

An assessment of corporate entrepreneurship in the risk and insurance sector

JW WIESE

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Supervisor: Dr SP van der Merwe

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ABSTRACT

This study aims to examine corporate entrepreneurship within the risk and insurance industry, with specific reference to **Marsh South Africa**. An overview of **Marsh South Africa** is given with specific focus on the history, company structure and operating environment of the organisation. The factors that emphasises the need for corporate entrepreneurship within the risk and insurance industry is the growing demand for solutions that break the cycle of annual insurance renewals, the emergence of new exposures, and the approach taken by firms to analyse risk on a more comprehensive basis. In general the changing operating environment and the fact that **Marsh** operates in a regulated environment highlights the importance and need for corporate entrepreneurial strategies.

The literature review defines entrepreneurship and specifically corporate entrepreneurship with particular focus on the various dimensions and determinants of corporate entrepreneurship and the crucial role that innovation plays. The core of the literature review and study in general focuses on the thirteen entrepreneurial constructs that constitutes the entrepreneurial climate and assesses an additional construct which is the perceived success of the organisation.

The success of a company's entrepreneurial activity is reliant on the entrepreneurial climate that is present within the company. In this study, respondents indicates that a **strong customer orientation, entrepreneurial leadership** and a **flat organisational structure** are the most important constructs that constitute an entrepreneurial climate, which gives an indication that the company understands its clients and their needs. **Resource availability and accessibility, innovation and creativity** and **tolerance for risks, mistakes and failure** is ranked the lowest of all the constructs, indicating that certain aspects of the company's entrepreneurial climate need attention. Constructs measuring the perceived success of the organisation indicates that **customer/market measures** as well as **process** and **financial measures** plays a significant role. The **future long-term success** of the organisation and **people development** however requires more consideration.

The study further assess any statistical significant differences between the gender, race and level of employment of the employees in relation to the entrepreneurial climate and perceived success of the organisation constructs and finds that no specific significant statistical differences exist.

Several recommendations are made in order to improve the entrepreneurial climate at the organisation as it will contribute to the creation of increased organisational commitment and the future economic performance of the organisation.

Keywords: *Corporate entrepreneurship; entrepreneurial climate; perceived success of the organisation*

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CHAPTER 1

NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

The highly competitive and dynamic environment prevalent in most industries is forcing many companies to adopt an entrepreneurial strategy which is seeking competitive advantage through innovation on a sustained basis (Ramachadran, Deveradjan & Sougata-Ray, 2006: 86). The past two decades also observed a growing interest for large organisations to use corporate entrepreneurship as a tool to enhance the innovative abilities of their employees, and simultaneously, increase corporate sustainability (Antoncic & Hisrich, 2003: 7). This requires top management creating an organisational setting that enables individuals to be innovative and to use appropriate processes to integrate different factors regarding corporate entrepreneurship that will contribute to organisational growth.

A study done by Goosen, De Coning and Smit (2002: 22) stated that management's functions entail goal setting, creating creative systems, rewards, communication, staff input, enabling culture and entrepreneurial freedom and empowerment. A study conducted by Bhardwaj, Agrawal and Momaya (2007b: 131) also found that management support is a critical component. Management support is the willingness of managers to facilitate and promote entrepreneurial activity in the firm. Management's role is not only to direct, but also to influence the shaping of managerial processes and resource deployment. Management support can be through providing the necessary resources/expertise, championing innovative ideas and institutionalising entrepreneurship within the firm's structures.

Corporate entrepreneurship is highly dependent on management involvement and support. Organisational support in terms of training and trusting individuals within the firm (risk taking propensity) and practises such as discretionary time during work hours

and multi-disciplined team work are of utmost importance. Innovation, rewards and flexible intra-organisational boundaries are also regarded as imperative for establishing a corporate entrepreneurial environment (Bhardwaj *et al.*, 2007:134).

1.2 PROBLEM STATEMENT

Effective innovation is the primary source of lasting competitive advantage in the 21st century and organisations will have no alternative but to become entrepreneurial or cease to exist (Morris & Kuratko, 2002: vii).

Marsh views itself as being an inventive leader in developing sufficient ways to transfer or finance risk exposures. These risk exposures require the use of innovative techniques because of the increasing complexity of organisations and their risks. **Marsh** was one of the first risk and insurance advisory companies to develop the concept of transferring risk through integrated programmes that combined multiple insurance coverage.

Today many organisations seek more efficient ways to transfer and finance their risk exposures. This was further exacerbated by the global economic down-turn during the latter part of 2008 to 2009. The result of the economic down-turn was that major financial institutions had significant capital investment losses. The loss in capital investment had an adverse impact on the solvency margins of global re-insurance markets and caused markets to significantly increase premiums on their risk exposures. Therefore, **Marsh** needs to move away from conventional ways and continually develop more innovative ways to meet this demand.

Corporate entrepreneurship can be viewed as a potential source of a firm's competitive advantage. Corporate entrepreneurship and the establishment of an entrepreneurial climate within an organisation can be a way in which an organisation can develop capabilities that are central to its continuous success.

Marsh has formal structures and programmes in place to promote an entrepreneurial climate within the company and employees on different levels are motivated to participate in these activities

Marsh will need to apply an entrepreneurial approach in order to achieve a competitive advantage over other financial institutions because the financial sector in South Africa is so highly regulated by the Financial Services Board (FSB).

Taken this into account, the study will focus on the presence of corporate entrepreneurial activities within **Marsh**. It is important to ascertain whether corporate entrepreneurship is integrated and aligned with the strategies and processes of the company and whether the perceived entrepreneurial climate show the true elements of an entrepreneurial organisation.

The study will therefore focus on the determinants of an entrepreneurial climate and how this presents within the company, focusing on the role of middle management and whether corporate entrepreneurial strategies within the company can foster organisational growth and overcome barriers such as the changing and competitive environment in which it operates.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Primary objective

The primary objective of this study is to assess the level of corporate entrepreneurship present in **Marsh South Africa**. This process will consist of measuring the current entrepreneurial climate of the company by means of a structured questionnaire. In conclusion, recommendations will be made on ways to encourage a corporate entrepreneurship climate within the company.

1.3.2 Secondary objectives

In order to address the primary objective of the study, the following secondary objectives were formulated:

- To define corporate entrepreneurship.
- To obtain insight into the dynamics of corporate entrepreneurship, entrepreneurial climate and the role of top and middle management within these concepts.
- To gain insight into the business environment of **Marsh**.
- To assess the perceived entrepreneurial climate at **Marsh** by means of the questionnaire.
- To determine the relationship between the demographic variables and constructs which measure the entrepreneurial climate.
- To draw conclusion from the quantitative data obtained and make practical recommendations to ensure that corporate entrepreneurship is enhanced in the company.

1.4 SCOPE OF THE STUDY

The field of the study and the geographical demarcation will be defined.

1.4.1 Field of study

The field of study falls within the subject discipline of entrepreneurship, and more in particular corporate entrepreneurship.

1.4.2 Geographical demarcation

The study is limited to **Marsh (Pty) Ltd – South Africa** with its head office situated at 4 Sandown Valley Crescent, Sandton, Johannesburg.

1.5 RESEARCH METHODOLOGY

The research will be conducted in two phases. The first phase will entail a literature review on corporate entrepreneurship and an overview of **Marsh** and the second phase will deal with an empirical study measuring the corporate entrepreneurial climate within the company.

1.5.1 Literature review

A number of publications will be sourced for the literature study, consisting of various textbooks, academic journals, dissertations and previous research studies in this particular field.

The literature study consists of defining the terms and discussing the dynamics and importance of corporate entrepreneurship in the global economy (Morris & Kuratko, 2002). Emphasis will also be placed on the various dimensions of corporate entrepreneurship as well as the different models (Robert, Wolcott & Lippitz, 2007). The characteristics of an entrepreneur will also be discussed (Timmons & Spinelli, 2007).

One of the most important topics researched will be the entrepreneurial climate and the various determinants thereof (Cornwall & Perlman, 1990). Finally, attention will be drawn to the role that middle management plays in creating and sustaining an entrepreneurial climate (Hornsby, Kuratko & Zahra, 2002) and how to establish corporate entrepreneurship within an organisation (Hisrich & Peters, 2002).

An overview of the company under discussion will also receive attention, focusing on the history, company structure and operating environment of **Marsh** and specifically **Marsh** in **South Africa**.

1.5.2 Empirical research

The empirical research will be done with the aid of a questionnaire to be completed by a study population identified for this purpose. Data will be gathered by the distribution and collection of hard copy questionnaires after which a quantitative analysis of the data will be done.

Construction of questionnaire

A questionnaire developed by Oosthuizen (2006) and adapted by Jordaan (2008) will be used in the study. The advantage of using an existing questionnaire is that it has already been tested for validity and reliability.

The study population

The target population for this study consisted of executive management, line management and base employees within the company, **Marsh (Pty) Ltd - South Africa**. A total study population of one hundred and twelve employees were identified by means of a staff register obtained from the Human Resource department. In addition to measuring the entrepreneurial climate, the following demographical information will also be obtained from the participants to help examine the relationship between the demographic variables and entrepreneurial climate constructs: gender, age group category, management level and division.

Data gathering

Data will be gathered by distributing hard copies of the questionnaire to individuals identified as being part of the study population. The head of each department will assist with the distribution and collection of the questionnaires.

Preceding the distribution of the questionnaire, an e-mail will be sent out to all individuals, explaining the process, guaranteeing confidentiality, and requesting their support with the completion of the questionnaire.

Follow-up communication on the completion of the questionnaires will be done by means of e-mails to ensure continuity and progress tracking.

Statistical analyses

The quantitative data obtained will be statistically analysed using Statistica (Statsoft, 2008) and SPSS (SPSS, 2008). The analysis will consist of descriptive statistics entailing arithmetic mean, standard deviation, Cronbach alpha coefficient testing the reliability of the questionnaire and inferential statistics such as the independent t-test and effect size.

1.6 LIMITATIONS OF THE STUDY

The limitations of the study are as follows:

Wider industry

The study attempted to assess whether corporate entrepreneurship is practised in the risk and insurance industry. **Marsh** accounts for only one of several companies operating in the risk and insurance industry in South Africa. Therefore this can be viewed as a limitation to this study as **Marsh** cannot be generalised to the risk and insurance industry.

Group climate

Marsh South Africa is a subsidiary company of the global **Marsh & McLennan Group**. Therefore, the information obtained from this study does not necessarily reflect a similar picture of the entrepreneurial climate within the group.

External environment

Focus is placed on the internal entrepreneurial environment, with limited focus on the external environment, as this will certainly have an impact on the climate within the organisation.

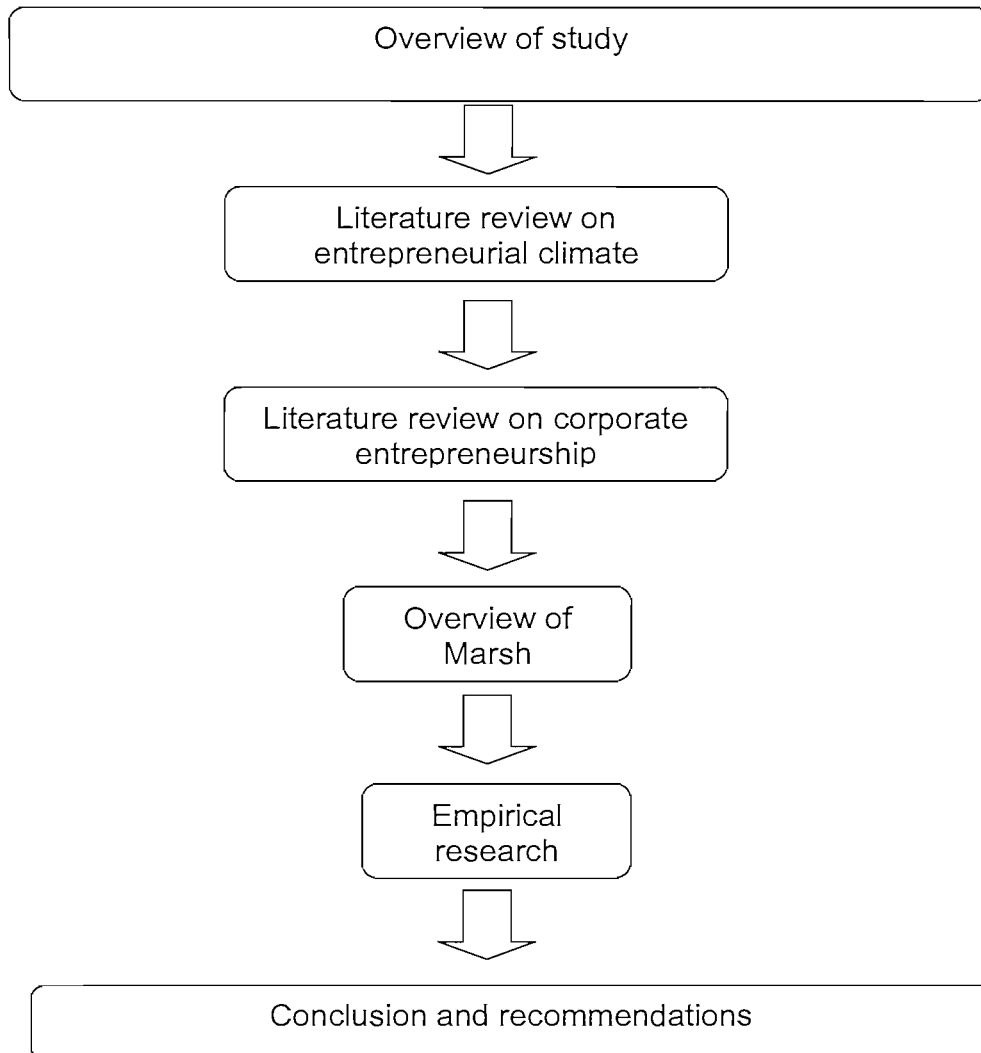
Number of respondents

Another limitation of the study is the limited number of only 84 completed questionnaires received and therefore the use of advanced statistical techniques such as scale validation or structural equation modelling is limited.

1.7 LAYOUT OF THE STUDY

The layout of the study is presented in figure 1.1.

Figure 1.1: Layout of the study



An overview of the study is discussed as follows:

Chapter 1: Nature and scope of study

Chapter 1 explains the nature and scope of the study. It gives details of the problem statement, the objectives of the study and the research methodology. The chapter also recognises the limitations of the study and describes the layout of the study.

Chapter 2: Literature review on corporate entrepreneurship

Chapter 2 consists of a literature review of corporate entrepreneurship focusing on the definition of various terminologies such as the entrepreneur, entrepreneurship and corporate entrepreneurship. The literature further focuses on the dimensions and determinants of corporate entrepreneurship with specific emphasis on the role of innovation. The various models of corporate entrepreneurship as well as the individual characteristics of an entrepreneur are also discussed.

Chapter 3: Literature review of entrepreneurial climate

Chapter 3 builds on to the various aspects that were discussed in the previous chapter by focusing on the entrepreneurial climate and the assessment of the constructs that are necessary in establishing an entrepreneurial climate. Emphasis is also placed on how an entrepreneurial climate is established, the various benefits thereof and specifically the role of middle management pertaining to corporate entrepreneurship within an organisation.

Chapter 4: An overview of Marsh

Chapter 4 provides an overview of **Marsh South Africa** focusing specifically on the risk and insurance industry. This chapter also includes information on the different divisions within the company and the availability of specific strategies that are used to foster

corporate entrepreneurship within the company. The chapter concludes by addressing specific casual factors of the study.

Chapter 5: Empirical research

This chapter discusses the overall results of the empirical study. The discussion entails the measuring instruments used, the identification of the study population, the method of data collection as well as the analysis of the data. The findings of the empirical research are presented and discussed. The chapter concludes with a summary of the empirical study and the questionnaire results.

Chapter 6: Conclusions and recommendations

The final chapter includes the conclusions drawn from the data analysis, practical recommendations and a critical evaluation of the achievement of the study objectives. Finally, suggestions for further research are made.

