

Research on the construction of enterprise internal entrepreneurship mechanism and its influence on enterprise innovation performance

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Abstract: This study investigates the development of internal entrepreneurship mechanisms and their impact on corporate innovation performance. Through a combination of theoretical analysis and empirical research, it systematically explores the framework, core dimensions, and operational mechanisms of internal entrepreneurship systems. The study proposes that internal entrepreneurship mechanisms should adhere to principles including strategic orientation, resource allocation, cultural motivation, risk tolerance, and institutional safeguards. It constructs a comprehensive system across five dimensions: organizational structure, resource distribution, cultural climate, process mechanisms, and incentive evaluation. Empirical findings from questionnaire surveys and data analysis reveal three key conclusions: internal entrepreneurship mechanisms significantly enhance corporate innovation performance; organizational innovation capability acts as a critical mediating factor; and environmental dynamics positively moderate the effect of internal entrepreneurship mechanisms on innovation performance. This research not only enriches the theoretical framework of internal entrepreneurship and innovation management but also provides practical guidance for enterprises to establish internal entrepreneurship mechanisms and improve innovation outcomes.

Key words: internal entrepreneurship; innovation performance; organizational innovation ability

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Introduction

In today's era of intensifying global competition and rapid technological iteration, internal entrepreneurship has emerged as a vital strategic tool for organizations to drive sustained innovation and enhance competitiveness. The academic and business communities have jointly focused on establishing scientifically effective mechanisms for internal entrepreneurship and exploring their impact on corporate innovation performance. This study systematically examines the theoretical framework of internal entrepreneurship mechanisms, employs empirical analysis to reveal their operational pathways and influence mechanisms regarding innovation outcomes, and aims to provide theoretical support and decision-making references for corporate management practices. These insights are designed to empower enterprises in achieving innovation-driven development within complex and dynamic market environments.

1 The construction framework and dimension analysis of enterprise internal entrepreneurship mechanism

1.1 Guiding principles for building an internal entrepreneurship mechanism

The establishment of an internal entrepreneurship mechanism in enterprises constitutes a systematic project that must adhere to scientific guiding principles to ensure proper direction and operational effectiveness. First, the strategic orientation principle serves as the foundation: internal entrepreneurship activities must align closely with the company's overall development strategy, serve long-term objectives, avoid blind entrepreneurship for its own sake, and direct innovation resources to areas of greatest strategic value. Second, market-oriented operation principle forms the core: internal projects should simulate external market environments by introducing competitive mechanisms, enabling teams to operate like

independent companies facing markets, clients, and competition. Through internal market pricing and independent accounting methods, this approach enhances market sensitivity and cost awareness. Third, risk control principle provides safeguards: enterprises should establish error-tolerant mechanisms allowing trial-and-error, while defining risk boundaries through periodic reviews and stop-loss exit protocols to contain innovation failure risks within manageable limits. Fourth, talent-centric principle is crucial: institutional design should fully respect and stimulate employees' creativity and entrepreneurial spirit, transforming them from passive executors into proactive value creators through empowerment and shared benefits. Finally, cultural primacy principle creates the foundation: effective mechanisms require organizational culture that fosters openness, embraces innovation, and encourages cross-boundary collaboration. This necessitates top-down cultivation of a failure-tolerant, innovation-valuing, and cross-disciplinary cooperation culture to provide spiritual motivation and environmental support for internal entrepreneurship. Together, these principles form the top-level design philosophy for building an internal entrepreneurship mechanism, ensuring scientific rigor, systemic coherence, and sustainable viability.

