furthermore, the conditions under which organizational innovation climate is most effectively converted into intrapreneurial behaviors—specifically the role of strategic leadership quality as a climate-behavior conversion moderator—remain empirically underdetermined.

This study addresses these gaps through a multilevel investigation of 389 business units across 52 MNEs, employing ML-SEM to simultaneously model organizational-level innovation climate effects and

individual-level intrapreneurial behavior mechanisms while appropriately partitioning variance across organizational levels.

## **2. Literature Review**

### **2.1 Corporate Entrepreneurship and Organizational Performance**

Zahra's (1991, 1993) foundational corporate entrepreneurship research established the positive relationship between CE activities—innovation, venturing, and strategic renewal—and organizational performance across manufacturing and services contexts. Subsequent contributions by Dess et al. (1999), Ireland et al. (2009), and Kuratko et al. (2014) elaborated the strategic and organizational conditions that enable effective CE, including organizational structure flexibility, resource allocation systems, middle management championing, and top management encouragement. Meta-analytic reviews by Rosenbusch et al. (2011) confirmed positive CE–performance relationships across diverse industry, size, and country contexts, though with substantial heterogeneity attributable to contextual moderators.

### **2.2 Innovation Climate as an Organizational Enabler**

Innovation climate—the shared organizational perceptions and norms regarding the extent to which the organization values, encourages, and supports creative and innovative behavior—has been extensively theorized as a proximal enabler of individual and organizational innovation through its effects on employee motivation, risk-taking propensity, and

knowledge-sharing behavior (Amabile et al., 1996; Scott & Bruce, 1994). Schneider et al.'s (2013) comprehensive review of organizational climate research confirmed significant positive climate–performance relationships across multiple performance domains, with innovation climate demonstrating particularly strong effects in knowledge-intensive industries.

### **2.3 Intrapreneurial Behavior as a Mediating Mechanism**

Intrapreneurial behavior—individual employees' proactive, creative, and risk-tolerant actions directed toward identifying and developing new opportunities within existing organizational structures—represents the behavioral expression of organizational innovation climate at the individual level (Hisrich & Peters, 1986; Kuratko & Hodgetts, 2007). Organizational Learning Theory (Argyris & Schön, 1978; Senge, 1990) provides theoretical grounding for the IC → IB → OP mediation pathway: innovation climates create organizational learning environments that motivate employees to engage in intrapreneurial behaviors; these behaviors generate new knowledge, products, and processes that ultimately improve organizational performance.

### **2.4 Strategic Leadership and Climate-Behavior Conversion**

Day et al.'s (2014) strategic leadership theory posits that senior leaders shape organizational capability development through their strategic decisions, resource allocation priorities, and symbolic climate-setting behaviors. In the CE context, strategic leadership quality—encompassing visionary communication, strategic risk

tolerance, resource championing, and intrapreneurial empowerment—is theorized to moderate the IC → IB conversion efficiency by determining whether innovation climate perceptions are matched with sufficient strategic support, resource access, and psychological safety to motivate actual intrapreneurial action.

### **3–6. [Research Gap, Objectives, Hypotheses, and Methodology condensed for space efficiency]\***

The study addresses the gap in multilevel CE research by testing an ML-SEM model in which IC → IB (mediation) and SLQ → IC–IB moderation are simultaneously estimated, providing variance decomposition across organizational levels. Data were collected from 389 business units in 52 MNEs across Sweden (n = 141 BUs, 18 MNEs), Japan (n = 132 BUs, 17 MNEs), and Nigeria (n = 116 BUs, 17 MNEs) through nested surveys—BU manager surveys for climate and leadership assessment, individual employee surveys for IB measurement, and BU performance data from corporate reporting systems.

## **7. Data Analysis and Findings**

### **7.1 Sample Profile**

**Table 1** *Sample Profile: Business Units and MNEs*

Characteristic Category		N (BUs)	N (MNEs)
Country	Sweden	141	18
	Japan	132	17
	Nigeria	116	17
Industry	Technology/ICT	124	16
	Manufacturing	98	13
	Financial Services	89	12
	Professional Services	78	11
BU Size	<50 employees	143	—
	50–200	158	—
	>200	88	—

## 7.2 Intraclass Correlations and Multilevel Justification

**Table 2** *Intraclass Correlation Coefficients*

Variable	ICC	LRT $\chi^2$	p
IC	0.312	89.4	<.001
IB	0.187	52.3	<.001
OP	0.241	67.8	<.001

*Note.* Significant ICCs confirm multilevel modeling is warranted. 31.2% of IC variance is between BUs.

## 7.3 ML-SEM Results

**Table 3** *ML-SEM Path Coefficients (Between and Within Levels)*

Path	Between-Level $\beta$	Within-Level $\beta$	Combined Effect
IC $\rightarrow$ IB	0.487***	0.312***	0.421***
IC $\rightarrow$ OP (direct)	0.241**	0.143*	0.198**
IB $\rightarrow$ OP	0.398***	0.312***	0.367***
SLQ $\rightarrow$ IC-IB (mod.)	0.198**	0.134*	0.163**
Indirect: IC $\rightarrow$ IB $\rightarrow$ OP	0.194***	0.097**	0.217***

*Note.* Between-level: organizational unit as unit of analysis. Within-level: individual employee as unit of analysis. Combined effects are ML-SEM weighted composites. \*p < .05; \*\*p < .01; \*\*\*p < .001.

## 7.4 Moderated Mediation

**Table 4** *Moderated Mediation: SLQ as Moderator of IC  $\rightarrow$  IB*

SLQ Level	IC $\rightarrow$ IB	Indirect IC $\rightarrow$ IB $\rightarrow$ OP
Low SLQ (-10.312*** SD)	[0.198, 0.426]	[0.124***, 0.174]
Mean SLQ	0.421*** [0.341, 0.501]	0.168*** [0.127, 0.213]
High SLQ (+10.530***)	[0.428, 0.212***]	[0.161, ...]

SLQ Level	IC → IB	Indirect IC → IB → OP
SD)	0.632]	0.268]
Index	of 0.088**	[0.031, _
Mod. Med.	0.152]	

Note. High SLQ amplifies both the IC → IB relationship and the mediated performance pathway.

## 8–11. Discussion, Implications, and Conclusion

The ML-SEM findings demonstrate that innovation climate drives intrapreneurial behavior at both between-unit and within-unit levels, with between-unit (organizational) effects somewhat stronger than within-unit (individual) effects—suggesting that organizational climate is a more powerful behavioral driver than individual-level climate perceptions alone. The mediation of IB in the IC–OP relationship (combined indirect effect = 0.217) confirms that climate creates performance value primarily through behavioral expression rather than direct organizational processes. The SLQ moderation and moderated mediation findings advance CE theory by identifying strategic leadership quality as a climate–behavior conversion amplifier.

For MNE managers, the findings imply that CE performance requires both organizational-level climate investment (structural mechanisms, formal innovation programs, resource allocation flexibility) and BU-level strategic leadership

development (leadership training focused on intrapreneurial empowerment, psychological safety creation, and resource championing). The cross-national multilevel design provides evidence that these climate–behavior–performance dynamics operate consistently across Swedish, Japanese, and Nigerian MNE contexts—suggesting their generalizability to diverse institutional environments.

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