

AN ASSESSMENT OF CORPORATE ENTREPRENEURSHIP IN THE FAST-MOVING CONSUMER GOODS INDUSTRY

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ABSTRACT

The aim of the study is to examine the literature and practical research on corporate entrepreneurship, innovation and the entrepreneurial climate in the fast-moving consumer goods industry.

A number of text books, published works and web articles on entrepreneurship and innovation were used in determining definitions as well as models used in managing and establishing corporate entrepreneurship.

Managers have to possess certain characteristics in order to be involved in the entrepreneurial activity in the organisation. In this study respondents rated themselves very high on the **entrepreneurial characteristics**, Integrity and reliability ($\bar{x} = 4.761$). They also rated themselves very high on Ability to take responsibility and High level of commitment ($\bar{x} = 4.657$). Self reliance ($\bar{x} = 4.478$), Problem solving skills ($\bar{x} = 4.464$), Drive to achieve and grow ($\bar{x} = 4.460$) and Willingness to undertake personal sacrifices ($\bar{x} = 4.420$) were the next highest. The respondents scored themselves the lowest on Tolerance to failure (mean = 3.241), Calculated risk taking ($\bar{x} = 3.616$) and Restlessness with status quo ($\bar{x} = 3.754$).

When rating their superiors the respondents rated them as people with a very High level of commitment ($\bar{x} = 4.493$), that has got the Ability to take responsibility ($\bar{x} = 4.471$) and the Ability to drive and grow ($\bar{x} = 4.423$). The respondents rated their superiors very low on Tolerance to failure ($\bar{x} = 3.285$), Patience ($\bar{x} = 3.554$) and Calculated risk taking ($\bar{x} = 3.633$).

It is concluded that there is in general a high level of entrepreneurial characteristics at the level of respondents and that of their superiors.

Of the thirteen **constructs** used in the survey, Strong customer orientation, with a mean of 3.556 was the evaluated as the highest and construct two, Entrepreneurial leadership, with a mean of 3.548 was ranked the second highest by the respondents.

Vision and strategic intent ($\bar{x} = 3.467$), Discretionary time at work ($\bar{x} = 3.326$) and Empowered and multidisciplinary teams ($\bar{x} = 3.306$) followed on that.

Management support ($\bar{x} = 3.241$), Flat organization with open communication ($\bar{x} = 3.185$) and Innovation and creativity ($\bar{x} = 3.177$) as well as Continuous and cross functional learning ($\bar{x} = 3.177$) can be seen as the midpoint of the rankings.

The constructs, Sponsor ($\bar{x} = 3.054$), Tolerance of risk, mistakes and failure ($\bar{x} = 3.031$), Appropriate rewards and reinforcement ($\bar{x} = 2.777$) and Resource availability and accessibility ($\bar{x} = 2.744$) respectively yielded the lowest arithmetic mean scores.

Several recommendations were made in order to improve the entrepreneurial culture of the organization.

The findings of the study were that corporate entrepreneurship needs to be incorporated and nurtured in corporate organisations to ensure the competitive edge. Corporate organisations need to create a climate to breed innovation and entrepreneurship to extract value from innovative entrepreneurs in the organisation.

Keywords – Corporate entrepreneurship, Innovation, entrepreneur.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Corporate entrepreneurship and innovation plays an increasing important role, because there is a tightening race for developing new innovative businesses between global corporations.

Companies need to sustain high performance or radically improving their competitive standing to survive or to keep ahead of the pack. Covin and Miles (1999: 50) argue that corporate entrepreneurship is engaged to increase competitiveness through efforts aimed at the rejuvenation, renewal and redefinition of organizations, their markets or industries. It is the spark and the catalyst that is intended to place firms on a path to competitive superiority or keep them in competitively advantageous positions.

In such a competitive environment the question arises how to create new innovative business offerings more rapidly. In order to achieve a new innovative business offering, it is necessary to scrutinize how the strategic architecture of corporations could be altered for a new innovation management architecture that matches the requirements of hypercompetitive markets. That is why different alternatives for traditional business development and research and development departments, which typically have a distinctively “linear and incremental” understanding of innovation, are being looked for intensively by those corporations (Michalski, 2004: 12).

Corporate entrepreneurship is a tool that allows companies to rejuvenate and revitalize and to create new value through innovation, business development and renewal (Thornberry, 2001: 526).

1.2 PROBLEM STATEMENT

Although many of the world's leading food groups have reported a growth in sales within the last financial year, the global food industry is coming under pressure. Much of this is due to the souring food prices, especially for staple items such as wheat, corn, rice, coffee, cocoa and milk, the price of these products, for example has doubled over the last year.

The United Nations has warned that the rising cost of food may trigger a food crisis in some of the world's poorer countries as well as having an adverse affect on the profit margins of the world's leading food suppliers (Thomas, 2008: 19). Statistics South Africa reported in the latest CPIX index that food inflation increased by eighteen percent over the period August 2007 to August 2008.

One of the reasons for the rise in food prices is a strong growth in demand from an increasingly affluent population in large countries such as India and China. It should be noted that the rise in food prices has also created opportunities for many of the world's leading food suppliers, as a result of which many are now establishing a stronger presence in India and China.

In its annual report the World Bank identified three burning issues that put pressure on supply of food in the world, i.e.:

- Changing eating habits. The average consumption of food per capita in China moved from twenty kilogram in 1980 to fifty kilogram in 2007.
- Growth in world population. The world population has moved from an estimated 2.5 billion people in 1950 to 6.1 billion people in 2007. The growth is putting pressure on countries already very low on resources.
- Pressure on resources. It requires one thousand to two thousand litres of water to produce one kilogram of wheat and ten thousand to thirteen thousand litres of water to produce one kilogram of beef.