1.2 The core dimension and specific content of the internal entrepreneurship mechanism

The internal entrepreneurship mechanism of an enterprise constitutes a multidimensional system, with its core dimensions encompassing organizational safeguards, resource support, process control, and cultural impetus. In terms of organizational safeguards, companies should establish dedicated internal entrepreneurship management bodies such as innovation committees or incubation centers. These entities are responsible for strategic planning, project evaluation, and resource coordination. Simultaneously, they should implement flat and networked organizational structures that grant entrepreneurial teams significant decision-making autonomy, while creating "dual-track" career development pathways to ensure equal promotion opportunities for internal entrepreneurs. Regarding resource support, the key lies in building a comprehensive multi-tiered resource supply system. This includes establishing specialized "innovation funds" or venture capital funds to provide funding for seed-stage and growth-stage projects, opening up core resources like technical platforms, data hubs, and supply chains to reduce entry barriers, and implementing an internal mentorship system offering professional guidance in strategy, market, and management. For process control, enterprises need to design standardized project management processes covering the entire lifecycle from idea collection, project initiation, prototype development, market validation to commercialization incubation. Each phase should feature clear milestones and evaluation criteria, coupled with a "horse-racing mechanism" and dynamic elimination system to ensure efficient resource allocation. In the cultural-driven dimension, emphasis is placed on fostering an innovation-encouraging and failure-tolerant environment through institutional design and cultural initiatives. This includes organizing innovation competitions, establishing "Innovation Heroes List", publicly recognizing success stories while rationally analyzing failure lessons, thereby internalizing innovative spirit as employees' natural behavior. These four dimensions work in tandem to form a complete, closed-loop system for internal entrepreneurship operations.

1.3 Incentive and assessment mechanism

Incentive and evaluation mechanisms serve as the core drivers for successful internal entrepreneurship. Their design must break free from traditional functional constraints to achieve incentive compatibility and goal alignment. Regarding incentive systems, a diversified framework should be established that integrates short-term, medium-term, and long-term incentives, combining material rewards with spiritual recognition. Short-term incentives can be implemented through project bonuses and innovation allowances to promptly acknowledge phased achievements. Medium-term incentives focus on profit-sharing mechanisms tied to project performance or excess profit distribution, allowing teams to directly benefit from entrepreneurial outcomes. The most compelling long-term incentive involves equity-based compensation such as shares, options, or virtual equity, which deeply aligns core members' interests with corporate growth, transforming them from "salary workers" into "venture partners." Spiritual recognition remains essential, including honorary titles, enhanced learning opportunities, and greater decision-making autonomy to fulfill entrepreneurs' needs for achievement and self-actualization. For evaluation systems, a differentiated approach emphasizing process management and potential assessment should replace traditional business metrics. Evaluation criteria should evolve from singular financial results to

comprehensive assessments covering innovation, market potential, team development, and technological breakthroughs. Assessment methods should be more flexible, prioritizing process management and milestone reviews that emphasize teams' learning agility, adaptability, and iteration speed in uncertain environments rather than fixating on short-term profits. For exploratory frontier projects, evaluation cycles should be appropriately extended to allow sufficient trial-and-error space for growth. Through scientific and reasonable incentives and assessments, the internal motivation of internal entrepreneurs can be maximized to guide their behavior to maintain a high degree of consistency with the innovation goals of the enterprise.