CHAPTER 2

LITERATURE REVIEW ON ENTREPRENEURSHIP

2.1 INTRODUCTION

In good or in bad economic times, the environment in which business operates is not static. Due to global competition more pressure is being put on businesses to change, adapt and become more innovative. Many companies have turned to corporate entrepreneurship to combat the lack of growth and innovation as well as the lethargy and bureaucracy that sometimes accompany size (Thornberry, 2003: 329).

Innovation as required by corporate entrepreneurship can incorporate new ways of doing business, developing new technologies and products and even entering new markets in new organisational forms if required (Teng, 2007: 119). According to Kuratko and Hodgetts (2007: 54), corporate entrepreneurship is envisioned to be a process that can facilitate the efforts of organisations to innovate constantly and cope effectively with the competitive realities that organisations encounter when competing in international markets.

Oosthuizen (2006: 76) argues that for organisations to survive and succeed, management teams in large organisations need to act more like individual entrepreneurs. This is supported by Hamel (2006: 73) who argues that the only competitive advantage an organisation can count on in an age of acceleration is the capacity to continually reinvent itself before a change in its circumstances forces it to adapt.

The literature review will focus on the various terminology and definitions of an entrepreneur, entrepreneurship, and in particular, corporate entrepreneurship. Attention will be paid to the dimensions of corporate entrepreneurship which will include the

dynamics and specific models and types of corporate entrepreneurship as well as the importance of innovation within corporate entrepreneurship.

2.2 DEFINING THE TERMINOLOGY

In order to clarify the different concepts, it is important to define the following terms:

2.2.1 Entrepreneur

An entrepreneur is an innovator who carries out a combination of functions in order to introduce new goods or to improve existing products, develop new methods of production, open up new markets and find new resources or create new forms of business organisations (Schumpeter, 1984: 8).

One of the first authors to define the individual entrepreneur was Cantillon who regarded the entrepreneur as a pivotal figure operating within a set of economic markets. He went further to describe the entrepreneur as a self-employed risk-taker who has the foresight to recognise an opportunity and then take the necessary action to realise a profit, while at the same time being aware of the possibility of a loss (Herbert & Link, 1988: 52).

Johnson (2001: 135) defined an entrepreneur as someone who takes initiative, assumes responsibility, manages risk and has the persistence to see things through. Therefore entrepreneurial attitude and behaviour includes the motivation to achieve, take ownership and make decisions independently. This also includes creative and flexible thinking as well as awareness of risk and risk management.

To add to the previous definition, Rwigema and Venter (2004: 6) define the entrepreneur as the person who conceptualises, organises, launches and nurtures a business opportunity through innovation and into a potentially high growth venture amid complex circumstances.

To summarise, an entrepreneur is a person who is able to identify opportunities and invest the necessary time, energy and willingness to pursue and develop those opportunities. Along with that, the entrepreneur is also willing to take calculated risks in order to achieve success (Johnson, 2001: 135; Rigwane & Venter, 2004: 6).

2.2.2 Entrepreneurship

The word “entrepreneurship” is derived from the French word “entreprendre” which means “to do something different” (Long, 1993). Entrepreneurship is also defined as the act of initiating, creating, building and expanding an enterprise or organisation, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain (Van Aardt & Van Aardt, 1997: 5).

According to Morris and Kuratko (2002:15), entrepreneurship encompasses adaptability, flexibility, speed, aggressiveness and innovation. Entrepreneurship can also be defined as seeking and capitalising on an opportunity, taking risks beyond security and having the tenacity to push an innovative idea through to reality.

Entrepreneurship is like a life orientation that recognises opportunities and exploits it by integrating all the parts of the whole. Therefore it is also a method of influencing the creative process so that it can result in the creation of value (Oosthuizen, 2006: 52).

Morris and Kuratko (2002: 23) went further and identified seven perspectives on the nature of entrepreneurship, as defined below in table 2.1.

Table 2.1: The nature of entrepreneurship

Category	Description
Creation of wealth	Entrepreneurship involves assuming risks associated with the facilitation of production in exchange for profit.
Creation of enterprise	Entrepreneurship entails the founding of a new business venture where none existed before.
Creation of innovation	Entrepreneurship is concerned with the unique combination of resources that render existing methods or products obsolete.
Creation of change	Entrepreneurship involves creating change by adjusting, adapting and modifying one's personal repertoire, approaches and skills to meet different opportunities available in the environment.
Creation of employment	Entrepreneurship is concerned with employing, managing and developing the factors of production, including the labour force.
Creation of value	Entrepreneurship is a process of creating value for customers by exploiting untapped opportunities.
Creation of growth	Entrepreneurship is defined as a strong and positive orientation towards growth in sales, income, assets and employment

Source: Morris and Kuratko (2002: 23)

To summarise, Hisrich, Peters and Sheperd (2008: 8) identify entrepreneurship as the process of creating something new which adds value.

Four concepts according to Hisrich *et al.* (2008: 8), are involved in the definition of entrepreneurship:

- There has to be a creation process.
- Time and effort is required.
- The entrepreneur receives rewards in terms of money, independence and personal satisfaction.
- In the process, the entrepreneur has to undertake some degree of risk and uncertainty.

In conclusion, entrepreneurship is a broad concept that exists of different concepts within certain sets of circumstances.

2.2.3 Corporate entrepreneurship

According to Ramachandran *et al.* (2006: 86), as adapted from Sharma and Chrisman (1999), corporate entrepreneurship encompasses three types of phenomena:

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

Corporate entrepreneurship is defined 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 parent's assets, market position, resources and capabilities (Robert, Wolcott & Lippitz, 2007: 75). In other words, it involves external partners engaging in resources of the established company and it is managed by internal teams.

According to Thornberry (2003: 330), corporate entrepreneurship is an attempt to use the skill and mindset demonstrated by successful entrepreneurs and incorporating these characteristics into the cultures and activities of large companies.

Corporate entrepreneurship is also defined as the launch and management of new and innovative opportunities within large and existing organisations (Fatal, 2003: 14). Therefore corporate entrepreneurship encompasses entrepreneurship in a corporate environment.

According to Hirsch *et al.* (2008: 16), corporate entrepreneurship can be used to bridge the gap between science and the market place, as the existing organisation will have the structures and resources in place to support a new venture.

Miller (1983: 169) defined corporate entrepreneurship as embodying risk taking, proactiveness and radical product innovations.

According to Morris and Kuratko (2002: 22-24), corporate entrepreneurship encompasses four dimensions:

- It is a continuous process which can be adapted or broken down in steps and then applied to the organisation.
- Value is created in both the organisation and the market place.
- An entrepreneur has the ability to combine resources in an unique way – from the financial aspect through to packaging and distribution.
- All the above is driven by opportunity where resource constraints are not always taken into account.

Corporate entrepreneurship does not only refer to the creation of new business, but also other innovative activities such as new products, services, strategies and competitive postures (Bhardwaj & Momaya, 2006: 39).

2.3 DIMENSIONS OF CORPORATE ENTREPRENEURSHIP

Due to the fact that corporate entrepreneurship entails certain essential elements, it is easier to understand the concept by examining the specific dimensions. Antoncic and Hisrich (2001: 498-499) identify these dimensions as new business venturing, innovation, self-renewal and pro-activeness. These dimensions will be jointly discussed below.

2.3.1 New business venturing and innovation

New business venturing refers to new business creation in an existing organisation which can result in the formation of autonomous or semi-autonomous units within the existing firm. Innovation can be in the form of product and service enhancement which is driven by technological innovation and new production methods and procedures.

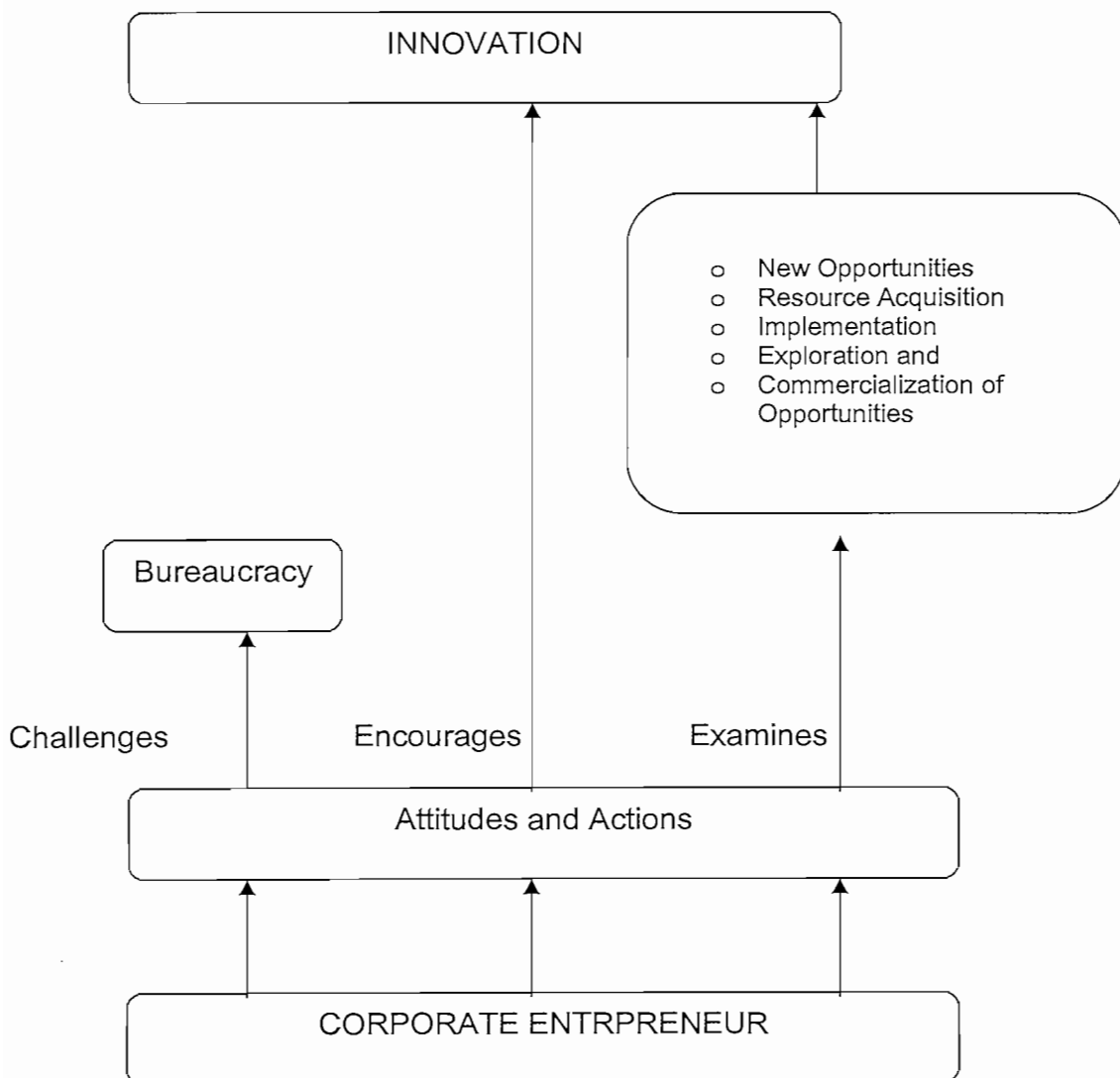
According to Johnson (2001: 139), innovation refers to:

- Change in a product/service.
- Change in the application of a product/service.
- Change in the market to which the product/service is applied.
- Change in the way the product/service is developed and delivered.
- Development of a new business model that is different from the current business model.

Amit (1993: 816) also defines innovation as a process that provides added value and a degree of novelty to an organisation and its suppliers and customers. This is done through the development of new procedures, solutions, products and services as well as new methods of communication. The innovation process is a combination of the vision to create a good idea and the perseverance and dedication to remain with the concept through implementation (Kuratko & Hodgetts, 2007: 155).

Figure 2.1 gives a schematic view of corporate entrepreneurship and the process of innovation.

Figure 2.1: Entrepreneurship and innovation



Source: Amit (1993: 18)

Figure 2.1 indicates that the corporate entrepreneur forms the basis from where innovation would start. Through the corporate entrepreneur's behaviour and attitude, he will challenge any barriers such as bureaucracy and examine and exploit various opportunities in order to encourage innovation within the organisation (Amit, 1993: 618). According to Pinchot and Pellmann (1999: 11), innovation is necessary to differentiate one's offerings, to find and fill unoccupied spaces in the market and to keep up with the soaring productivity of competitors.

Therefore, Pinchot and Pellman (1999: 15) identified the crucial roles of innovation in the entrepreneurial process with the following examples:

- Creative people within an organisation will capture the enthusiasm and commitment of a corporate entrepreneur.
- The entrepreneur will turn these ideas into reality, either by coming up with their own ideas, or building on someone else's.
- The entrepreneurial team, who makes up the core of the project, will be responsible from the initial stage to implementation.
- Sponsors will create a vision and look for an entrepreneurial team to coach and provide resources.
- Climate workers will create entrepreneurial freedom and effective sponsors within the organisation.

From the crucial roles of innovation it can be concluded that innovation within an organisation depends to a large degree on entrepreneurial behaviour and that innovation can improve the levels of productivity in an organisation (Pinchot & Pellman, 1999: 15).

2.3.2 Self-renewal and pro-activeness

Self-renewal is the transformation of organisations through the renewal of key ideas that they were built on. It is a critical component towards obtaining new resources and

capabilities which will in turn create additional wealth. Pro-activeness can be seen as initiative taking and boldness in pursuing opportunities and introducing new products and services (Antoncic & Hisrich, 2001: 498).

Morris and Kuratko (2002: 44) define pro-activeness as implementation with taking responsibility and doing whatever is necessary to bring an entrepreneurial concept to fruition. Therefore pro-activeness is effective in creating competitive advantages as it puts competitors in positions where they have to respond to successful initiatives.

2.3.3 Risk taking

According to Morris and Kuratko (2002: 41), risk taking involves a willingness to pursue opportunities that have a reasonable likelihood of produced losses or significant performance discrepancies, not uncontrollable risk but moderate and calculated risks. Risk taking can also be seen as management's willingness to take risks and tolerate failure.

Risk taking can either be venturing into the unknown, committing a relatively large portion of assets towards a new venture or borrowing heavily to finance a new venture (Lassen, Gertzen & Riss, 2006: 361). It is important to note that taking on risks will only be considered if it will lead to the growth of an organisation.

2.4 TYPES OF CORPORATE ENTREPRENEURSHIP

Four types of corporate entrepreneurship are identified by Thornberry (2001: 527-529), i.e.:

2.4.1 Corporate venturing

Corporate venturing involves the development of a new business that comes from within the old business, but presents a significantly new product or market opportunity. It

requires a lot of new learning on the part of the organisation and it is expected of current competencies to leverage in a completely new way (Thornberry, 2001: 527). Corporate venturing can be done by either taking a passive minority position in outside business or by taking an active interest in an outside industry. Other ways are by building a new business as a stand-alone unit or by building a new business inside the firm with a structure allowing for management independence (Kuratko & Welsch, 2004: 348).

2.4.2 Intrapreneuring

Intrapreneuring entails an organisation employing the mindsets and behaviours of external entrepreneurs and instilling these characteristics into their employees. A set of managers are targeted to act as corporate entrepreneurs and to identify innovations in the current business that could lead to growth and opportunities (Thornberry, 2001: 527). Intrapreneurship is therefore concerned with individual employees and how they might be encouraged to act in an entrepreneurial way within the larger organisation (Burns, 2004: 12).

2.4.3 Organisational transformation

Organisational transformation involves innovation, new arrangement or combination of resources and results in the creation of sustainable economic value (Thornberry, 2001: 528). Large organisations need to adapt to an ever-changing environment if they are to survive and to do so they consistently need to adapt their structures and culture so as to encourage entrepreneurial activity in individual employees (Burns, 2004: 12).