Other reasons behind rising food prices include the recent shift in agricultural production towards biofuels, as well as environmental factors. Drought and increasing desertification has also resulted in shortages of commodities like wheat, dairy and rice (Thomas, 2008: 19).

The situation in South Africa also changed a lot since 1994. The change in the political environment resulted in a new focus on the black population in South Africa. Black people moved into higher positions in the governmental institutions and in the business sector. This resulted in a distribution of income towards a new developing sector called the “black diamond”. The development of the “black diamond” resulted in a shift of disposable income to a new developing black middle class. The expectations of these people are different to the old traditional market expectations and changes the offerings that food suppliers can take to the market. A clear shift in ethnic taste and behaviour patterns of the black middle class is evident in the industry.

Taking the change in consumer expectation, increased disposable income and the world wide shortage of commodities in account, the requirements from business is now changing quicker than ever. The only way that any business in the fast-moving consumer industry will be able to survive will be by means of adapting and changing. The business taking the best out of this changing environment will be the once that lead on the corporate entrepreneurial front and innovation.

There is an international trend in the food industry to capitalize on the change in behaviour patters of consumers. Households have changed from the traditional working father and the mother that is at home looking after a number of children. More single parent families and working mothers result in less time available to spend on preparing food. Women take up positions previously reserved for men. With that comes the changing of the structures at family level as well as the change in spending trends. Ready to eat meals and a move towards healthy options are areas that pose an entrepreneurial option for the company of the future.

Another change in shopping patterns and shopper behaviour is the increased use of the Internet. According to AC Nielsen's (2008), the world's leading marketing and information company consumers across the globe increasingly swapping crowded stores for one-click convenience. According to a recent global survey conducted, over eighty five percent of the world's online population has used the Internet to make a purchase. This increased with forty percent over the last two year.

Rather than compete with competitors head on, businesses should focus on developing new products and services and new markets, but this can only be achieved by organizations that adopt an entrepreneurial orientation.

As a business competing in Africa and global markets, Tiger Brands will have to be aligned to global trends. Corporate entrepreneurship and innovation will prevent stagnation and create markets to increase the profitability during price increases and demand changes. The correct business model will ensure that there will be a continuous change in the life cycle and assure that the next upswing will always be there.

Tiger Brands faces all trend changes: consumers are health conscious, they are concerned about the environment, time to purchase and to prepare food is limited, family structures and customs are changing, spending patterns are changing and with that the expectations of consumers change daily.

Tiger Brands as an established business finds itself in a mature life cycle and needs to move back into the next S-curve and rejuvenate itself in a way. The challenge is to align different business units and to adjust focus to identify opportunities in the trends and to be the first to benefit from innovation.

The question remains what strategy Tiger Brands will have to follow to keep up the growth and expansion program that forms the back bone of the company's strategy. What will the benefits of entrepreneurship be and how will the company accommodate corporate entrepreneurship?

1.3 OBJECTIVES OF THE STUDY

The objectives of the study will be divided into two sections: primary and secondary objectives that will clearly enlighten the objectives of this study.

1.3.1 Primary objectives

The primary objective of the study is to assess corporate entrepreneurship in Tiger Brands and to make recommendations to foster corporate entrepreneurship in the organization.

1.3.2 Secondary objectives

In order to address the primary objectives the following secondary objectives were formulated:

- to define corporate entrepreneurship;
- to obtain insight into the dynamics of corporate entrepreneurship by means of a literature review;
- to obtain insight into the business environment of Tiger Brands;
- to assess the entrepreneurial characteristics of corporate entrepreneurs;
- to validate the reliability of the questionnaire measuring entrepreneurial climate;
- to assess the entrepreneurial climate in Tiger Brands;
- to examine the relationship between the demographical variables and the constructs measuring the entrepreneurial climate; and
- to suggest practical recommendations to foster corporate entrepreneurship in Tiger Brands.

1.4 SCOPE OF THE STUDY

The scope of the study will focus on the field of the study and will give more information regarding the business under investigation.

1.4.1 Field of the study

The field of the study falls within the subject discipline of entrepreneurship with special reference to corporate entrepreneurship.

1.4.2 Business under investigation

The business under investigation will be Tiger Brands Ltd, the leading food manufacture in South Africa. Tiger Brands manufactures food and healthcare products and distributes into the formal and informal trade. It is active in Africa, India and Europe and supplies sixty four countries worldwide (Tiger Tales, 2008: 3).

The businesses that form part of the group are: Tastic Food Corporation, Albany Bakeries, Tiger Milling, Langberg Foods, Adcock Consumer, Beacons Snacks and Treats, Bromor Beverages, Fatti's & Moni's, Purity Baby Food, King Foods, Designer Group and Enterprise Value Added Meat products. Joint ventures across the borders as well as the export business will not form part of the investigation.

The target group of employees surveyed will be all management from Level D and upwards. In general terms it will represent all middle management through senior management to the level of Chief Executive Officer. All employees will be permanent employees and reporting directly into the Tiger Brands structure.

1.5 RESEARCH METHODOLOGY

The review will be done in two phases, a literature study and then an empirical study.

1.5.1 Literature study

The literature study will define the following terms: entrepreneur, entrepreneurship, corporate entrepreneur, entrepreneurial climate and innovation. The literature study will also investigate the characteristics of entrepreneurs, the dynamics of corporate entrepreneurship as well as the benefits of corporate entrepreneurship. It will look at the benefits that corporate entrepreneurship add to the profitability and sustainability of corporations as well as the value that business will add to the work place satisfaction of employees. The study will lastly investigate the thirteen constructs that will be measured in order to evaluate the climate suitable to establish corporate entrepreneurship.