2 An empirical study on the influence of internal entrepreneurship mechanism on enterprise innovation performance

2.1 The formulation of research hypotheses

This study is grounded in the Resource-Based View, Organizational Capability Theory, and Motivation Theory to systematically investigate the impact pathways and mechanisms of internal entrepreneurship mechanisms on corporate innovation performance, thereby proposing a series of research hypotheses. First, regarding the core main effect, we formulate Hypothesis H1: The completeness of internal entrepreneurship mechanisms exerts a significant positive influence on corporate innovation performance. This stems from the fact that a well-established internal entrepreneurship mechanism can systematically integrate internal and external resources, foster an innovation-encouraging organizational culture, effectively stimulate employees' entrepreneurial spirit and creativity, thereby directly driving the development and commercialization of new products, services, and processes to enhance overall innovation output. Second, to further reveal its internal mechanisms, this study introduces organizational innovation capability as a mediating variable, proposing Hypothesis H2: Internal entrepreneurship mechanisms positively influence corporate innovation performance by enhancing organizational innovation capabilities. Specifically, a well-developed internal entrepreneurship mechanism can significantly strengthen an enterprise's comprehensive capabilities in opportunity identification, resource integration, technology R&D, and market transformation through resource allocation optimization, process reengineering, and cultural shaping. This elevation of organizational-level innovation capability serves as a crucial bridge between mechanism transformation and actual innovation performance. Finally, considering the significant role of external environments, this study incorporates environmental dynamism as a moderating variable, proposing Hypothesis H3: Environmental dynamism exerts a positive moderating effect on the relationship between internal entrepreneurship mechanisms and corporate innovation performance. In today's fast-evolving technological landscape and ever-shifting market demands, businesses face both opportunities and challenges. A flexible and agile internal entrepreneurship mechanism enables companies to respond more swiftly to changes and seize emerging opportunities, demonstrating greater effectiveness in driving innovation than stable environments. These hypotheses collectively form the theoretical framework of this study, establishing the foundation for subsequent empirical verification.

2.2 Variable definition and measurement

To ensure the scientific rigor and practical applicability of this study, we clearly define core variables and employ internationally recognized measurement tools to guarantee reliability and validity. The independent variable is defined as the internal entrepreneurship mechanism—a comprehensive system comprising formal and informal institutional frameworks, operational processes, cultural norms, and resource allocation mechanisms established by enterprises to encourage, support, and regulate internal entrepreneurial activities. The measurement framework comprises four core dimensions: resource support mechanisms, organizational safeguard mechanisms, cultural atmosphere mechanisms, and incentive evaluation mechanisms. Each dimension includes 3-4 measurement items such as "the company provides dedicated funding for internal entrepreneurship projects," "the company has a specialized department managing internal entrepreneurship affairs," "the company encourages employees to challenge existing norms and propose disruptive ideas," and "the company's internal entrepreneurship incentives are highly attractive." These items are assessed using a Likert 7-point scale. The dependent variable is corporate innovation performance, defined as the outputs and outcomes achieved through innovation activities that comprehensively reflect innovation efficiency and effectiveness. To ensure comprehensive evaluation, we measure

innovation performance from two dimensions: innovation output (objective indicators including new product/service quantities and patent applications where data available) and innovation benefits (subjective evaluations focusing on market success rates of new products/services, contributions to profit growth, and enhancements in core competitiveness). Both dimensions utilize Likert 7-point scales for assessment. Finally, the mediating variable is organizational innovation capability, defined as an enterprise's ability to identify, absorb, transform, and utilize internal and external knowledge and technologies to develop new products, processes, and services. The measurement items cover opportunity identification, resource integration, technology R&D, and market transformation capabilities. The moderating variable is environmental dynamism, defined as the degree of unpredictable changes in the external environment (including technology, market, and policy factors). This is assessed through measurement items such as industry technology update speed, frequency of customer demand changes, and magnitude of competitor behavior shifts.

2.3 Questionnaire design and data collection

This study primarily employed the questionnaire survey method to collect data, with the questionnaire design process strictly adhering to scientific norms to ensure data quality. The questionnaire content mainly consists of four sections: The first section contains screening questions to ensure respondents are middle-to-senior level managers or core project members within enterprises who possess sufficient understanding of internal entrepreneurship and innovation activities; The second section includes basic information such as industry affiliation, scale, years of establishment, ownership nature, and other control variables; The third section comprises measurement items for core variables including internal entrepreneurship mechanisms, organizational innovation capabilities, and environmental dynamics, all sourced from authoritative domestic and international literature and appropriately revised for the China context to form an initial questionnaire; The fourth section involves measurement items for enterprise innovation performance. Prior to formal distribution, we invited five experts and scholars in relevant fields and three corporate executives to conduct a pilot test of the questionnaire. Based on feedback, we optimized the wording of some items to finalize the questionnaire. Data collection was conducted through two channels: First, via professional online platforms (e.g., Wenjuanxing and Tencent Questionnaire) to contact MBA and EMBA students/alumni nationwide and executives of certain high-tech enterprises for online responses; Second, through collaboration with local industry associations and science park management committees to distribute and collect paper questionnaires offline. The survey spanned three months, with 500 questionnaires distributed and 428 recovered. After excluding invalid questionnaires with insufficient response time, obvious patterned answers, or excessive missing values, 386 valid questionnaires were obtained, achieving a valid recovery rate of 77.2%. The samples covered information technology, high-end manufacturing, biomedicine, new energy and other industries, and the scale and nature of enterprises were distributed relatively evenly, which provided a good data foundation for subsequent empirical analysis.