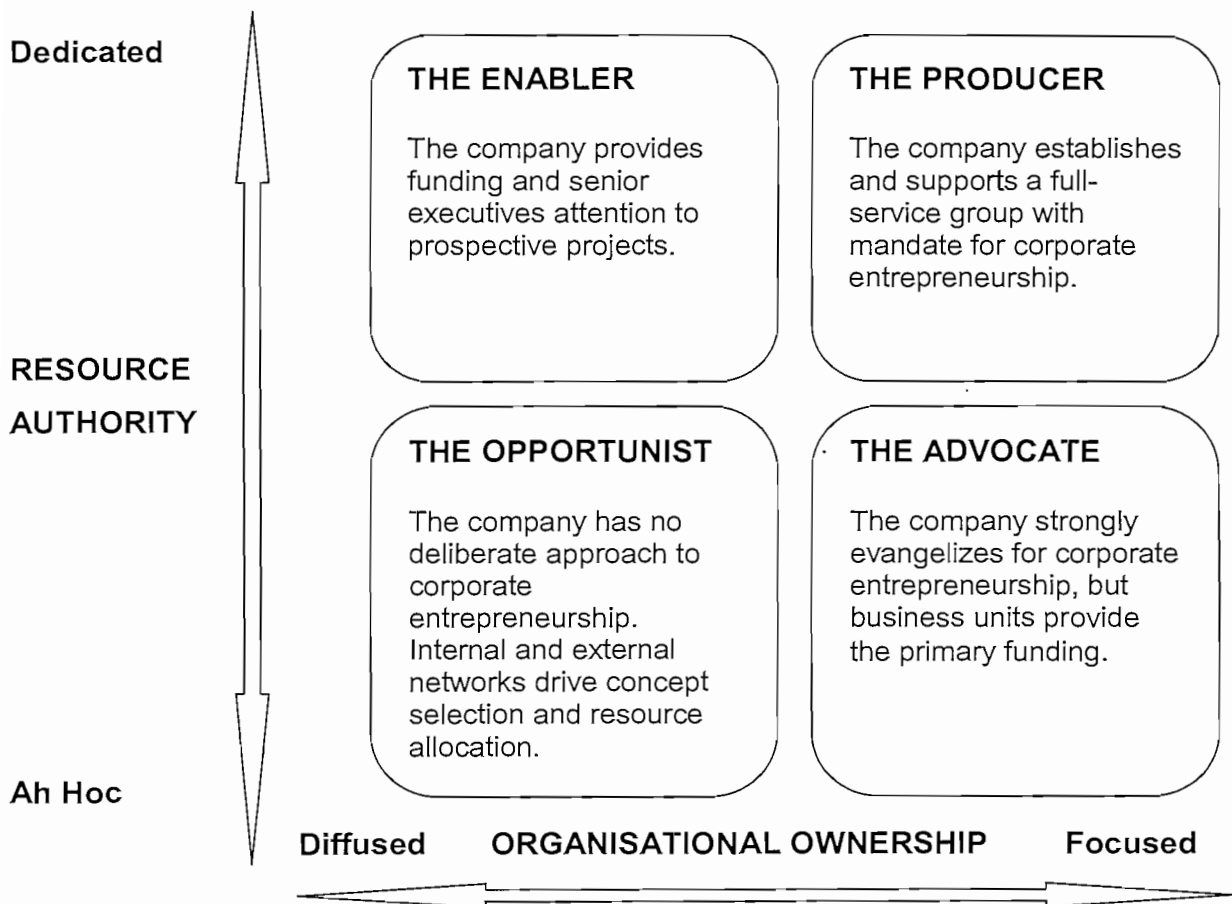
2.4.4 Industry rule-bending

Industry rule-bending is transformation that focuses on changing the rules of competitive advantage (Thornberry, 2001: 529). Oosthuizen (2006: 91) stated that corporate entrepreneurship is not about business as usual, but rather unusual businesses or unusual approaches to business.

2.5 DYNAMICS OF CORPORATE ENTREPRENEURSHIP

There are two dimensions under the direct control of management according to Robert *et al.* (2007: 76) that consistently differentiate how companies approach corporate entrepreneurship. The first dimension is organisational ownership and the second dimension is resource authority. From these two dimensions, four dominant models evolve as shown in figure 2.2.

Figure 2.2: Four models of corporate entrepreneurship



Source: Robert *et al.* (2007: 77)

The Opportunist

According to the Opportunist model, the company has no specific approach to corporate entrepreneurship. It is up to internal and external networks to drive concept selection and resource allocation. This model only works well in trusting corporate cultures that are open to experimentation and have adequate social networks behind the official hierarchy (Robert *et al.*, 2007: 76).

The Enabler

With the Enabler model, the company provides funding and senior executive attention to prospective projects. Employees are encouraged to develop new ideas and to assist them adequate support, dedicated resources and processes are available. The company will provide clear criteria for selecting opportunities, application guidelines for funding, decision-making transparency, recruitment and retention of entrepreneurial employees as well as the active support of senior management (Robert *et al.*, 2007: 77).

The Producer

According to the Producer model, the company establishes and supports a full-service group with a mandate for corporate entrepreneurship. The main objective is not only to encourage latent entrepreneurs, but also to protect emerging projects from turf battles, encourage cross-unit collaboration and create pathways for executives to pursue careers outside their business unit (Robert *et al.*, 2007: 78).

The Advocate

With the Advocate model, the company strongly evangelises corporate entrepreneurship, but business units provide the primary funding. The company assigns organisational ownership for the creation of new business, but only provides a modest budget to the core group (Robert *et al.*, 2007: 78).

It is important to note that each of the abovementioned models requires different forms of leadership, processes and skill sets. The Enabler model, for example, depends on establishing and communicating simple, clear processes for selecting projects, allocating funds and tracking progress, all with well-defined executive involvement. The Producer model requires capital and staffing and a direct line to management. The Advocate model requires individuals with the instinct and access to navigate the corporate culture and facilitate change (Robert *et al.*, 2007: 81).

2.6 INDIVIDUAL CHARACTERISTICS THAT FOSTER ENTREPRENEURSHIP

There are various individual characteristics defined by a variety of authors that are needed to foster entrepreneurship. According to MacMillan and McGrath (2000: 1), an entrepreneur has the ability to capture and benefit from uncertainty, whilst exploiting a business opportunity.

An individual requires the following eight characteristics in order to be defined as an entrepreneur:

- They are opportunity driven.
- They are continuously scanning the market environment.
- They are disciplined in pursuing opportunities.
- They display pro-active behaviour patterns.
- They invest at the opportune time.
- They are selective when implementing opportunities.
- They think strategically.
- They are team players and good at forming networks.

Timmons and Spinelli (2007: 7) elaborate on the characteristics recognised by McGrath and MacMillan (2000: 1) by identifying six desirable and acquirable attributes necessary to support entrepreneurial activities as referred to in table 2.2.

Table 2.2: Entrepreneurial attributes

Attribute	Manifests in:
Commitment and determination	With commitment and determination come high levels of perseverance and of commitment. This is the kind of person who is a self-starter with high energy levels and discipline when it comes to performing tasks.
Leadership	A person with leadership qualities has the ability to inspire others and foster team building. A leader is usually a good judge of character and shows respect and integrity towards his colleagues and other team members.
Opportunity driven	An entrepreneur should be able to see opportunities in the market place and have intimate knowledge of consumer needs. Being opportunity driven requests high levels of creativity and innovativeness and being able to adapt to changes.
Risk and ambiguity tolerance	In order to facilitate entrepreneurship, the entrepreneur needs to be a calculated risk taker and have the ability to tolerate ambiguity and uncertainty. Problem solving skills and tolerance for failure are of utmost importance.
Creativity and self-reliance	The entrepreneur needs to be self-reliant and self confident. It is important that he has the ability to take responsibility and be a quick learner. Self-reliance is very important as the entrepreneur needs to function effectively without a comprehensive support system.
Courage and strive towards excellence	It is important that the entrepreneur has low status and power needs. The individual needs a balanced ego with high levels of emotional intelligence. Being realistic and having courageous patience, without being too impulsive, are also of the utmost importance.

Source: Timmons and Spinelli (2007: 7)

This is complimented by Halloran's (1994: 4-6) view on desirable entrepreneurial characteristics, as he states that the following are needed:

A strong goal orientation

An entrepreneur views profit as a secondary objective and primarily strives towards personal achievement and satisfaction. Entrepreneurs are goal-orientated in their pursuit of opportunities. Setting high, but attainable goals enables them to focus their energies, to selectively sort out opportunities and when to say “no” (Kuratko, 2008:32). Goal orientation also helps them to define priorities and provides them with measures on how they are performing (Kuratko, 2008: 32).

Creative energy

Entrepreneurs will not necessarily make new discoveries, but rather find a way in which to serve an existing market better. Ross and Unwala (1986) quoted by Van Aardt and Van Aardt (1997: 7), argue that a successful entrepreneur finds a way to encourage entrepreneurial spirit and release the innovative potential of his or her workforce.

Self-confidence

The entrepreneur is the decision maker in his own enterprise which leaves him vulnerable to making wrong decisions. It is therefore important that he learns from his mistakes and stays confident in his abilities. Corporate entrepreneurs should be able to convince management of their dreams and ideas and serve themselves, the client and their employer (Van Aardt & Van Aardt, 1997: 7).

Determination

Sometimes entrepreneurial success will depend on the ability to keep trying after being rejected numerous times. This is associated with an internal locus of control which is consistent with a high-achievement motivational drive, the desire to take personal responsibility and self-confidence (Timmons & Spinelli, 2004: 14).

2.7 SUMMARY

Corporate entrepreneurship has proven to be an appealing and successful tool when it comes to enhancing the innovative abilities of employees and creating a competitive advantage for an organisation.

Throughout the study of the various terminologies it was evident that the individual entrepreneur, his actions through the process of entrepreneurship and specifically corporate entrepreneurship, are all inter linked. To set the platform, the various dimensions of corporate entrepreneurship were also examined and it was clear that corporate entrepreneurship can occur by means of:

- New business venturing and innovation.
- Self-renewal and pro-activeness.
- Risk taking and being growth orientated.

Corporate entrepreneurship also encompasses various models and requirements in order to function successfully. It is clear that there is no definite model for a specific organisation and that each organisation needs to find its own model and adjust to the culture and requirements of the specific organisation. Corporate entrepreneurship needs to be nurtured and managed as a strategic, deliberate act.

It is important that the constructs of corporate entrepreneurship are incorporated in all aspects of an organisation and that all stakeholders invest in the process as corporate entrepreneurship is not just about creating a new product or service but also about changing the way a company develops, markets and supports its offerings.

The following chapter will examine closely the establishment of an entrepreneurial climate and the various determinants that are involved in the process in order to form a detailed picture about the process of corporate entrepreneurship.

CHAPTER 3

LITERATURE REVIEW ON THE DETERMINANTS OF AN ENTREPRENEURIAL CLIMATE

3.1 INTRODUCTION

Developing a corporate entrepreneurial culture provides a number of advantages that firstly includes an atmosphere that leads to the development of new products and services that help the organisation to expand and grow (Kuratko & Hodgetts, 2007: 60-61). Secondly it creates a workforce that can help the organisation to maintain its competitive advantage and finally it promotes a climate conducive to high achievers and assists the organisation in motivating and keeping its successful employees (Kuratko & Hodgetts, 2007: 60-61).

According to Oosthuizen (2006: 121), the climate of an organisation can have a significant impact on performance and the climate is created both by the expectations people bring to the organisation and the attitudes and practices of key managers.

This chapter will define an entrepreneurial climate and its dynamics, after which 13 constructs which can be associated with an entrepreneurial climate will be identified and addressed.

Finally the last section of this chapter will address the importance of middle managers in the process of corporate entrepreneurship and ways in which an entrepreneurial climate can be established within an organisation.

3.2 DEFINING AN ENTREPRENEURIAL CLIMATE

Antoncic and Hisrich (2001: 496) stated that a business would usually engage in new business venturing if there is an entrepreneurial climate present. Through innovation and pro-activeness the entrepreneurial firm would continually renew itself.

An entrepreneurial climate would encourage its employees to be creative and innovative as well as take risks and responsibility for their actions (Nayager & Van Vuuren, 2005: 31). According to Moore's (1986), model of the entrepreneurial process, as adapted from Crane and Meyer (2006: 224), it is suggested that the external environment is critical in realising the potential for entrepreneurship as it can serve as an accelerator or inhibitor of entrepreneurial development within an organisation.

These environmental factors include cultural values, the presence of role models and policy and are also supported by Timmons and Spinelli (2004) as they state that entrepreneurial development is based on people, opportunity and resources (Crane & Meyer, 2006: 224).

Bhardwaj and Momaya (2006: 39) stated that for a company to be successful in entrepreneurship activities, the internal environment must be open and supportive and allow employees to be entrepreneurial at all levels. An organisation's climate depends much on the perception of the employees and how things are done at the company.

According to Oosthuizen (2006: 125), an employee's perception of management's attitude towards entrepreneurship could be a reflection of how management exercises corporate entrepreneurship.

3.3 DYNAMICS OF AN ENTREPRENEURIAL CLIMATE

The following determinants are identified by Cornwall and Perlman (1990: 18) as necessary elements that are required to clarify the dynamics of an entrepreneurial climate:

- The **strategy** used in the organisation should actively seek out new opportunities and protect current niches worth saving through adaptation.
- Any **risks** should be approached intelligently and should be the key to growth and survival.
- The organisation's **culture** should attempt to nurture any change and innovation.
- Informal **structures** and horizontal **communication** should dominate actions.
- Top management should establish the mission and vision of the organisation in terms of **decision making** and input from below should be encouraged and utilised.
- **People** should be viewed as the key resource and protected and utilised to the fullest.
- **Creativity** should be fostered, developed and encouraged.

Corporate entrepreneurship can therefore enhance corporate value by creating an environment that supports individual and corporate growth, providing an opportunity for employees to use their creative skills, quickening a company's response to the market while creating an organisational culture that cross collaborate (Cornwall & Perlman, 1990: 19). It is thus important to establish a corporate entrepreneurial climate that allows and supports entrepreneurship within the company and in order for this to be successfully implemented, certain constructs needs to be emphasised.

3.4 THE DETERMINANTS OF AN ENTREPRENEURIAL CLIMATE

When a company wants to develop and preserve entrepreneurship, it should strive to create a corporate environment in which those who believe in the attractiveness of

opportunities feel encouraged to do so. The environment will consist of a process of self-selection where entrepreneurs will surface and managers will require rapid information processing abilities and high levels of trusts in the teams.

A high level of interaction between management, individuals, the organisation and external environment is required. Management should promote entrepreneurship at all levels and show discernment in identifying new solutions to meet customers' needs (Ramachandran *et al.*, 2006: 90).

In order for an organisation to identify and exploit opportunities, they have to focus on climate-setting practices that set the right tone for innovation. These hands-on practices should orchestrate the processes of seeking and realising opportunities to grow the business and it should get top management involved. There should also be a process of managing failures in order to set the standard for future commitment to such initiatives (McGrath & MacMillan, 2000), adopted from Ramachandran *et al.* (2006: 91).

The following determinants of entrepreneurial climate are identified:

3.4.1 Entrepreneurial leadership

Entrepreneurial leadership is based on expertise and not authority. Therefore an entrepreneurial leader should have a good understanding of the relationships within teams and foster an approach of consensus building among team members (Timmons & Spinelli, 2007: 541). Cohen (2004: 16) describes entrepreneurial leadership as the ability to setting the organisation's vision, and then creating space, systems, procedures and culture that are able to free employees at all levels within the organisation to take responsible initiatives and mobilise other people in the organisation who share the same responsibility.

Cohen (2004: 16) continues by defining two groups of entrepreneurial leaders. Firstly, top management whose key role is to set the organisation's vision and create systems,

procedures and a culture that enables employees to take responsible initiative, and secondly, the employee at any level of the organisation who pursues new opportunities, processes and markets. Turner (2002: 25) further states that entrepreneurial leadership is about encouraging other within the organisation to develop their pioneering spirit by leading from the front, going beyond the immediate, and ensuring that structures are not restricted.