The second part of the literature study will investigate Tiger Brands as the organisation under investigation. Apart from the background and history of Tiger Brands, the research will be done into the core strategies for the organisation that needs to be aligned with the requirements to establish corporate entrepreneurship within the organisation. It is therefore important to understand Tiger Brands strategic driving factors:

- Transforming the organization;
- Optimizing our business portfolio;
- Pursuing organic growth;
- Making acquisitions in selected markets;
- Focus on high growth, profitable categories;
- Focus on growing our leading core brands; and
- Focus on expansion into new markets and new geographies.

The study will investigate the latest text books, journal articles, publications and website articles on the topics discussed in this study.

1.5.2 Empirical study

The empirical study was done through the following phases: deciding on a suitable measurement tool or questionnaire, defining the study population, collecting the data and the statistical analysis of the data.

Selection of questionnaire

The questionnaire used in this study was developed by Oosthuizen (2006). The questionnaire measures thirteen different constructs that were formulated after a comprehensive literature review. The measuring instrument assessed the constructs with 65 statements on the basis of a 5 point Likert type scale ranging from *Strongly disagree* (1) to *Strongly agree* (5). Respondents had to indicate the degree to which they agreed or disagreed to the statement (Welman & Kruger, 1999: 155; Huysamen, 1994: 125). Refer to Appendix 1 for the questionnaire.

Study population

The target population of this study was all managers from middle management (C band) to executive level (E band) within Tiger Brands. The list of employees at the requested job level was supplied by the Human Resource managers of each business unit. These businesses are Grains, Bromor, Snacks & Treats, Consumer, Bakeries, Exports and Out of Home. A total of four hundred and thirty seven employees were identified as potential respondents. A questionnaire was send to each of the four hundred and thirty seven employees from Tiger's information technology department.

Data Collection

The Information Technology department at Tiger Brands has send out all questionnaires via e-mail to all employees targeted to take part in the survey. A cover letter ensured participants of the confidentiality of there responses was attached to the questionnaire. Employees responded on the questionnaire on e-mail and returned it back to the Information Technology department. Follow up notifications were send to all people that did not respond in order to get a better feedback percentage. A message thanking employees for their participation was send to respondents once the completed questionnaire was received back.

Statistical Analysis

The data collected will be analysed by using Statistica (Stasoft, 2008) and SPSS (SPSS, 2006). The analysis will consist of descriptive statistics entailing arithmetic mean, standard deviation, inferential statistics such as *p-value* and *d-value* test and Cronbach alpha coefficient testing the reliability of the questionnaire.

1.6 LIMITATIONS OF THE STUDY

Because corporate entrepreneurship is such a comprehensive topic the study focused on only one competitor in the fast-moving consumable foods industry – Tiger Brands. This being the case, caution should be exercised in generalising the findings. It will be limited to companies trading in basic food commodities through formal and informal sales structures with a high level of differentiation in products.

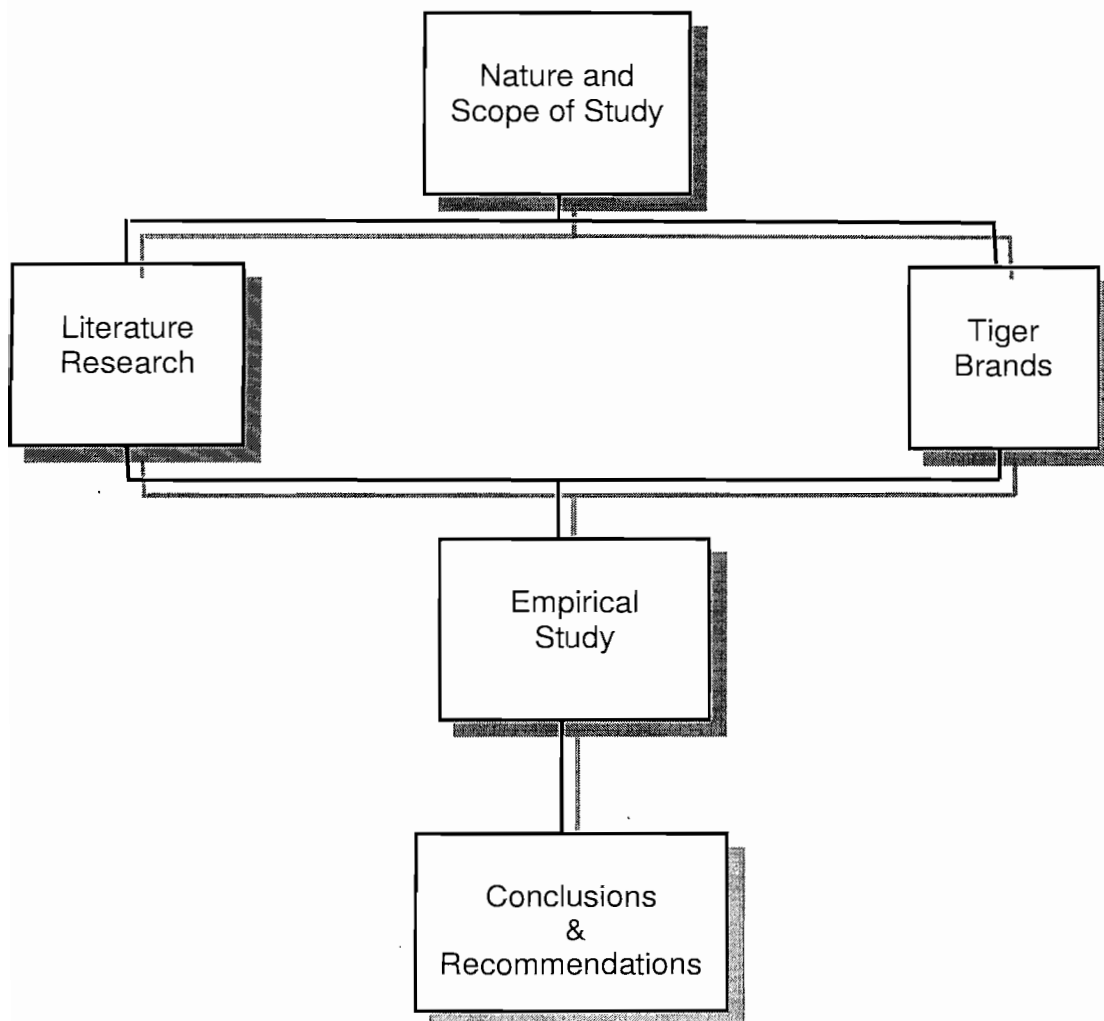
The study excludes all suppliers of raw material and outsourced functions that supply services to Tiger Brands.