2.4 Data analysis and hypothesis testing

This study primarily employed SPSS 26.0 and AMOS 24.0 statistical software to process and analyze valid data for recycling, aiming to test the research hypotheses proposed in the previous section. The data analysis followed a rigorous step-by-step approach. First, reliability and validity tests were conducted. By calculating Cronbach's α -coefficient for each variable, all values exceeded 0.8, indicating good internal consistency reliability of the questionnaire. Regarding validity, confirmatory factor analysis revealed that standardized factor loadings of measurement items on their respective latent variables were all above 0.7, composite reliability values over 0.8, average variance extraction values greater than 0.5, and square roots of AVE values exceeding correlations with other variables, demonstrating good convergent validity and discriminant validity of the scale. Next, descriptive statistics and correlation analyses were performed. Results showed significant positive correlations between internal entrepreneurship mechanisms, organizational innovation capabilities, and corporate innovation performance, providing preliminary support for subsequent hypothesis testing. Thirdly, hierarchical regression analysis was used to examine main effects and moderating effects. After controlling for variables in the first step, introducing the independent variable "internal entrepreneurship mechanism" in the second step revealed a significant positive impact on innovation performance, supporting Hypothesis H1. In the third step, adding the mediating variable "organizational innovation capability" demonstrated its significant influence on innovation performance, with reduced

regression coefficients for internal entrepreneurship mechanism suggesting partial mediation. Finally, incorporating the interaction term between independent variables and moderating variables in the fourth step revealed a significantly positive interaction coefficient, validating Hypothesis H3. Finally, we conducted a significance test for the mediating effect using the Bootstrap method (5000 repeated sampling). The results showed that the 95% confidence interval of the indirect effect of organizational innovation capability between the internal entrepreneurship mechanism and innovation performance did not include zero, further confirming the significance of the mediating effect and supporting Hypothesis H2. Overall, all research hypotheses were supported by empirical data, validating the theoretical model of this study.

3 Conclusion

This study focuses on the core issue of "the construction of internal entrepreneurship mechanisms and their impact on corporate innovation performance." Through a combination of theoretical framework and empirical analysis, it systematically explores the constituent dimensions, operational pathways, and deep-seated mechanisms of internal entrepreneurship mechanisms in shaping corporate innovation outcomes. The findings indicate that the development of internal entrepreneurship mechanisms should adhere to guiding principles including strategic orientation, resource allocation, cultural drive, risk tolerance, and institutional safeguards. Core dimensions encompass organizational structure, resource distribution, cultural climate, process mechanisms, and incentive evaluation systems, collectively forming an organic whole. Empirical research further validates that internal entrepreneurship mechanisms significantly enhance corporate innovation performance through positive reinforcement, not via direct causation but via the mediating variable of organizational innovation capacity. Additionally, environmental dynamics play a crucial moderating role — specifically, internal entrepreneurship mechanisms demonstrate more pronounced positive impacts in highly dynamic market environments. These conclusions not only deepen our understanding of internal entrepreneurship theory and reveal its "black box" effects on innovation performance, but also provide clear guidance for corporate management practices: organizations should systematically develop and refine internal entrepreneurship mechanisms, prioritize cultivating organizational innovation capabilities, and skillfully leverage dynamic environmental changes to effectively stimulate internal innovation vitality, continuously improve innovation performance, and build and consolidate long-term competitive advantages.

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