Senior executives should have a commitment towards entrepreneurial behaviour and entrepreneurial role models should be present in the organisation (Morris & Kuratko, 2002: 369). Top management must handpick leaders from a list of high-potential executives and at other times find candidates by looking at annual personnel evaluations and identifying managers with high scores on entrepreneurship, risk taking and innovation (Garvin & Levesque, 2006: 108).

Thus, leaders of large organisations are obliged to attract, awaken, develop and retain the entrepreneurial potential of their intrapreneurs in the organisation. This requires an appropriate entrepreneurial climate involving management support for new ideas and projects (Bulut & Alpan, 2006: 64).

3.4.2 Management support

Management support plays an important role in the entrepreneurial climate, as it is needed in almost all strategic implementations. According to Bhardwaj, Agrawal and Momaya (2007b: 133-134), management support will shape policies, direct staff and promote entrepreneurial activity. It is management's responsibility to provide expertise (Hornsby *et al.*, 2002: 259) and set the tone by educating employees.

An entrepreneurial management style confers competencies on the firm that enable it to better exploit the availability of resources and it also helps create a culture where there is legitimacy and value for new knowledge by encouraging the complex process of

recombining existing knowledge with new knowledge (Newbert, Gopalakrishnan & Kirchoff, 2008: 9).

Managers of both small and large-sized organisations should therefore, regard it as a priority to create an appropriate climate for intrapreneurship (Bulut & Alpan, 2006: 64). Management should support new ideas by providing incentives and management's support should manifest itself in project and/or idea development (Bulut & Alpan, 2006: 65). Upper management's willingness to stimulate entrepreneurial projects requires the participation of employees from lower hierarchical levels to prepare strategic plans (Bulut & Alpan, 2006: 65).

Zahra (2005: 8) states that it is critically important that senior management promote corporate entrepreneurial efforts. Senior management should select, evaluate and compensate middle managers who, for the most part, are the champions of corporate entrepreneurial initiatives. In other words, top management will set the tone by educating employees and middle management will help to build coalitions among peers, champion ideas and follow through the implementation of necessary changes (Kuratko & Hornsby, 2001: 351).

Burns (2005: 34) concludes that management needs to have strong vision, communicate effectively and supply the necessary training. Management should also have the ability to delegate and have a positive attitude and encourage self-efficacy. It is important to note, that only when employees feel cared for, they will in return care about the company's goals and this can only be accomplished with proper management support on an overall day-to-day basis (Powell, 2004: 8).

3.4.3 Sponsors/champions for projects

Sponsors are corporate managers at higher levels within the organisation who are willing to protect intrapreneurs by building environments of safety around them. Sponsors also protect intrapreneurs if something goes wrong or corporate rules are violated (Morris & Kuratko, 2002: 93). Operating sponsors are usually drawn from

particular businesses, divisions or groups that contribute organisational savvy and foster acceptance. Sponsors are likely to give the right mix of necessary freedom and discipline to new businesses and balance identity with integrity (Garvin & Levesque, 2006: 109). Sponsors do not only provide psychological support in the form of encouragement, but also tangible support in terms of marshalling resources to assist the novice corporate entrepreneur (Sheperd & Krueger, 2002: 167-185).

Focusing on individual characteristics, a sponsor should be a well respected individual with the necessary skills, power, confidence, commitment and passion for a project (Turner, 2002: 49). A project sponsor should cultivate a close relationship with the team and participate in the process. A clear definition of the project, analysis of the issues and constant monitoring of progress needs to be present in order to solve any problems that might occur (Palmer, 2002: 102).

The presence of sponsors/champions is of utmost importance, as their support will encourage entrepreneurs to get their work done and establish corporate entrepreneurship in the organisation. Support should be available from line management, top management and divisional groups, in order for a support network to be in place when it comes to new ventures (Sathe, 2003: 182).

With emphasis on middle managers, their roles would be to build coalitions among peers and in this way ensure that they are working towards a common goal (Guth & Ginsberg, 1990: 8). The corporate culture of the organisation should be of such a nature that project sponsors are available throughout the organisation and that they are able to provide momentum to a project.

3.4.4 Tolerance for risks, mistakes and failures

Risk taking involves a willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies (Morris & Kuratko, 2002: 41). The authors add that entrepreneurship does not entail reckless

decision making, but involves a realistic awareness of the financial, technical and personal risks involved, and an attempt to manage these risks (Morris & Kuratko, 2002: 41).

In the process of developing innovative products and services, failure will occur and therefore it is necessary for entrepreneurs to be able to tolerate risks and failure (Timmons & Spinelli, 2007: 12). This is emphasised by Hisrich and Peters (2008: 48) as they state that the entrepreneurial spirit can only be sustained if the internal business environment allows for new mistakes to be made.

The expectation should exist that potential failure is an opportunity to learn and test selected ideas in the marketplace, rather than an opportunity for blaming and punishment (Turner, 2002: 52). For instance, if those intrapreneurs who experienced an unsuccessful innovative attempt in the form of a failed risky project are not heavily punished but tolerated by their managers, they may develop a higher level of normative and affective commitment towards their organisation (Bulut & Alpkın, 2006: 66).

3.4.5 Innovation, creativity and encouragement of new ideas

Kuratko and Welsch (2004: 104) view innovation and creativity as the soul of entrepreneurship and thus a key element to any entrepreneurial strategy. Entrepreneurial orientation coupled with the ability to learn and assimilate new knowledge helps firms to innovate and achieve better than average performance in general (Newbert *et al.*, 2008: 7). Penrose (1959: 31) argues that productive activities of a firm are a function of only those possibilities that its entrepreneurs “see and can take advantage of” and that entrepreneurs are those individuals who combine and reconfigure resources in new ways, creating new capabilities for the firm of which they are part.

Bhardwaj and Momaya (2006: 37) note that entrepreneurship does not only entail the forming of new ventures, it also refers to activities such as new product development and the implementation of new technologies and innovative administrative strategies. Innovativeness can be a source of competitive advantage for an organisation as innovative companies develop strong positive market reputations and also adapt to market changes and exploit markets or opportunity gaps (Goosen *et al.*, 2002: 22).

Innovation requires a change in the *status quo* and emphasis should therefore be placed on strong leadership qualities if a company wishes to implement innovation. Technical expertise and creativity are essential and aspects such as idea generation and structuring and idea promotion should be important (Cogliser & Brigham, 2004: 773). Therefore, innovation occurs when managers embrace the development of new products despite the chance that it might not be acceptable in the marketplace (Kennedy, 2008: 14).

3.4.6 Appropriate rewards and reinforcement

Kuratko and Hornsby (2001: 62) emphasised the importance of an adequate compensation structure. The type of compensation structure that is implemented has a greater influence when it comes to encouraging entrepreneurial behaviour than the actual amount of compensation paid. It is important that rewards should be based on the attainment of performance objectives (Hisrich *et al.*, 2008: 49).

According to Turner (2002: 184), awards should be both meaningful and motivating. Bhardwaj *et al.* (2007a: 50) state that rewards for entrepreneurial behaviour should be viewed broadly and can be measured by the recognition given to the employee, the formal appraisal process, and increase in job responsibilities and the degree to which obstacles are being removed.

An effective rewards system must consider specific goals, pay and performance feedback, emphasis on individual responsibility and result-based incentives which spurs

entrepreneurial activity (Bulut & Alpkın, 2006: 67). People are motivated to do things which they feel have a probability of leading to those extrinsic rewards they value, such as bonuses or promotions. Reward-based performance feedback systems provide a sense of recognition and success which is intangible, emotional and intrinsic (Bulut & Alpkın, 2006: 66). Lawler and Porter (1967), as adapted from Bulut and Alpkın. (2006: 67), stated that both kinds of rewards, extrinsic and intrinsic have positive effects on satisfaction.

Extrinsic rewards refer to organisationally controlled rewards such as pay, promotion, status and security while intrinsic rewards are the feelings of having accomplished something worthwhile (Bulut & Alpkın, 2006: 66).

Kuratko *et al.* (2001: 28) further state that rewards can be used as a powerful reinforcement tool to cultivate the desired behaviour and attract and retain the talent that is required.

3.4.7 Vision and strategic intent

New businesses operate in highly ambiguous environments and therefore it is important to experiment. Managers must begin with the assumption about what will work and what will not and then they should search for ways of validating or invalidating their preconceptions, knowing that first cut strategies will change over time (Garvin & Levesque, 2006: 106). When existing companies engage in new business ventures, it requires a balancing act that combines open-minded opportunities with disciplined planning (Garvin & Levesque, 2006: 106).

A clear, challenging and well-known entrepreneurial vision and strategy bring forth a large volume of well-aligned innovation, because vision and strategy create a sense of unity or consistency of action throughout an organisation (Nayager & Van Vuuren, 2005: 31).

A vision must be a realistic, credible and attractive future and one that energises people and it is important that a vision is communicated as it acts as motivation (Burns, 2005: 85). The vision should be unambiguous and shared with employees so that they properly understand what is expected of them and how it fits in with the company culture (Kuratko *et al.*, 2001: 30-32).

According to Ireland, Kurakto and Morris (2006: 14), the creation of an entrepreneurial work environment by using the company's vision and strategic intent, would involve elements of the organisational structure, controls that are in place, human resource practices and organisational culture.

Employees are more effectively empowered if they are given a clear vision of the future and where the organisation is trying to go. For the vision to be effective, people in the organisation must be moved by the vision and understand what they can do to realize it (Pinchot & Pellman, 1999: 177).

3.4.8 Discretionary time during work hours

According to Bhardwaj *et al.* (2007b: 136), work discretion can be seen as the degree of autonomy that is given to pursuing entrepreneurial efforts at work. But discretionary time might not always be effective as excessive freedom might result in the duplication of effort and waste of resources. To avoid situations like these, there must be a clear purpose to the freedom which is to generate new sources of competitive advantage. This is supported by Pinchot and Pellman (1999: 110) as they agree that experimentation is needed, and they advocate that innovative organisations should allow their employees some degree of freedom to explore new ideas during working hours without having to ask for permission.

Entrepreneurship must be actively stimulated by devoting employee time to the search for new opportunities, evaluating employees based on factors other than the bottom line, making resources available to employees as they seek new opportunities and rewarding

employees for pursuing new opportunities in order for it to thrive (Newbert *et al.*, 2008: 8).

To make time available is about creating space for stimulating ideas to bubble up from individuals and therefore individuals who are required to be innovative and those who are innovative should not be bogged down by routine work and tied down by bureaucracy (Oosthuizen, 2006: 137).

Employees should therefore be allowed to decide for themselves how to use their time most effectively as well as the freedom over the tasks they perform and the methods they use (Kuratko & Welsch, 2004: 65).

Routines that reinforce a sense that entrepreneurial activity is “business as usual” are likely to increase the perceived collective efficacy of entrepreneurial teams and thus their entrepreneurial intentions (Sheperd & Kruger, 2002: 176).

3.4.9 Empowered teams, multi-disciplined teamwork and harnessing diversity

A team that is entrepreneurial is one that is focused on proactively and creatively seeking opportunities to bring into existence future goods and services. Team diversity enhances the effectiveness of team decision making as there is a broader perspective and a wider range of alternative solutions from which to make a final decision (Chowdhury, 2005: 731).

It is important to have a diverse group that works well together and share trust and respect for each other. The empowerment of diverse teams can be a successful management tool in creating a flexible entrepreneurial climate, but diversity should not be over utilised to the extent that distrust emerges (Cohen, 2004: 18).

The difference between entrepreneurial organisations and traditional organisations is the amount of bureaucracy that is present within the different structures and departments.

According to Cornwall *et al.* (1990: 170), self-managed teams should replace the bureaucratic functional unit and jobs should steer away from high levels of specialization as the entrepreneurial structure should enhance co-operation and allow freedom that will facilitate innovation.

Entrepreneurial organisations should create cross-disciplinary teams to improve innovation and empower them to make decisions. Therefore, the success of teams will stem from open discussions within the team and the team members' abilities to look at the same issues from different perspectives (Pinchot & Pellman, 1999: 109).

3.4.10 The availability and accessibility of resources

According to Barney (1991), as adapted by Newbert *et al.* (2008: 6), resources that are simultaneously valuable and rare can generate competitive advantage and for such a competitive advantage to be sustained, the resources on which they are based must be both inimitable and non-substitutable.

Entrepreneurial firms need to create, reconfigure and recombine resources to create new value through innovation (Newbert *et al.*, 2008:7). Antoncic and Hisrich (2004: 526) identify the availability of resources for start-up ventures as an important driver of entrepreneurial activity. Resources are not just viewed as capital, raw material and machinery, but also as appropriate human resource practices where employees are involved in processes.

Santora (2007: 83) links the availability of adequate resources to the loyalty of employees. It is stated that employees who are more open to new experiences ('entrepreneurial employee') expect organisational support, such as the availability of resources, otherwise their commitment and support will decline.

Hornsby *et al.* (2002: 253) argue that resource availability and accessibility should not only be about empowering managers, but also making sure that funds are used in a

responsible manner. Management should perceive these resources as an encouragement to experiment and take on calculated risks.

3.4.11 Continuous learning and cross-functional learning

According to Robinson (2001: 96), corporate entrepreneurship drives knowledge creation as well as the development of new competencies and the modification of existing ones. New knowledge enables an organisation to build a competitive advantage.

A learning organisation is defined as a business that actively pursues and creates new ideas and knowledge and also encourages its employees to change their behaviour based on this new knowledge (Kreitner & Kinicki, 2007: 549). The organisation accomplishes this by scanning the external environment, hiring new talent and expertise and allocating resources to the training and development of employees (Kreitner & Kinicki, 2007: 549).

Thornberry (2001: 532) states that the idea-generation phase is fairly easy and that it is actually creativity that is in the art of the deal. Putting people, resources and energy together and shaping the deal and executing it are essential. This requires skills that are different from ideation as it requires an understanding of markets and marketing, finances, systems, people management and an understanding of one's strengths and weaknesses (Thornberry, 2001: 532).

A cross-functional team places emphasis on integrating the various functional specialties needed for successful new product design and development (Hitt, Nixon, Hoskisson & Kochhar, 1999). In other words, to facilitate cross-functional learning, efficient learning opportunities should be provided to employees and they must be encouraged to stay abreast of new developments within their specific fields. Cross-functional knowledge sharing should be promoted (Van der Merwe & Oosthuizen, 2008: 18) and management should place emphasis on team work and resource sharing.

3.4.12 A strong consumer orientation

A customer orientation is defined as a set of beliefs that the customer's needs and satisfaction are the priorities of the organisation (Deshpande, Farley & Webster, 2000: 354). An organisation should develop ways to come close to its customers by being aware of consumer's needs and preferences (Hisrich *et al.*, 2008: 51). This will enable the corporate entrepreneur to keep track of consumer behaviour patterns and possible trends. This also includes customer market measures which refer to the company's ability to take care of their clients and establish loyalty.

Creating and sharing knowledge are important prerequisites for market orientation and serve as the direct linkage between marketing and corporate entrepreneurship, helping firms to align themselves with the commercial environment, develop new businesses and renew business concepts (Bhardwaj *et al.*, 2007b: 135). The ultimate goal of entrepreneurial efforts lies in creating new value for the firm through business success, which can only be fulfilled when the firm's offer meets the present or future market needs (Bhardwaj *et al.*, 2007b: 135).

The entrepreneurial organisation need to invest their time, energy and imagination in listening to and understanding their customers and placing their needs first (Turner, 2002: 188). When an organisation is focused on how to serve their customers better, it will drive the organisation towards productive innovation.

A focus on the customer can also redirect energy away from internal politics towards collaboration in order to please the customer and create a 'win-win' situation for everybody (Pinchot & Pellman., 1999: 133).