Although any employee at any level can make a contribution towards innovation and benefit from the correct entrepreneurial climate this study will exclude all staff lower than middle management.

1.7 LAYOUT OF THE STUDY

The layout of the study is presented in figure 1.1.

Figure 1.1: Layout of the Study



The study is divided into five chapters.

Chapter one explains the nature and scope of the study. It looks into the problem statement, the objectives of the study and the research methodology. This chapter also identifies the limitations of the study and indicated and explains the layout of the study.

Chapter two contains the literature study. This is an indebt look into defining the entrepreneur, entrepreneurship, corporate entrepreneurship, entrepreneurial climate as well as innovation. In this chapter both the characteristics of the entrepreneur and the dynamics of corporate entrepreneurship are studied. This chapter indicates the key benefits of corporate entrepreneurship and gives guidelines as how to generate an entrepreneurial climate within and organisation.

Chapter three covers Tiger Brands as the business under investigation. This chapter gives a historical background of Tiger Brands form is inception in 1929 until 2008. Importantly this chapter indicates the causal factors that lead to the study within this organisation.

Chapter four looked at the overall results and discussions of the empirical study. It looked at the way in which the data was collected during the empirical study, the measuring instruments used, the identification of the study population, the method of data collection as well as the analysis of the data. In this chapter, the results of the empirical study will also be presented and discussed.

Chapter five concluded with the conclusions and recommendations. The achievement of the objectives and suggestions for further research will, furthermore, be indicated.

CHAPTER 2

LITERATURE REVIEW OF ENTREPRENEURSHIP

2.1 INTRODUCTION

The reality is that the total macro economic environment is changing constantly. The market place where every business is trading is changing daily and each firm needs to get some sort of a competitive advantage or unique attributes in order to survive or to grow. This advantaged can be leveraged right through the business if it is applied correctly.

The literature review focuses on entrepreneurship, corporate entrepreneurship and innovation as instruments to assure survival and increase turnover for corporate organisations. It studies the climate suitable for development of a culture of innovation and entrepreneurship in corporate organizations. It, furthermore, investigates the model that will be most suitable to deliver continues high level corporate entrepreneurs and the systems and structures that must be put in place to sustain the high levels required. It studies and defines the four types of corporate entrepreneurship: corporate venturing, entrapreneuring, organizational transformation and industry rule braking. It will investigate the ideal climate that must be created in the organization to subtract maximum value from the employees and the system. It indicates whom and at what level of management will be held responsible for creating the required climate in the organization. The objective is to indicate who will be responsible and in what role employees will act in order to maintain and sustain the structures that will cultivate the corporate entrepreneurial system and climate.

It is important to know what the relationship between innovation and the advantages that it holds for the organization will be. Is it really important to get involved in corporate entrepreneurship? What will the benefit be for the organization, the employees and the industry?

If there is any benefit the organization will have to be able to position itself in such a way that he will benefit from these advantages. Creating the correct climate will be investigated and different descriptions of what exactly corporate entrepreneurship is.

2.2 DEFINING THE TERMS

To clarify the concepts that are discussed the following terms will be defined to get clarity of its meaning:

- Entrepreneur;
- Entrepreneurship;
- Corporate Entrepreneur;
- Entrepreneurial Climate; and
- Innovation.

2.2.1 Entrepreneur

Cole (1969: 17) declared the following: “My own personal experience was that for ten years we ran a research centre in entrepreneurial history, for ten years we tried to define the entrepreneur. We never succeeded. Each of us had some notion of it – what the fought was, for this purpose, a useful definition. And I don’t think you are going to get further than that.”

Although Cole was not very positive in defining entrepreneurship, some scholars still tried to define the term. A list of characteristics included under defining the entrepreneur highlights the special attributes of the entrepreneur.

The word *entrepreneur* originates from the French word, *entreprendre*, which means “to undertake.” In a business context, it means to start a business. The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risk of a business or enterprise.

Schumpeter (1984: 8) defines an entrepreneur as an innovator who carries out new combinations in order to introduce new goods or to improve existing products, develop new methods of production, open up new markets and find new resource or create new forms of business organizations.

An entrepreneur takes initiative, assumes responsibility, manages risks and has the persistence to see things through. An entrepreneurial attitude and behaviour include motivation to achieve, taking ownership, making decisions independently, creative and flexible thinking, as well as awareness of risks and risk management (Johnson, 2001: 135).

Nieman, Hough and Nieuwenhuizen (2003: 9) define an entrepreneur as a person who sees an opportunity in the market gathers resources and creates and grows a business venture to meet these needs. The entrepreneur bears the risk of the venture and is rewarded with profits if it succeeds.

Guzman and Santos (2001: 211) identify the factors that determine the quality of entrepreneurs. Entrepreneurs argue, have a preference for working as self-employed which is a manifestation of their desire for independence. They have intrinsic motivation to achieve higher entrepreneurial success. Personal factors are, for example, the ability to learn, to think critically and negotiation and interpersonal skills.

Leibenstein contends that an entrepreneur undertakes one or more of the following activities:

The entrepreneur:

- Organizes and puts in place the appropriate resources required to produce and market the new product or service;
- Co-ordinates contractual agreements between different parties such as the firm and its employees or suppliers;

- Arranges an appropriate organizational structure and culture in order to develop and produce new products and services;
- Responds to market deficiencies by supplying resources for which there is no market; and
- Connects buyers and sellers and/or different geographical markets together (Leibenstein, 1968: 72).

2.2.2 Entrepreneurship

A number of authors have attempted to define entrepreneurship and innovation in many different ways. There appears, however, to be little consensus surrounding what constitutes entrepreneurial and innovative activity. The reason for that seems to be what Chell (2001) states: The problem of identification of an entrepreneur has been confounded by the fact that there is still no standard, universally accepted definition of entrepreneurship.

According to Leibenstein (1968, 73) entrepreneurship can be defined as the activities necessary to create or carry on an enterprise where not all the markets are well established or clearly defined and/or in which the relevant parts of the production function are not completely known.

Kuratko and Morris (2002: 15) describe entrepreneurship as adaptability, flexibility, speed, aggressiveness and innovativeness. Entrepreneurship, they continue, may also be defined as seeking and capitalizing on an opportunity, taking risks beyond security, and having tenacity to push an innovative idea through to reality. An entrepreneurial perspective can be developed in any individual, inside or outside an organization.

Entrepreneurship is a creative act whereby something is created; it involves a degree of risk and results in the creation of value for the individual and society (Johnson, 2001: 137).

Stephenson defines entrepreneurship as the process of creating value by bringing together a unique package of resources to exploit an opportunity (Kuratko & Morris, 2002: 22).

It is not only important defining entrepreneurship but it is also important to take the perspectives on the nature of entrepreneurship in consideration. Kuratko and Morris (2002: 23) identified seven perspectives on the nature of entrepreneurship:

- the creation of wealth by assuming risks in exchange for profit;
- the creation of enterprise by the founding of new business ventures;
- the creation of innovation with an unique combination for resources that make existing methods or products obsolete;
- the creation of growth in terms of sales, income, assets and employment;
- the creation of employment by employing, managing and developing the factors of production; and
- the creation of value for customers by exploiting untapped opportunities.

2.2.3 Corporate entrepreneurship

Kierulff defines the corporate entrepreneur as a person in an existing corporation who examines potential new market opportunities, obtains resources to meet attractive opportunities and initiates production and sales (Van Aardt & Van Aardt, 1997: 8).

Van Aardt and Van Aardt (1997: 5) define corporate entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organization; building an entrepreneurial team and gathering other resources to exploit an opportunity in the market place for long term gain. The authors demonstrate that the current trend is not to limit entrepreneurship to smaller and medium-sized organizations, but to expose it to large organizations.

Corporate entrepreneurship is engaged in increase competitiveness through efforts aimed at the rejuvenation, renewal and redefinition of organizations, their markets or industries. It is the spark and catalyst that is intended to place firms on the path to competitive superiority or keep them in competitively advantageous positions (Covin & Miles, 1999: 50).

Corporate entrepreneurship is a tool that allows companies to rejuvenate and revitalize and to create new value through innovation, business development and renewal (Thornberry, 2001: 526).

Corporate entrepreneurship are formal or informal activities aimed at creating new businesses in established organizations, through the development of markets or products/process innovation. The activities take place with the unifying objective of improving the organization's competitive advantage and financial performance (Kuratko & Morris, 2002: 30).

In line with most of the other students Birkinshaw (2003: 3) added that corporate entrepreneurship refers to the development of new business ideas and opportunities within large, established organisations.