3.4.13 A flat organisational structure with open communication and a strong strong sense of belonging

Structure creates order within an organisation and depends on the size and nature of the organisation, the strategies employs, the tasks to be undertaken and the environmental conditions that are present (Burns, 2004: 125). Structures and communication are the factors that bind organisations together and therefore policies, practices and measurements should be put in place in order to make intrapreneurship and innovation possible (Drucker: 1993: 148).

Morris and Kuratko (2002: 173) state that there should be as few hierarchical levels as possible with a fairly broad span of control for managers. Communication channels should be open, responsibility should be enabled by relevant authorities and employees should be accountable. Kuratko and Hodgetts (2007: 56) emphasised this by stating that a small flat organisational structure and small project teams proved to be factors in successful innovative organisations.

This is highlighted by Goosen *et al.* (2002: 42) as they affirm that communication should be open and frank without territoriality in order for the exchange of ideas to be enhanced and productivity to improve.

An added advantage of a simpler organisational structure is that it is more likely that there will be a sense of community where people take care of each other and help each other out. Employees will think in terms of what will benefit the organisation rather than try and promote their own agendas (Pinchot & Pellman, 1999: 112).

3.5 PERCEIVED SUCCESS OF THE ORGANISATION

Success in an organisation is always difficult to quantify. While financial measures were once used, these are seen as short-term measures which can change from quarter to quarter and may not be indicative of longer time corporate success. The Dynamic Multi-

Dimensional Performance Model was developed to capture other factors that are needed for organisations to thrive (Maltz, Shenhar & Reilly, 2003: 187-204). The five dimensions that constitute this model ranges from finances and market measures to process and people development measures. Finally the future success of the organisation is assessed.

Financial measures refer to the company's growth in turnover over the past few years which include profits and market shares (Maltz *et al.*, 2003: 187-204). In general the ranking of the various measures of company performance puts financial results on top, which cites this area of performance as a key driver of success. Money drives markets, so the financial measurements that drive company valuations produce the precise sort of return-focused behaviour expected by most investors, but financial indicators can also be seen as a means of scoring less financially-focused business activities and strategies (Deloitte, 2008). Therefore non-financial indicators may reflect the fundamental health of a business more accurately and more quickly than financial indicators (Deloitte, 2008).

One of the non-financial indicators that can predict the success of an organisation is customer or market measures. These measures refer to the priority that is placed on customers' needs as well as the customer retention rate and the satisfaction of customers and their loyalty to the specific business (Maltz *et al.*, 2003: 187-204). A customer attaches value to a product in proportion to its perceived ability to help solve the problem or meet the specific needs (Levitt, 1980: 84). The way in which an organisation capture, analyse and respond to trends in customer data are absolutely critical to their performance as revenues can directly correlate to customer satisfaction (Deloitte, 2008). The way in which a company measures its marketing can become the most powerful form of differentiation and that is where some companies in the same industry differ most from one another (Levitt, 1980: 88).

Process measures are another non-financial predictor of success in an organisation and refer to the company's competitive position and the effectiveness and efficiency of the

company over the past few years (Maltz *et al.*, 2003: 187-204). Many companies have recognised that utilising technology is an important element in maintaining and improving upon their competitive position in both the domestic and international market place (Watts, Hogan and Treleven, 1998: 7).

People development is a crucial measure that can indicate the potential success of an organisation and refers to commitment of employees as well as job satisfaction and morale in the work place (Maltz *et al.*, 2003: 187-204). Employees' commitment to their work teams and to the organisation can influence turnover, willingness to help co-workers and team performance (Bishop & Dow, 1997). Factors such as satisfaction with supervision, resource-related role conflict, task interdependence and satisfaction with co-workers all influence employee commitment (Bishop & Dow, 1997). Employees who experience a fit with their company's values are more likely to have positive perceptual feelings about the organisation and will then choose to stay with their organisation (Thacker, 1998: 45).

Lastly, the future long term success of the company as a measure to predict success is determined by the image of the business in relation to their competitors (Maltz *et al.*, 2003: 187-204). Another element refers to the resilience that an organisation can display in difficult economic times. Organisational resilience is best described as an organisation's ability to respond quickly to unforeseen changes and to move forward in the process. Factors such as competence and listening to employees as well as the communication of goals, trust and flexibility are of importance (Tan, 2002).

3.6 INVOLVEMENT OF MIDDLE MANAGEMENT

From the literature it is clear that little has been done to understand the contribution that middle management makes in the context of corporate entrepreneurship. Quinn (1985) as adapted by Hornsby *et al.* (2002: 257), emphasised the importance of middle management especially when it comes to the company's mission, goals and priorities and communicating it to the balance of the employees.

Middle management has the ability to communicate their ideas to upper management, and in the process creating opportunities where these innovations can be evaluated in the context of the firm's strategic priorities (Hornsby *et al.*, 2002: 257).

According to Quinn (1985), as adapted by Hornsby *et al.* (2002: 257), middle managers have the ability of promoting autonomous or informal corporate entrepreneurial activities and they can do this by providing rewards (mostly intrinsic) that allow employees to experiment with, and explore the feasibility of, innovative ideas.

Middle managers frequently play pivotal roles in championing strategic alternatives and making them accessible to senior executives (Hornsby *et al.*, 2002: 257).

Middle managers have the ability to synthesise and integrate information and thereby crystallising the strategic issues facing the company and setting the stage for strategic change. The author continues by stating that middle managers therefore facilitate adaptability by altering formal structures and implementing the formal strategy and giving feedback which in return can spur future strategic change and organisational rewards (Hornsby *et al.*, 2002: 257).

Taken into account the important role that middle managers play in terms of corporate entrepreneurship within a company, Hornsby *et al.* (2002: 259) continue by measuring the important internal organisational factors that influence middle managers to initiate corporate entrepreneurship activities. These factors are similar to the various determinants that influence the entrepreneurial climate. The appropriate use of reward and gaining top management support are some of the internal organisational factors that influence managers (Hornsby *et al.*, 2002: 259).

An effective reward system that emphasises individual responsibility and senior management's willingness to facilitate and promote entrepreneurial activity within the company are vital (Hornsby *et al.*, 2002: 259).

Finally, risk taking and tolerance for failure has a direct impact on middle managers' willingness to participate in corporate entrepreneurial activities (Hornsby *et al.*, 2002: 260).

Demanding work schedules and constrained resources as defined by Floyd and Woolridge (1994) and adapted by Hornsby *et al.* (2002: 258), can limit middle managers' ability to facilitate corporate entrepreneurship as it leaves little time for innovation and experimentation, especially in companies that have initiated restructuring programmes.

The lack of attention and support from management and internal disputes between groups of people within the organisation (Kanter, 1988) as adapted by Hornsby *et al.* (2002: 258) also act as limiting factors. This is because middle managers have to work through territorial disputes that may erupt amongst units, fearing the consequences this may have on established lines of communication and access to organisational resources.

3.7 ESTABLISHING CORPORATE ENTREPRENEURSHIP WITHIN AN ORGANISATION

To establish an entrepreneurial climate and environment, procedures need to be implemented for its creation. According to Brundin, Patzels and Sheperd (2008: 222), an entrepreneurial corporate environment should signal to its employees that certain behaviour is desirable and it can be done in the following ways:

- Provision of appropriate award systems.
- Top management support.
- Setting of specific goals.
- Appropriate organisational values.
- The correct emotional display by managers, such as when managers display confidence and satisfaction with entrepreneurial projects.

Hisrich and Peters (2002: 57) discuss general guidelines that can be used by an organisation in order to establish corporate entrepreneurship within an organisation:

- The first step is to secure a commitment to entrepreneurship in the organisation at top, upper and middle management level. The commitment from top management is very important as it facilitates the necessary changes that need to take place throughout the organisation. A framework needs to be established and entrepreneurial leaders identified, selected and trained.
- Secondly, ideas that top management are willing to support should be identified, along with the amount of money that is available to develop the concept further. A sponsor system needs to be established to assist with the transformation.
- The third step entails the organisation making itself more responsive and flexible by using technology.
- The next step will be to train employees and it is suggested that it takes place one day per month for a specific period of time and focus on the experiences of employees. The entrepreneurial team will need to develop a business plan and obtain customer reaction and learn how to coexist within the organisational structure.
- The fifth step will entail the organisation developing specific ways to get closer to its customers, e.g. by tapping the database for information.
- It will then be important that the organisation learns to be more productive with fewer resources. The concept of "lean and mean" needs to exist within the company if intrapreneurship is to prevail.
- The seventh step will be to establish a support system for intrapreneurship, since intrapreneurship is usually a secondary activity within the organisation.
- With the second last step, support must be linked to rewards to the entrepreneurial unit. Hereby, team members will be encouraged to work harder and compete more effectively.
- The last step will entail the organisation implementing an evaluation system which will allow successful intrapreneurial units to expand and unsuccessful units to be eliminated.

It is important to note that when establishing an entrepreneurial climate, the focus should not only be on the correct policies, but also on the day-to-day behaviour of managers. Therefore, the organisation needs to be viewed as a whole and entrepreneurship needs to be incorporated into the daily activities of both the employees and managers (Hisrich & Peters, 2002: 57).

3.8 SUMMARY

The creation of an entrepreneurial climate is of the utmost importance. This is a long term objective that needs to be revised as the different constructs of corporate entrepreneurship develops. In general, management needs to create organisational conditions that are conducive to the development of corporate entrepreneurship within the company (Bhardwaj *et al.*, 2007b: 133).

The role that management and specifically middle management plays is essential when it comes to taking corporate entrepreneurship to the next level in an organisation as the internal factors of the organisation are known to them and they can act as facilitators between employees and top management (Hornsby *et al.*, 2002: 257).

From the literature it is clear that the process of establishing corporate entrepreneurship within an organisation entails various processes that need to be facilitated and supported by management and various sponsors.

In this chapter the thirteen characteristics conducive to the entrepreneurial climate were identified and discussed. The thirteen constructs are:

- Entrepreneurial leadership.
- Management support.
- Sponsors/champions for projects.
- Tolerance for risks, mistakes and failures.
- Innovation, creativity and encouragement of new ideas.

- Appropriate rewards and reinforcement.
- Vision and strategic intent.
- Discretionary time during work hours.
- Empowered teams, multi-disciplined teamwork and harnessing diversity.
- The availability and accessibility of resources.
- Continued learning and cross-functional learning.
- A strong consumer orientation.
- A flat organisational structure with open communication and a strong sense of belonging.

The chapter also elaborated on the perceived success of the organisation which included financial, customer and process measures as well as people development and the future success of the organisation.

The importance of establishing a corporate entrepreneurial climate is emphasised as it will foster innovation, opportunities and commitment to various projects pertaining to corporate entrepreneurship within the company. Entrepreneurial factors all seem to contribute foremost to the creation of increased organisational commitment and job satisfaction amongst employees, shaping the future economic performance of an organisation.

CHAPTER 4

OVERVIEW OF COMPANY

4.1 INTRODUCTION

“As the world’s leading insurance broker and risk advisor, **Marsh** is devoted to finding the opportunity in risk. Companies look to **Marsh** to help them navigate the daunting global risk landscape, seeing risk others don’t and unlocking opportunity others can’t” (www.marsh.com).

Opportunity never comes without risk. **Marsh’s** commitment to clients is to help transform risk from a liability to an advantage enabling clients to seize opportunity and achieve things that they would otherwise not. **Marsh** calls it finding the upside of risk.

Marsh applies a rigorous, diagnostic, total-cost-of-risk approach that helps its clients embrace risk as a core element of their strategy. Through a process of risk identification and assessment, to risk quantification and prioritisation, to risk mitigation and financing, **Marsh’s** strategic approach to risk lies at the core of a truly differentiated client experience (www.marsh.com).

Marsh has significant expertise to address its clients’ non-traditional exposures. **Marsh** is a leader in assessing both the capital and insurance markets, either separately or in combination, the company can arrange coverage for risk that do not lend itself to conventional solutions.

This chapter will provide an overview of **Marsh SA**, a regional company of the worlds’ largest insurance broking and risk advisory company, **Marsh & McLennan Companies**.

4.2 OVERVIEW OF MARSH

4.2.1 Establishment of Marsh

Marsh is part of the family of **Marsh & McLennan Companies (MMC)**, including:

- **Guy Carpenter.**
- **Mercer.**
- **Olivier Wyman Group.**
- **Kroll.**

MMC's history dates back to 1871. **Marsh**, the risk and insurance services subsidiary, has a long and distinguished history as the world's leading insurance broker and risk management advisor. In 1923 **Marsh** made the first major business extension, into reinsurance broking, with the acquisition of the newly formed **Guy Carpenter & Company** (www.marsh.com).

In 1959 the company expanded their ability in human resource consulting with the acquisition of a Canadian based company William M. Mercer Limited. The company is known today as **Mercer**, and is a global leader for human resource and related financial advice, products and services (www.marsh.com).

MMC entered the business of investment management in 1970 through the acquisition of **Putnam Investments**. Founded in 1937, Putnam has grown into one of the largest mutual fund companies in the United States of America (www.marsh.com).

In the 1980s, the **MMC Group** began to expand into specialty consulting through a subsidiary, the **Oliver Wyman Group**. The company delivers advisory services to clients via three operating units: management consulting through **Oliver Wyman**, corporate branding and identity consulting through **Lippincott**, and economic analysis and advice through **NERA Economic Consulting** (www.marsh.com).

In 2004 the **MMC Group** broadened its risk consulting services significantly with the acquisition of **Kroll**, which provides a broad range of investigative, intelligence, financial, security and technology services.

The following provide an overview of the **MMC** milestones and significant developments (www.marsh.com):

- **1871:** Marsh & McLennan Companies' progenitor, Dan H. Bomar Company, is found.
- **1894:** Donald R. McLennan begins his insurance career at Stryker, Manley & Buck in Duluth, Minnesota.
- **1897:** Henry Marsh introduces the concept of a broker acting as a buyer of insurance representing the client, rather than as a *seller* of insurance.
- **1901:** Henry Marsh helps pioneer the concept of risk management, setting forth his ideas on a comprehensive risk management plan for U.S. Steel.
- **1905:** Burrows, Marsh & McLennan is formed in Chicago, becoming the world's largest insurance agency with annual premiums of \$3 million. The firm is renamed Marsh & McLennan in 1906.
- **1923:** Guy Carpenter & Company is acquired a year after its founding by Guy Carpenter. The firm revolutionises reinsurance coverage. Henry Marsh becomes chairman upon Marsh & McLennan's incorporation.
- **1959:** William M. Mercer Limited, founded by Bill Mercer in Vancouver in 1945 to provide independent employee benefit consulting in Canada, is acquired.
- **1962:** Marsh & McLennan becomes a public company, reporting revenues of \$52 million and net income of \$5 million.
- **1969:** Marsh & McLennan Companies (MMC) is formed as the parent company, reinforcing the firm's strategy of developing and expanding its professional services.
- **2003:** Mercer acquires Oliver, Wyman & Company and forms Mercer Oliver Wyman, a leader in financial services strategy and risk management consulting.
- **2004:** Marsh & McLennan Companies acquires Kroll.

- **2007:** Mercer Human Resource Consulting changes its name to Mercer. The global brand initiative reflects Mercer's full range of consulting, outsourcing and investment services, many of which extend beyond the category of human resource consulting.

4.3 OVERVIEW OF MARSH SA

Marsh South Africa is a member of a global professional services firm **Marsh & McLennan Companies** and contributes to an annual revenue of approximate \$12 billion and 55 000 employees worldwide (www.marsh.com).