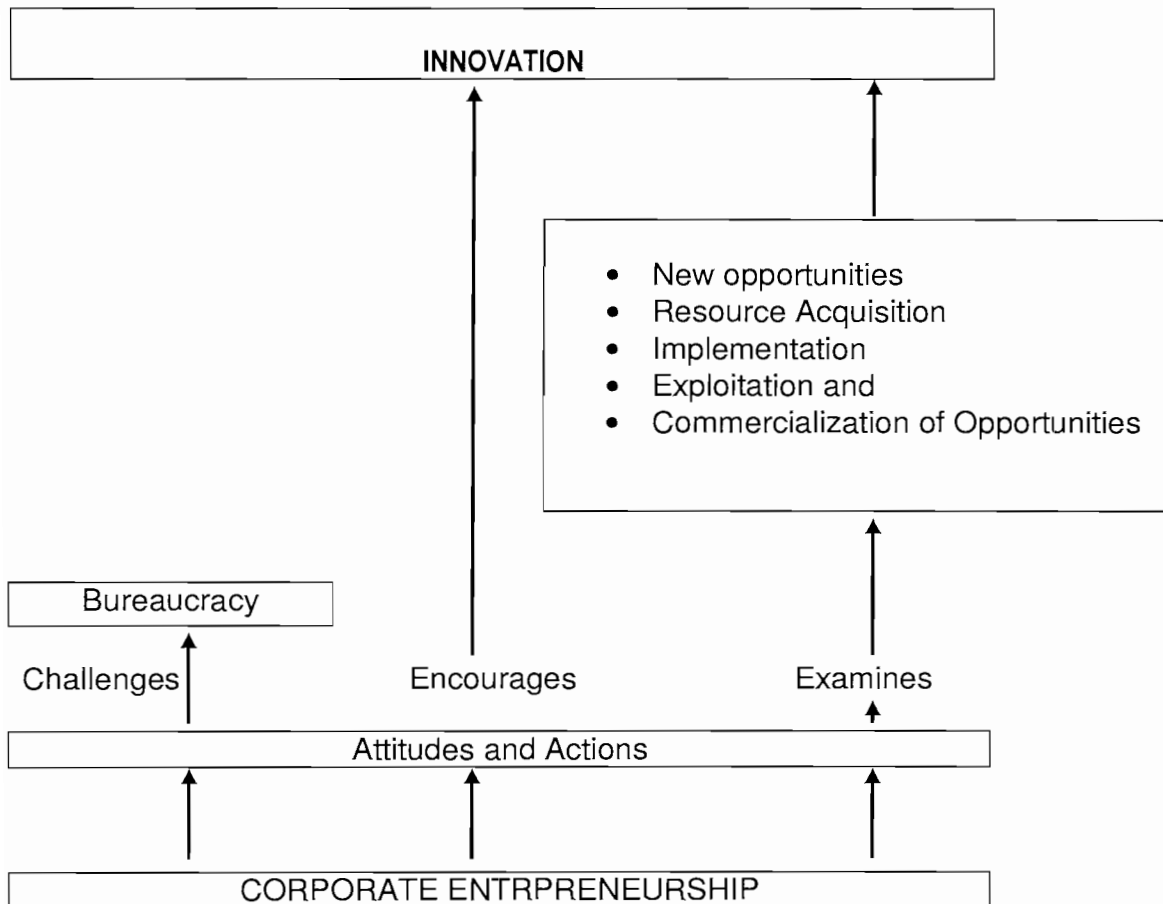
Maxwell and MacRae (1999: 26) define corporate entrepreneurship as the continuous process of learning. With this process, organizations strive to identify opportunities and change creativity patterns of resource development in order to create new opportunities for positioning within uncertain markets.

According to Thornberry (2001: 526), corporate entrepreneurship encompasses a set of activities, attitudes, and actions that are believed to help large companies regain some of its lost magic.

From above discussion corporate entrepreneurship can be operationalised as the effort of promoting innovation from an internal organizational perspective, through the

assessment of potential new opportunities, alignment of resources, exploitation and commercialization of said opportunities. Corporate entrepreneurship starts of with positive actions and attitudes that will be able to overcome certain challenges to ultimately be innovative (see Figure 2.1).

Figure 2.1: Entrepreneurship and innovation



Source: Amit (1993: 618)

Thornberry (2001) summarises corporate entrepreneurship as follows: It encompasses a set of activities, attitudes, and actions that are believed to help large companies regain some of its lost magic. He also states that in most companies, most managers are rewarded for minimizing risk, following the rules and performing their functional roles to the best of their ability. They become budget watchers and not value creators.

According to Pinchot (1985), corporate entrepreneurship is entrepreneurship within an established business organization. Sharma and Chrisman (1999: 11) and Geisler (1993: 53) define corporate entrepreneurship as the process whereby an individual or group of individuals in association with an established company creates a new organization, or investigates renewal or innovation within the current organization. Within the realm of existing firms, corporate entrepreneurship encompasses three types of phenomena that may or may not be interrelated (Sharma & Chrisman, 1999). These are:

- the birth of a new business within an existing firm;
- the transformation of the existing firms through the renewal or reshaping of the key ideas on which they are build; and
- innovation.

Corporate entrepreneurship is the process by which individuals inside organizations pursue opportunities without regards to resources they currently control (Stephenson, Roberts & Grousbeck, 1998).

Wolcott and Lippitz (2007: 2) define corporate entrepreneurship as the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parents assets, market position, capabilities or other resources. It differs from corporate venture capital, which predominantly pursues financial investments as external companies. Although it often involves external partners and capabilities (including acquisitions), it engages significant resources of the established company, and internal teams typically manage projects. It's also different from spinouts, which are generally constructed as stand-alone enterprises that do not require continuous leveraging of current business activities to realize their potential (Wolcott & Lippitz, 2007: 2).

Corporate entrepreneurship is more than new product development, and it can include innovations in services, channels, brands and all other departments within the organisation.

2.2.4 Entrepreneurial climate

Entrepreneurial climate is the level of establishment of an entrepreneurial culture that exists within the organization.