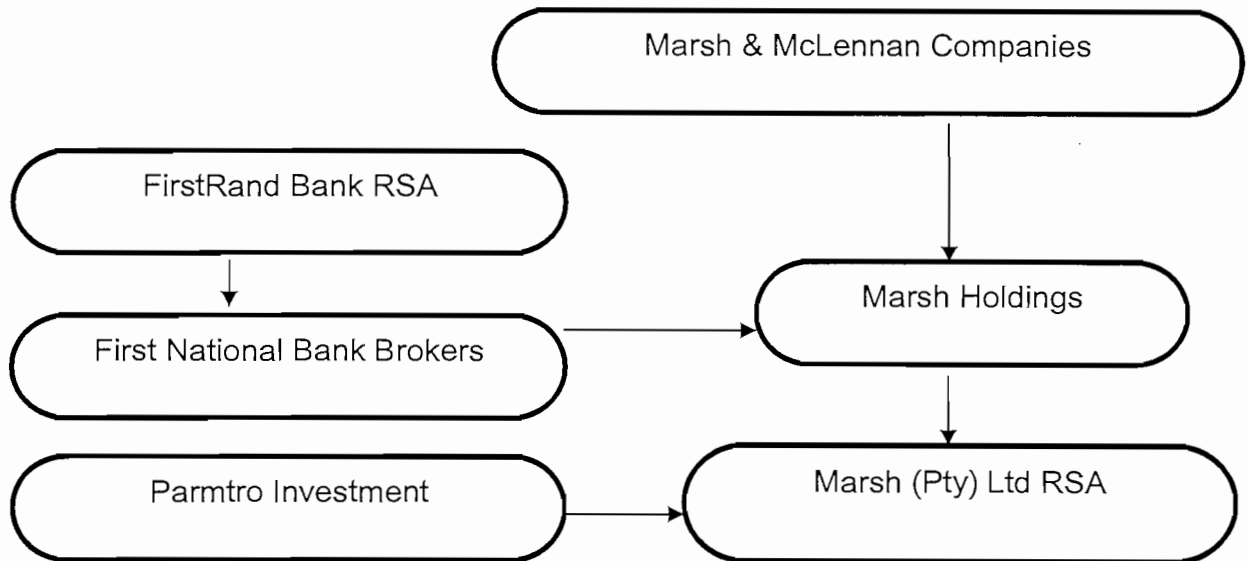
Marsh (Pty) Ltd is a registered company in South Africa, and is an authorised financial services provider with the Financial Services Board. **Marsh South Africa** has grown through strategic acquisition and partnerships of adequate expertise and resources. Following a joint venture with First Bowring Insurance Brokers, now known as First National Bank Insurance Brokers, **Marsh** commenced business in South Africa in 1999 (www.marsh.com).

In December 2005, **Marsh** committed to Broad-Based Black Economic Empowerment (BBBEE), concluded a shareholders' agreement with Parmtro Investments number 78 and 79. The companies were formed by a consortium of black entrepreneurs and an investment company belonging to a group of Non-Governmental Organisations to create **Marsh Vikela (Pty) Ltd** (www.marsh.com).

Marsh embraces transformation within South Africa and has aligned itself with Generic Codes of Good Practice as established through the Broad Based Economic Act 53.

Figure 4.1 gives an overview of the current company structure of **Marsh South Africa**.

Figure 4.1: Marsh South Africa company structure



In 2008 **Marsh Vikela (Pty) Ltd** changed its operating name to align itself closer to its parent company. The company now trades as **Marsh (Pty) Ltd** (www.marsh.com).

4.4 COMPANY STRUCTURE

Marsh SA is structured in four departments:

- Marsh Environmental Services.
- Marsh Advance Risk Solutions.
- Marsh Risk Consulting.
- Marsh Risk Management Practice.

The following is a description of each of the departments:

Marsh Environmental Services (MES)

MES is the largest environmental, sustainability and health and safety risk advisory services in the insurance and risk industry globally. The department is the only financial services provider operating in the environmental risk and insurance fields in Africa (www.marsh.com).

Some of the services rendered are:

- Environmental Due Diligence Services.
- Environmental Planning.
- Environmental Risk Assessments.
- Water and Waste Management.
- Emission Inventories and Carbon Footprint Calculations.
- Environmental Insurance Products and Services.

Marsh Advance Risk Solutions (MARS)

MARS operates in both the short-term and long-term insurance risk finance and alternative risk transfer fields. The department designs structures that include self-insurance solutions such as captive and retention facilities, as well as more sophisticated alternative risk transfer solutions such as risk pooling facilities and capital optimisation.

The core business focuses on corporate clients that are faced by increasingly complex risks and costs to the balance sheet. Clients are looking at ways to create long term self-retention strategies to achieve optimal risk management expenditures. This includes a combination of risk improvement, risk financing, risk transfer and alternative risk transfer mechanisms that forms a critical part of optimal risk management (www.marsh.com).

Some of the services rendered are:

- Captive Management.
- Financial Condition Reporting.
- Premium Allocation Modelling.
- Accounting, Regulatory and Taxation Advisory Services relating to risk finance structures.

Marsh Risk Consulting (MRC)

The department focuses on a broad range of risk management services, which include amongst others the identifying and managing of risk exposures which have the potential to cause long term down time or obliterate shareholder value. (www.marsh.com).

Services rendered include:

- Enterprise Risk Management.
- Supply Chain Assessment.
- Property Assessment.
- Claims Consulting.

Marsh Risk Management Practice (MRMP)

MRMP is a specialist division responsible for the placement and servicing the insurance programmes of corporate clients. The department specialises in principal controlled insurance for corporate clients. This includes the placement strategy and the broking of the following classes of insurance in the local and international market: assets, business interruption, liabilities, commercial crime, motor and personal accident and travel (www.marsh.com).

The following are specialised divisions within the MRMP structure:

- Metals and Minerals.
- Construction.
- Aviation.
- Marine.
- Financial Institutions.

4.5 OPERATING ENVIRONMENT

Organisations are subjected to a large portfolio of risk exposures across all areas of their operations. This includes hazardous, operational, financial and strategic risks. Most organisational risks can be anticipated but unfortunately not all are proactively managed. For most organisations addressing the risks that prevent them from succeeding can seem onerous, resource-consuming and costly. If these risks are not identified and managed, it could have an adverse impact on an organisation's operations, financial performance and strategic growth (Marsh Intranet).

Recently the following developments and events had a major effect on the South African risk and insurance environment:

- The *Insurance Law Amendment Act, No 27 of 2008*, assented to on 5 November 2009, introduced a number of technical amendments to existing legislation relating to both short-term and long-term insurance in South Africa.
- The Financial Services Board (FSB) took the first step to introduce *Financial Conditions Reporting (FRC)* similar to *Solvency II* in Europe, a risk-based regulatory approach.
- The *Road Accident Fund Regulations* were signed into law in August 2008. These regulations are in support of the *Road Accident Amendment Act, No 19 of*

2005, which was signed into law in December 2005 introducing a number of amendments of the *Road Accident Fund Act, No 56 of 1996*.

- The rate of corporate tax was cut to 28% in 2008
- In June 2008 heavy rainfall resulted in major flooding in KwaZulu Natal and the Cape Flats on the Cape Peninsula.
- In September 2008, 40 people were killed in bush fires across South Africa, of which 24 were in KwaZulu Natal, where in one area 179 houses were destroyed.
- 2008 saw a large number of substantial claims. In the mining sector there were several significant fire losses in the region of R3,5 billion.

4.6 CAUSAL FACTORS TO THE STUDY

Many companies today seek more efficient ways to transfer and finance risk exposure via self-insurance retentions. The need to transfer risks is emerging and requires the use of innovative techniques because of the size and complexity of organisations and its risks.

This trend is the result of several factors including the growing demand for solutions that break the cycle of annual insurance renewals, the emergence of new exposures, and the approach taken by firms to analyse risk on a more comprehensive basis.

Causal factors to this study which highlights the need for incorporating an entrepreneurial climate within **Marsh South Africa** are based on an understanding of the company's business model and the operating environment in which it functions.

The following causal factors are identified and described as follows:

Changing operating environment

The global economic down-turn during the latter part of 2008 to 2009 resulted in significant capital investment losses experienced by major financial institutions. These

losses in capital investment had an unfavourable impact on the solvency margins of global reinsurance markets and lead to significantly increased premiums on their risk exposures. Therefore **Marsh** needs to move away from more conventional ways and continually develop more innovative ways to meet this demand.

Regulated environment

South Africa has a developed risk management and insurance industry as well as several major financial conglomerates that include short-term and long-term insurers such as banks and other financial institutions. In many cases these companies have highly complex capital structures with many cross holdings.

Marsh operates in a market segment that is highly regulated by the Financial Services Board (FSB). Due to the strict nature of these regulations, **Marsh** will need to apply innovative strategies in order for the company to achieve a competitive advantage over other financial institutions in the conventional operating environment.

4.7 SUMMARY

Marsh has a long and distinguished history as the world's leading insurance broker and risk management advisor, with **Marsh South Africa** contributing to the **Marsh & McLennan** group's annual revenue of approximate \$12billion with 55 000 employees worldwide.

Marsh (Pty) Ltd is a registered company in South Africa and an authorised financial service provider with the Financial Services Board. The company was formed through a joint venture with First Bowring Insurance Brokers in 1999 and concluded a BBBEE deal with Parmto Investments in December 2005.

Marsh consists of mainly four operating departments which include **Marsh Environmental Services, Marsh Advance Risk Solutions, Marsh Risk Consulting** and **Marsh Risk Management Practice**.

The company operates in an environment that consists of various risks. Managing risks can be an onerous and costly process. If companies do not engage in a risk management process by means of identifying and managing risks and exposures via mitigating controls and procedures, it could have an adverse impact on an organisation's ability to operate its financial performance and strategic growth.

To function in a fast changing environment, it will be necessary for **Marsh** to make use of corporate entrepreneurship and align its strategies when it comes to establishing continuous growth in the company. The highly regulated environment within the risk and insurance industry in South Africa also presents a barrier to the operating environment. Therefore **Marsh** will need to apply innovative strategies by means of corporate entrepreneurship to manage these difficulties.

CHAPTER 5

GATHERING OF DATA AND DISCUSSION OF RESULTS

5.1 INTRODUCTION

The primary objective of this study was to assess the current corporate entrepreneurship climate at **Marsh South Africa** and the perception of employees on the company's success.

The following chapter provides insight into the methodology that was followed in selecting a study population, the data gathering process and the questionnaire used to obtain quantitative data.

The result of the empirical study will be presented and discussed. The results include the demographical information which was gathered by means of a questionnaire, the perceived success of the organisation, the reliability of the questionnaire measuring entrepreneurial climate, the results of the entrepreneurial climate questionnaire and the relationship between the demographical variables and the constructs measuring entrepreneurial climate.

5.2 GATHERING OF DATA

The process followed to gather the data will be discussed in this section.

5.2.1 Study population

The research was done at **Marsh (Pty) Ltd** and the sample population consisted of executive management, line management and base employees within the company. A total study population of one hundred and twelve employees were identified by means of a staff register obtained from the Human Resources department. The questionnaire was

administered to the total study population (hundred and twelve employees) and eighty four respondents completed the questionnaire which presented a response of seventy five percent.

5.2.2 Questionnaire used in this study

An existing questionnaire developed by Oosthuizen (2006) and adapted by Jordaan (2008) was used to gather data from the respondents. The questionnaire consisted of three sections outlined as follows:

- Section A: Assessment of 13 constructs measuring the entrepreneurial climate in the organisation.
- Section B: Assessment of five measurements assessing the perceived success of the organisation.
- Section C: Gathering demographic information of respondents.

Section A: Climate questionnaire

The Climate questionnaire was developed according to the thirteen constructs that are needed to constitute a climate that is conducive to corporate entrepreneurship. This section of the questionnaire consisted of 65 statements and the rating was done according to a five-point Likert scale, ranging from Strongly disagree (1) to Strongly agree (5). Refer to Appendix 1 for an example of the questionnaire used.

The following thirteen constructs were identified and measured:

- **Visionary/entrepreneurial leadership**
- **Management support**
- **Sponsors/champions for projects**
- **Tolerance for risks and mistakes**
- **Innovation and creativity and the encouragement of new ideas**

- **Appropriate rewards and reinforcement**
- **Vision and strategic intent**
- **Discretionary time and work**
- **Multi-disciplined teamwork and diversity**
- **Resources availability and accessibility**
- **Continuous and cross-functional learning**
- **Strong customer orientation**
- **Flat organisational structure with open communication and a strong sense of belonging.**

Section B: Perceived success of the organisation questionnaire

This section of the questionnaire does not form part of the original questionnaire developed by Oosthuizen (2006) and was included in the questionnaire for this study as an additional construct to be measured. The following variables were identified and tested:

- **Financial measures**
- **Customer/market measures**
- **Process measures**
- **People development**
- **Future long term success of the company.**

The variables were assessed on a five-point Likert scale, ranging from Strongly disagree (1) to Strongly agree (5). Refer to Appendix 1 for an example of questionnaire used.

Section C: Demographic information questionnaire

This section gathered information regarding the respondents’:

- **Age**
- **Gender**
- **Race**
- **Highest academic qualification**
- **Management level**
- **Division they are working in**

Refer to Appendix 1 for an example of questionnaire used.

5.2.3 Data collection method

All questionnaires were personally distributed to the specific target population within all the departments. A follow-up email was sent out in order to remind the respondents of outstanding questionnaires in order to obtain optimal feedback. All the questionnaires were personally collected, checked that all the sections were completed and then sent for statistical analysis.

5.2.4 Statistical analysis

The data collected were statistically analysed, using Statistica (Statsoft, 2008) and SPSS (SPSS, 2008).

The reliability or internal consistency of the entrepreneurial climate section of the questionnaire was assessed by calculating Cronbach alpha coefficients. Before the results of the constructs can be examined the Cronbach alpha coefficient needs to be calculated in order to assess the reliability of the questionnaire. According to Struwig and Stead (2004:132), the internal consistency index indicates the average correlation among items in the research instrument. The Cronbach alpha coefficient is based on the average correlation of variables within a test.

Cronbach alpha coefficient ranges from 0 to 1. The greater the value of the Cronbach alpha coefficient, the higher the internal consistency and the more reliable the scale used in the study (Struwig & Stead, 2004: 113). Nunnally and Bernstein (1994: 265) suggest that for acceptable reliability the Cronbach alpha coefficient should be greater than 0.7 but lower thresholds are sometimes used in the literature.

The statistical analysis comprised of the following descriptive statistics: arithmetic mean (\bar{x}) and standard deviation (s). The sample mean is the most common measure of central tendency in which all values play an equal role. The mean therefore serves as a "balance point" in the data and could suggest a typical or central value for the data set (Levine, Stephan, Krehbiel & Berenson, 2008:97)

The standard deviation is the degree to which the "average" is scattered around the mean. As the formula involves the sum of the squared differences between individual values and the mean, this will always be a positive value. The larger this value, the bigger the variance between the individual results recorded (Levine *et al.*, 2008:106-107).

The chapter will conclude by analysing the relationships between the constructs measuring the entrepreneurial climate and the various **gender, race and level of employment** classifications by using inferential statistics such as *p*-value for statistical significance and *d*-value for practical significance.

5.3 DEMOGRAPHIC INFORMATION

Section C of the questionnaire gathered demographic information requiring respondents to indicate their age, gender, race, highest academic qualification, management level and division they are working in.

5.3.1 Gender classification of respondents

The results of the gender classification of the participating respondents are presented in table 5.1.

Table 5.1: Respondents by gender

Gender	Total	Percentage
Male	42	50%
Female	42	50%
Total	84	100%

From the 84 respondents that participated in the study, 42 (50%) were male and 42 (50%) female. The equal distribution of male and female respondents is purely coincidence.

5.3.2 Age group classification of respondents

The results of the age group classification of the participating respondents are presented in table 5.2.

Table 5.2: Age group classification of respondents

Age group	Total	Percentage
<29	14	16.67%
30-39	17	20.24%
40-49	31	36.90%
50-59	20	23.81%
60+	2	2.38%
Total	84	100%

The majority of the participating respondents fall in the age group 40 to 49 years of age (36.90%) and 50 to 59 years of age (23.81%) respectively. These two age groups amount to 60.71% of the total respondents. The age group below 29 years (16.67%) and above 60 years (2.38) represent the minority age groups.

5.3.3 Race group of respondents

Table 5.3 presents the race group classification of the participating respondents. The race group classification is according to the South African race group classification.

Table 5.3: Race group classification of respondents

Race group	Total	Percentage
Black	21	25.00%
White	38	45.24%
Coloured	15	17.86%
Indian	9	10.71%
Missing	1	1.19%
Total	84	100%

Respondents had to indicate their race as either Black, White, Coloured or Indian. From the total number of respondents, a majority of 38 (45.24%) respondents was White and the minority of the respondents was Indian (10.71%). One respondent failed to declare his race.

5.3.4 Highest academic qualification of respondents

Table 5.4 presents the highest academic qualification of the participating respondents.

Table 5.4: Highest qualification of respondents

Highest academic qualification	Number	Percentage %
Lower than Grade 12	3	3.57%
Grade 12	10	11.90%
Certificate	10	11.90%
Diploma	19	22.62%
Degree	7	8.33%
Post	6	17.14%
Missing	29	34.52
Total	84	100%

From the total number of respondents, 50% held a higher academic education qualification and 15.48% of the respondents only had a Senior Certificate (Grade 12) or lower. A total of 34.52% of the respondents failed to declare their level of academic qualification.

5.3.5 Management level classification of respondents

Table 5.5 presents the management level of the participating respondents.

Table 5.5: Management level classification of respondents

Level	Total	Percentage
EXCO	3	3.57%
Line management	18	21.43%
Base employee	62	73.81%
Missing	1	1.19%
Total	84	100%

The majority of respondents were employed on a Base employee level (73.81%). Line management constituted 21.43% of the respondents. Only 3 Executive Committee Members (EXCO) participated in the survey which represented 3.57% of the total number of respondents. One employee failed to declare his/her employment level.

5.3.6 Department classification of respondents

Table 5.6 presents the departments in which the participants are employed.

Table 5.6: Departments respondents work in

Department	Total	Percentage %
RMP	21	25%
MARS	11	13.10%
MES	26	30.95%
MRP	7	8.33%
Corporate support	19	22.62%
Total	84	100%

The majority of the participating respondents (30.95%) worked in the Marsh Environmental Services (MES) department followed by respondents from the Risk Management Practices (RMP) (25%) and Corporate support department (22.62%). Respondents from Marsh Risk Management Practice (MRP) only represent 8.33% of the total respondents.

5.4 ASSESSMENT OF THE ENTREPRENEURIAL CLIMATE WITHIN MARSH

The object of the study was to determine if the thirteen constructs for a corporate entrepreneurial climate as identified by Ooshuizen (2006) were present in **Marsh South Africa**. Each of the thirteen constructs had five statements relevant to the construct and

had to be assessed by means of a five point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5).

Table 5.7 presents the Chronbach alpha coefficients for the constructs measuring the entrepreneurial climate in the organisation.

Table 5.7: Reliability of the constructs measuring entrepreneurial climate

Construct	Cronbach alpha
Entrepreneurial leadership	0.791
Management support	0.887
Sponsors (champions)	0.819
Tolerance for risk, mistakes and failure	0.847
Innovation and creativity / New ideas encouraged	0.860
Appropriate awards and reinforcement	0.726
Vision and strategic intent	0.799
Discretionary time and work	0.818
Empowered and Multi-disciplined teams	0.827
Resource availability and accessibility	0.894
Continuous and cross-functional learning	0.839
Strong customer orientation	0.793
Flat organisational structure	0.814

The results as presented in table 5.7 indicate that all the Cronbach alpha coefficients are greater than 0.7. Therefore, it can be suggested that the research instrument used in this study to assess the entrepreneurial climate within **Marsh South Africa** to be reliable.

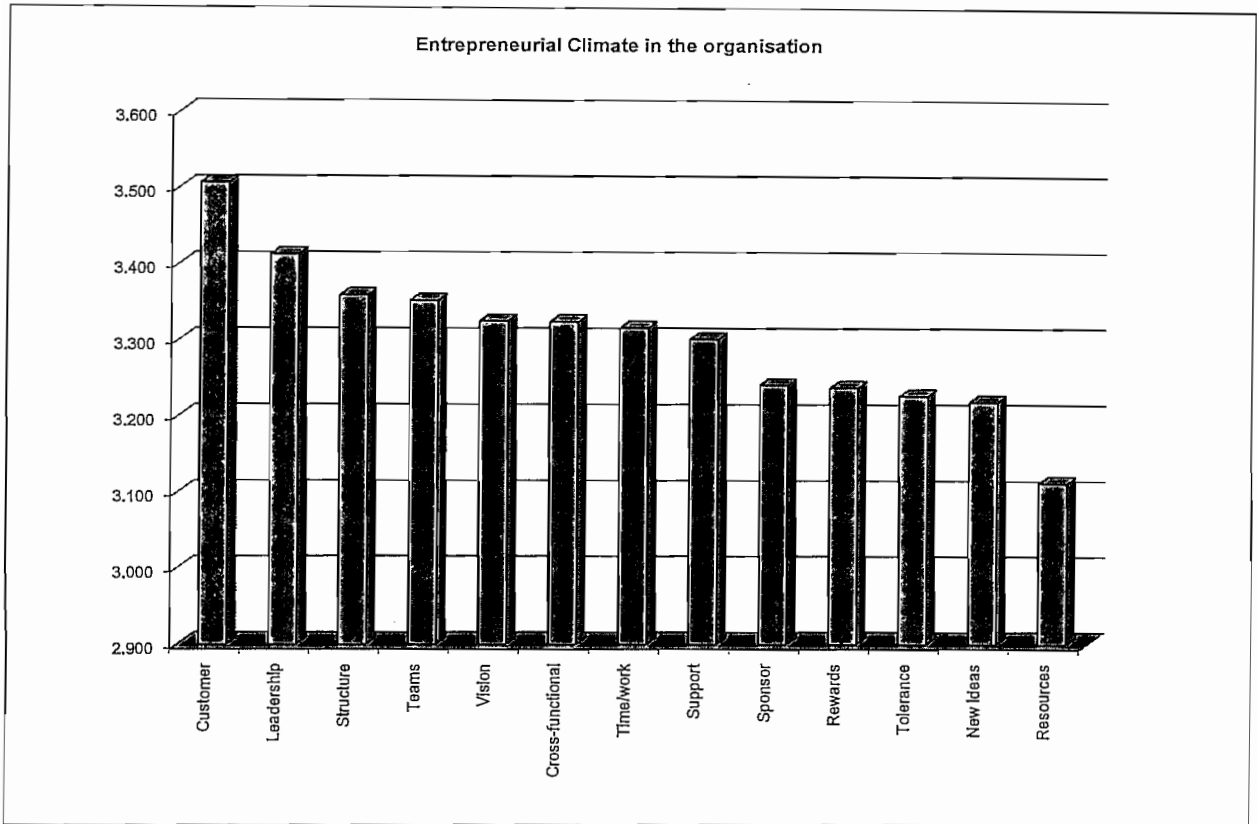
The arithmetic mean and standard deviation values obtained by the thirteen constructs are presented in table 5.8

Table 5.8: Entrepreneurial climate survey results

Construct	<i>n</i>	\bar{x}	<i>s</i>
Entrepreneurial leadership	84	3.413	0.683
Management support	84	3.302	0.823
Sponsors (champion)	84	3.242	0.749
Tolerance for risk, mistakes and failure	84	3.227	0.775
Innovation and creativity	84	3.220	0.816
Appropriate rewards and reinforcement	84	3.238	0.667
Vision and strategic intent	84	3.326	0.722
Discretionary time and work	84	3.317	0.730
Empowered and Multi-disciplined teams	84	3.352	0.742
Resource availability and accessibility	84	3.113	0.882
Continuous and cross-functional learning	84	3.324	0.779
Strong customer orientation	84	3.507	0.675
Flat organisational structure	84	3.360	0.782

The average mean of the thirteen constructs tested is 3.303 indicating that the presence of corporate entrepreneurship is rated above average, as the average of the five point Likert scale is 2.5. Out of the thirteen constructs, eight constructs were higher than the average mean.

Figure 5.1 Mean value of the entrepreneurial climate in the organisation



The constructs, **Strong customer orientation** ($\bar{x} = 3.507$), **Entrepreneurial leadership** ($\bar{x} = 3.413$) and **Flat organisational structure** ($\bar{x} = 3.360$) obtained the highest average score. This indicates a relatively strong agreement with the statement.

The three statements, **Resource availability and accessibility** ($\bar{x} = 3.113$) **Innovation and creativity** ($\bar{x} = 3.220$) and **Tolerance for risk, mistakes and failure** ($\bar{x} = 3.227$) obtained the lowest average scores. The standard deviation across all thirteen constructs is fairly low, ranging from 0.667 to 0.882.

This section provided an overview of the mean and standard deviation of the thirteen constructs in isolation and did not take into account the geographical groupings as

presented in the background data. The next section will analyse the perceived success of the organisation.

5.5 ASSESSMENT OF THE PERCEIVED SUCCESS OF THE ORGANISATION

Section B of the questionnaire assessed the five variables testing the perceived success of the organisation. Respondents had to evaluate the success of the company through their understanding of the company's **Financial measures; Customer/market measures; Process measures; People development** and the **Perceived future long term success** of the company. This was done on the basis of a 5-point Likert type scale ranging from Strongly Disagree (1) to Strongly Agree (5).

Table 5.9 presents the Chronbach alpha coefficients for the measurements of the perceived success of the organisation.

Table 5.9: Reliability of the measures assessing the perceived success of the organisation

Construct	Cronbach alpha
Financial measures	0.830
Customer/market measures	0.814
Process measures	0.884
People development	0.841
Future long term success	0.802

The results as presented in table 5.9 indicate that all of the Cronbach alpha coefficients are greater than 0.7. Therefore it can be suggested that the research instrument used in this study to assess the perceived success of the organisation within **Marsh South Africa** is reliable.

The results of the mean analysis of the variables measuring the perceived success of the company are presented in table 5.10

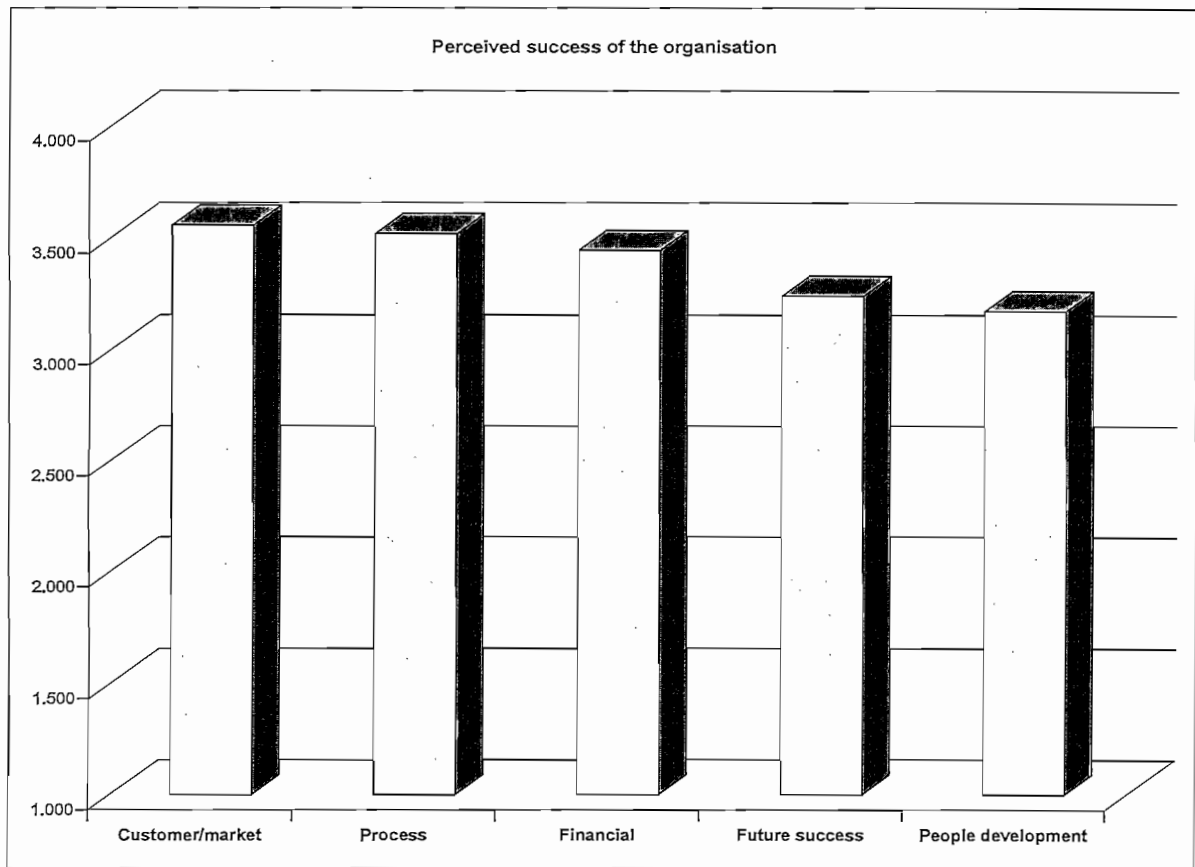
Table 5.10: Perceived success of the organisation

Variable	<i>n</i>	\bar{x}	<i>s</i>
Financial	83	3.446	0.757
Customer/market	84	3.558	0.683
Process	84	3.520	0.794
People development	84	3.177	0.889
Future success	84	3.244	0.933
Total	84	3.384	0.701

From table 5.10 it can be concluded that the mean number of respondents views the company relative positively in terms of its customer and market relationships as well as process measures.

Figure 5.2 gives a graphical representation of the findings in table 5.10, and is ranked descending from the highest mean value to the lowest mean value.

Figure 5.2: Mean value of the perceived success of the organisation



The top ranked variable measuring the perceived success of the company, is the **Customer/ Market Measures** ($\bar{x} = 3.558$). **Process Measures** ($\bar{x} = 3.520$), **Financial Measures** ($\bar{x} = 3.446$), **Future Long Term Success** ($\bar{x} = 3.244$) and **People Development** ($\bar{x} = 3.177$).

5.6 RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND ENTREPRENEURIAL CLIMATE CONSTRUCTS

An analysis was done to determine the relationship between the demographic variables and responses concerning the thirteen entrepreneurial climate constructs. This was done by calculating an independent *t*-test (*p*-value) and effect sizes (*d*-values) between

the mean values to examine the relationship between the demographical variables that is, gender, race and employment level, with regard to each construct measuring the corporate entrepreneurial climate. Effect sizes were calculated to determine whether the relationship between variables is practically significant, i.e. whether the relationship is large enough to be important (Ellis & Steyn, 2003:51).

For the purpose of this study, the demographic data is classified according to the following categories:

- Gender: Male; female.
- Race: Black, White.
- Employment level: EXCO, Base employee.

Statistical significance tests have the tendency to yield p -values (indication of significance) according to the increase in the size of the data sets. If the variables have a p -value of ($p < 0.05$) one could assume that the variable is statistically significant with regards to that constructs contribution to an entrepreneurial climate. The effect size, however is independent of the sample size and is a measure of practical significance (Ellis & Steyn 2003: 51). For the purpose of the analysis, any statistical significance ($p < 0.05$) in relation to the t-test (p – values) will be mentioned and this will be evaluated against the effect size (d -value).

Effect sizes are interpreted as follows: small effect (d -values = 0.2), medium effect (d -values = 0.5) and large effect (d -values = 0.8). Results with medium effect can be regarded as visible effect and with d -value ≥ 0.8 as practically significant, since it is the result of a difference having a large effect (Ellis & Steyn, 2003:52).

5.6.1 Gender

Table 5.11 indicates the relationship between the thirteen constructs measuring entrepreneurial climate and the demographic variable gender, with mean (\bar{x}), standard deviation (s), t-test (p) and effect sizes (d).