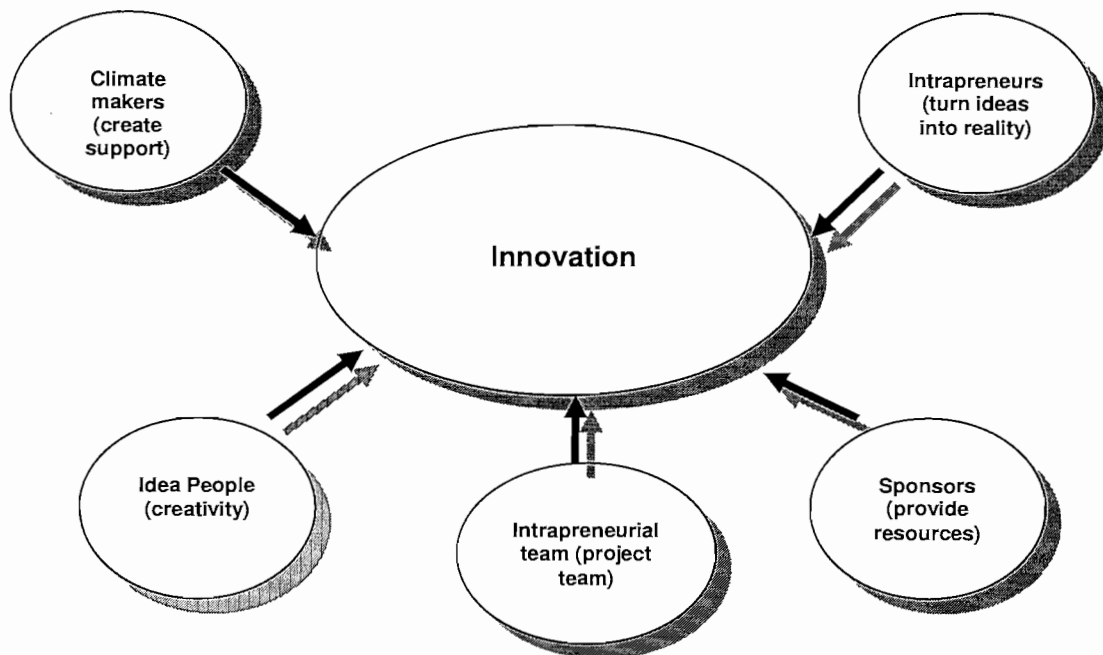
Culture allows organizations to develop a core set of assumptions, understandings and implicit rules that govern day-to-day behaviour in the workplace (Robbins, 2001: 510).

Entrepreneurial climate/culture should encourage employees to be creative and innovative, to experiment with new products, to make suggestions to the improvement of new products and internal processes, to take risks, responsibility and ownership of their creations (Nayager & Van Vuuren, 2005: 31).

Pinchot and Pellman (1999: 87) argue that a large degree of the culture of an organization is created by its middle managers, and usually the vision of a company is too general to inspire innovation – a more specific vision that requires breakthrough innovation, is required.

The crucial roles of innovation are identified in Figure 2.2. All five crucial roles impact on innovation at all times but at different levels.

Figure 2.2: The crucial role of innovation



Source: Pinchot and Pellman (1999: 15)

The crucial roles of innovation are identified in Figure 2.2:

- creative people within the organization with good ideas which will capture the enthusiasm and commitment of a corporate entrepreneur;
- these entrepreneurs turn these ideas into realities, they either come up with their own ideas, or build on someone else's;
- the entrepreneurial team is the core group of the project, and they are responsible from the initial stages to commercialization or implementation;
- sponsors create a vision and look for a strong entrepreneurial team to coach and to provide resources for; and
- climate makers work to create entrepreneurial freedom and effective sponsors within the organization.

2.2.5 Innovation

The term innovation may refer to both radical and incremental changes in thinking, in things, in processes or in services (Mckeown, 2008: 1). Wycoff (2007: 1) states that innovation requires people using new knowledge and understanding to experiment with new possibilities in order to implement new concepts that create new value.

Innovation refers to any change in a product or service; change in the application of a product or service; change in the market to which the product or service is applied; any change in the way that a product or service is developed and delivered; or the development of a new business model that is different from the current or previous business model (Johnson, 2001: 139).

Grossi (1990: 49) makes a clear distinction between “innovation” and “improvement”. According to him innovation requires a drastic change in direction with different objectives, different rules and a different environment. Grossi identified three forms of innovation as per Table 2.1.

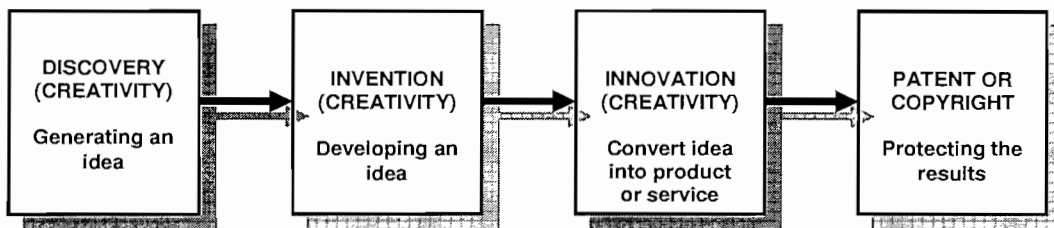
Table 2.1: Forms of innovation

FORM OF INNOVATION	EXPLANATION
Product innovation	The development of new products and new materials
Market innovation	To identify new markets and new applications
Process innovation	To identify new industrial, management and administrative processes

Source: Grossi (1990: 49)

Innovation is the result of a creativity process. A creative product is a new or unique product and an improvement that has value or utility. A discovery is a unique idea (Couger 1995: 3). Couger substantiates the fact that an invention converts an idea into something with value, an innovation results into a specific product or service (see Figure 2.3).

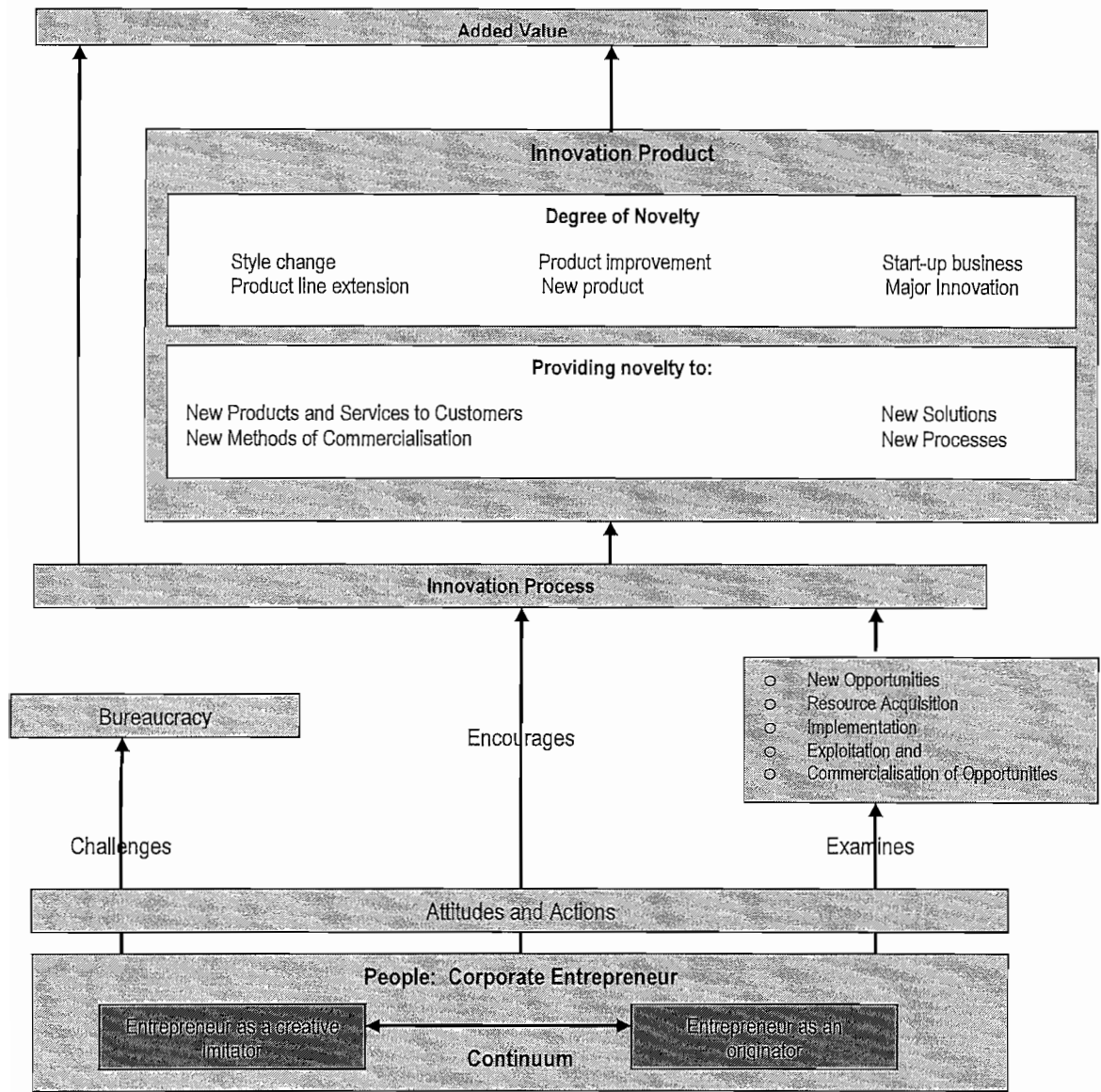
Figure 2.3: Differentiation of discovery, invention and innovation



Source: Couger (1995: 18)

Innovation can be defined as a process that provide added value and a degree of novelty to the organization and its suppliers and customers through the development of new procedures, solutions, products and services as well as new methods of commercialization (Amit, 1993: 816) (see Figure 2.4).

Figure 2.4: Entrepreneurship and innovation



Source: Tidd, Bessant and Pavitt (2001: 293)

2.4 CHARACTERISTICS OF ENTREPRENEURS

Various auditors and scholars reporting on entrepreneurs listed the most common characteristics of entrepreneurs. Different scholars and auditors report different characteristics and therefore a number of these characteristics will be listed.

Tucker (2007: 1) lists the following characteristics:

- Careful about money;
- Competitive by nature;
- Don't linger over non-productive tasks;
- Risk-takers;
- Always thinking of new ideas;
- Prefer a solitary work environment;
- Honourable people;
- Form strong associates with other people who share their work ethics;
- Don't retire;
- High energy;
- Self-confident;
- Set long-term goals;
- Persist in problem solving;
- Learn from failures;
- Accepts personal responsibility;
- Use all available resources to reach success; and
- Never give up and never quit striving for success.

BusinessTown.com lists the following characteristics for entrepreneurs that were determined after conducting interviews with distinguished entrepreneurs:

- Self-Control;
- Self-Confidence;
- Sense of urgency;
- Comprehensive awareness;
- Realism;
- Conceptual ability;
- Status requirements;

- Interpersonal relationships; and
- Emotional stability.

The Kauffman foundation listed the following characteristics for entrepreneurs:

- Business knowledge;
- Desire;
- Energy;
- Ethics;
- Good people judgment;
- Low support needs;
- Market awareness;
- Persuasiveness;
- Problem solving;
- Responsibility;
- Self-confidence;
- Self discipline;
- Social responsibility;
- Thrive on uncertainty; and
- Value approach control system.

2.4 DYNAMICS OF CORPORATE ENTREPRENEURSHIP

A number of different corporate entrepreneurship models have been reviewed and their key features, contributions and weaknesses. A comparison between these models is presented in table form as per Annexure 2.1.

Michalski developed a framework that includes four models. The approach is a strategic management driven approach, which is based on the Competence-Based View and the Resourced-Based View.