Table 5.11: Relationship between the construct measuring entrepreneurial climate and the demographic variable gender

Construct	Gender							
	Male			Female			Comparison	
	N	\bar{x}	s	n	\bar{x}	s	p	d
Leadership	42	3.504	0.604	42	3.321	0.749	0.221	0.24
Support	42	3.379	0.854	42	3.223	0.792	0.389	0.18
Sponsor	42	3.316	0.699	42	3.166	0.797	0.362	0.19
Tolerance	42	3.271	0.807	42	3.183	0.748	0.605	0.11
New ideas	42	3.277	0.762	42	3.161	0.872	0.520	0.13
Rewards	42	3.266	0.680	42	3.209	0.659	0.697	0.08
Vision	42	3.460	0.700	42	3.190	0.727	0.087	0.37
Time work	42	3.404	0.706	42	3.228	0.750	0.271	0.23
Teams	42	3.400	0.788	42	3.304	0.698	0.560	0.12
Resources	42	3.201	0.832	42	3.023	0.930	0.360	0.19
Learning	42	3.396	0.779	42	3.252	0.781	0.400	0.18
Customer	42	3.542	0.752	42	3.471	0.593	0.631	0.09
Structure	42	3.433	0.788	42	3.285	0.777	0.390	0.19

Statistical significant differences (p -values)

No statistical significant differences (p -value < 0.05) exist between the perception of the Male and Female respondents with regard to any of the thirteen constructs measuring entrepreneurial climate, since none of the constructs had p - values smaller than 0.05.

Practical significant differences (*d*-values)

Only two constructs yielded effect sizes larger than small effect (*d*-value > 0.2), i.e. **Entrepreneurial Leadership** (*d*-value = 0.24) and **Discretionary time work** (*d*-value = 0.23). These effect sizes are small and could thus not be regarded as a practical significant difference between the perception of male and female respondents regarding the two constructs of **Entrepreneurial Leadership** and **Discretionary time work**.

5.6.2 Race

Table 5.12 shows the relationship between the thirteen constructs measuring entrepreneurial climate and the demographic variable race, with mean (\bar{x}), standard deviation (s), t-test (*p*-value) and effect sizes (*d*-value). Black employees also include Coloured and Indian respondents.

Table 5.12: Relationship between the constructs measuring entrepreneurial climate and the demographic variable race

	Race							
	Black			White			Comparison	
Construct	n	\bar{x}	s	N	\bar{x}	s	p	d
Leadership	45	3.424	0.552	38	3.405	0.825	0.903	0.02
Support	45	3.368	0.589	38	3.236	1.04	0.492	0.13
Sponsor	45	3.286	0.555	38	3.189	0.941	0.578	0.10
Tolerance	45	3.286	0.608	38	3.157	0.947	0.473	0.14
New ideas	45	3.325	0.596	38	3.100	1.020	0.235	0.22
Rewards	45	3.280	0.512	38	3.205	0.819	0.628	0.09
Vision	45	3.360	0.614	38	3.300	0.843	0.717	0.07
Timework	45	3.333	0.607	38	3.300	0.868	0.843	0.04
Teams	45	3.333	0.643	38	3.384	0.859	0.765	0.06
Resources	45	3.241	0.664	38	2.957	1.083	0.166	0.26
Learning	45	3.303	0.654	38	3.342	0.921	0.829	0.04
Customer	45	3.466	0.623	38	3.557	0.744	0.551	0.12
Structure	45	3.364	0.687	38	3.357	0.899	0.971	0.01

Statistical significant differences (p -values)

No statistical significant differences (p -value < 0.05) exist between the perception of the Black and White respondents toward any of the thirteen constructs measuring entrepreneurial climate, since none of the constructs had p -values smaller than 0.05.

Practical significant differences (d -values)

Only one construct yielded effect sizes larger than small effect (d -value > 0.2), i.e. **New ideas encouraged** (d -value = 0.22), the effect is small and could thus not be regarded as a practical significant difference.

5.6.3 Level of employment

Table 5.13 shows the relationship between the thirteen constructs measuring entrepreneurial climate and the demographic variable level of employment, with mean (\bar{x}), standard deviation (s), t-test (p -values) and effect sizes (d -values). EXCO includes both Executive Committee members and line managers.

Table 5.13: Relationship between the constructs measuring entrepreneurial climate and the demographic variable level of employment

	Level of employment							
	EXCO			Base			Comparison	
Construct	n	\bar{x}	S	n	\bar{x}	s	p	d
Leadership	21	3.533	0.673	62	3.388	0.680	0.402	0.21
Support	21	3.314	0.980	62	3.305	0.776	0.971	0.01
Sponsor	21	3.123	1.055	62	3.288	0.623	0.505	0.16
Tolerance	21	3.295	0.949	62	3.221	0.708	0.745	0.08
New ideas	21	3.161	1.042	62	3.249	0.736	0.725	0.08
Rewards	21	3.247	0.848	62	3.248	0.598	0.997	0.00
Vision	21	3.323	0.833	62	3.341	0.684	0.932	0.02
Timework	21	3.304	0.902	62	3.338	0.660	0.875	0.04
Teams	21	3.495	0.796	62	3.319	0.720	0.377	0.22
Resources	21	3.000	1.113	62	3.165	0.794	0.535	0.15
Learning	21	3.447	0.965	62	3.294	0.711	0.509	0.16
Customer	21	3.561	0.744	62	3.506	0.645	0.763	0.07
Structure	21	3.419	0.831	62	3.354	0.767	0.757	0.08

Statistical significant differences (p -values)

No statistical significant differences (p -value < 0.05) exist between the perception of the EXCO and Base employee respondents towards any of the thirteen constructs

measuring entrepreneurial climate, since none of the constructs had p – values smaller than 0.05.

Practical significant differences (d -values)

Only two constructs yielded effect sizes larger than small effect (d -value > 0.2), i.e. **Entrepreneurial Leadership** (d -value = 0.21) and **Multi disciplined teams** (d -value = 0.22). These effect sizes are small and could thus not be regarded as a practical significant difference between the perception of EXCO and Base employee respondents regarding the two constructs of **Entrepreneurial Leadership** and **Multi disciplined teams**.

5.7 RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND THE PERCEIVED SUCCESS OF THE ORGANISATION

5.7.1 Gender

To test for the statistical and practical significance differences between the gender classifications (Male and Female) an independent t-test and effect sizes were performed. The results are presented in table 5.14

Table 5.14: Relationship between the variables measuring the perceived success of the organisation and the demographic variable gender

	Gender							
	Male			Female			Comparison	
Construct	n	\bar{x}	S	n	\bar{x}	s	p	d
Financial	42	3.500	0.776	42	3.390	0.741	0.512	0.14
Customer/market	42	3.565	0.808	42	3.550	0.538	0.920	0.02
Process	42	3.619	0.808	42	3.420	0.775	0.254	0.19
People	42	3.265	0.963	42	3.087	0.810	0.361	0.17
Future success	42	3.297	0.963	42	3.190	0.910	0.602	0.11

Statistical significant differences (p -values)

No statistical significant differences (p -value < 0.05) exist between the perception of the Male and Female employee respondents toward any of the five variables measuring the perceived success of the organisation.

Practical significant differences (d - values)

No practical significant difference (d -value > 0.2) exist between the perception of the Male and Female- employee respondents toward any of the five variables measuring the perceived success of the organisation.

5.7.2 Race

Table 5.15 shows the relationship between the five measures that assess the perceived success of the organisation and the demographic variable race, with mean (\bar{x}), standard deviation (s), t-test (p -value) and effect sizes (d -value). Black employees also include Coloured and Indian respondents.

Table 5.15: Relationship between the variables measuring perceived success of the organisation and the demographic variable Race

	Race							
	Black			White			Comparison	
Construct	n	\bar{x}	S	n	\bar{x}	s	p	d
Financial	45	3.311	0.668	38	3.621	0.835	0.072	0.37
Customer/market	45	3.395	0.692	38	3.759	0.630	0.014	0.53
Process	45	3.474	0.683	38	3.587	0.918	0.531	0.12
People	45	3.255	0.771	38	3.087	1.024	0.409	0.16
Future success	45	3.377	0.762	38	3.405	0.825	0.182	0.02

Statistical significant differences (p -values)

The result indicated a statistical significant difference ($p=0.014$) between the perception of White respondents (more positive) in direct comparison to their Black counterpart with regard to the **Customer/Market** variable in measuring the perceived success of the organisation.

Practical significant differences (d -values)

The race variable (Black and White) had no practical significant effect on any of the different variables of the perceived success of the organisation. The variables with a small effect (d -value < 0.2) is that of **Financial** (d -value = 0.37) and **Customer/ Market** with a medium effect (d -value = 0.53). There is, however, no practical significant difference between the perceptions of the Black and White employees in the company, since none of the constructs have practical significant effect sizes (d -value > 0.8).

5.7.3 Level of employment

Table 5.16 shows the relationship between the five variables that assess the perceived success of the organisation and the demographic variable level of employment, with mean (\bar{x}), standard deviation (s), t-test (p -value) and effect sizes (d -value).

Table 5.16: Relationship between the variables measuring perceived success of the organisation and the demographic variable Level of employment

	Level of employment							
	EXCO			Base			Comparison	
Construct	n	\bar{x}	S	n	\bar{x}	s	p	d
Financial	21	3.619	0.858	62	3.398	0.717	0.300	0.26
Customer/market	21	3.761	0.599	62	3.505	0.693	0.115	0.37
Process	21	3.603	0.904	62	3.500	0.762	0.642	0.11
People	21	3.269	1.046	62	3.153	0.841	0.647	0.11
Future success	21	3.309	1.066	62	3.388	0.680	0.772	0.21

Statistical significant differences (p -values)

No statistical significant differences (p -value < 0.05) exist between the perception of the EXCO and Base- employee respondents toward any of the variables measuring entrepreneurial climate, since none of the constructs had p -values smaller than 0.05.

Practical significant differences (d -values)

The Level of employment variable (EXCO and Base) had no practical significant effect on any of the different variables of the perceived success of the organisation. The variables with a small effect (d -value < 0.2) is that of **Future Success** (d -value = 0.21), **Financial** (d -value = 0.26) and **Customer/ Market** (d -value = 0.37). There is no

practical significant difference between the perceptions of the EXCO and Base employees in the company, since none of the constructs have practical significant effect sizes (d -value > 0.8).

5.8 SUMMARY

The chapter presented the results of the empirical study and attempted to assess the corporate entrepreneurial climate at **Marsh South Africa**. The study was done with the use of a questionnaire developed by Oosthuizen (2006) which measures the thirteen constructs that contribute to an entrepreneurial climate in an organisation.

The study furthermore assessed the perception of the respondents with regards to the perceived success of the organisation.

The questionnaire also requested background information and scoped out the following demographic information; **age, gender, race, highest academic qualification, management level** and **division** employed in.

Cronbach alpha coefficient values were used to determine the internal consistency amongst and reliability of the research instrument. All of the Chronbach alpha level's tested greater than 0.7, indicating a relatively high level of reliability of the research instrument.

From the assessment of the thirteen constructs that measures the entrepreneurial climate, eight constructs presented higher than the average mean. **Strong customer orientation, Entrepreneurial leadership** and **Flat organisational structure** had the highest average mean values. The statements, **Resource availability and accessibility, Innovation and creativity** and **Tolerance for risk, mistakes and failure** obtained the lowest average mean values.

The assessment of the data revealed that the perception of employees in terms of the perceived success of the organisation for **Customer/ Market Measure** ranked the highest, followed by **Process and Financial Measures**. The **Future Long Term Success** and **People Development** were rated the lowest.

Comparisons were done to determine the relationship between the demographic variables **gender**, **race** and **level of employment** in comparison to the thirteen entrepreneurial climate constructs.

The only one statistical significant differences (p -value < 0.05) was that of the perception of White respondents (more positive) in direct comparison to their Black counterpart with regard to the **Customer/Market** variable in measuring the perceived success of the organisation.

None of the gender, race and level of employment variable classifications had a practical significant effect on any of the thirteen constructs measuring entrepreneurial climate.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Corporate entrepreneurship is viewed as a necessity in order for the organisation to obtain a competitive advantage within an industry. This study indicated a number of strong performing areas within **Marsh South Africa** as well as opportunities that can be utilised in order to develop an entrepreneurial climate that is conducive in gaining a competitive advantage.

This chapter discusses the implications of the findings of the research as presented in the previous chapter and will include conclusions, which will firstly address the demographic information that was obtained from the respondent. The current entrepreneurial climate at **Marsh South Africa** will be discussed. The relationship between the identified constructs and certain demographic information will also be discussed and secondly measures that influence the perceived success of the organisation will be discussed.

The chapter will be concluded by a discussion of the achievement of the primary and secondary objectives of the study. Suggestions for future research pertaining to the corporate entrepreneurial climate within **Marsh South Africa** will also be done which can also be extended to the wider risk and insurance industry.

6.2 CONCLUSIONS

From the results of the survey questionnaire the following were concluded:

6.2.1 Conclusions on demographic information

From the results of the survey questionnaire, the following conclusions about demographic information transpired:

Gender: Of the 84 respondents 42 were male and 42 were female. The gender demographics therefore were represented equally.

Age: The majority of the participating respondents were in the age group 40 to 49 years old (36.90%) and 50 to 59 years old (23.81%), which amounted to 60.71% of the total respondents. The age group below 29 (16.67%) and above 60 (2.38) represented the minority age groups.

Race: Black respondents accounted for the majority of the race (53.57%) and White respondents represented the minority (46.42%). One respondent failed to declare his race. For the purpose of the study, Black employees also included Coloured and Indian employees.

Highest academic qualification: A substantial number (34.52%) of employees failed to declare their level of education. Out of the total number of respondents, 50% held a higher education qualification, while 15.48% of the respondents only had a Senior Certificates (Grade 12) or lower.

Management level: Base level employees constituted the majority of respondents (73.81%) followed by Line management and executive committee members (24.19%). Three Executive Committee Members (EXCO) participated in the survey. One employee failed to declare his/her employment level.

Departments: The majority of the participating respondents (30.95%) were from the Marsh Environmental Services (MES) department. Only 8.33% of the respondents were from Marsh Risk Management Practice (MRMP).

6.2.2 Reliability of entrepreneurial climate questionnaire

Cronbach alpha coefficient ranges from 0 to 1 and the greater the value, the higher the internal consistency and the more reliable the scale used in the study. A Cronbach alpha coefficient greater than 0.7 would be regarded as reliable (Nunnally and Bernstein, 1994: 265).

The results of all the constructs tested indicated a Cronbach alpha coefficient greater than 0.7 and therefore suggests that the research instrument used in this study to assess the entrepreneurial climate within **Marsh South Africa** is reliable.

6.2.3 Conclusions on the entrepreneurial climate

From the climate section of the questionnaire assessing the thirteen constructs conducive for entrepreneurial activity and behaviour, the following conclusions are made:

Entrepreneurial leadership (\bar{x} = 3.413): A strong sense of entrepreneurial leadership is evident at **Marsh South Africa**. This indicates that respondents view leaders as taking a long term view of the company and that they are not afraid to challenge the *status quo*. It is clear that respondents feel that leaders are acting in innovative ways and maximising value from opportunities.

Management support (\bar{x} = 3.302): Even though entrepreneurial leadership was referred to as a prominent factor within the organisation, management support does not necessarily reflect that. Respondents feel that management is not essentially receptive

to any entrepreneurial ideas and that the necessary support and encouragement are not always provided.

Sponsors (\bar{x} =3.242): In relation to a perceived lower element of management support, respondents also experience that the presence of sponsors are not adequate. Managers might demonstrate a high level of entrepreneurial leadership, but their ability to influence, coach and support employees with the necessary skills and commitment are rated as inadequate.

Tolerance for risks, mistakes and failure (\bar{x} =3.227): Given the lower evaluation of management support and the presence of sponsors, it is understandable that the respondents' perception towards tolerance for taking risks and making mistakes are fairly low. This indicates that respondents do not feel comfortable in taking calculated risks pertaining to entrepreneurial activity.

Innovation and creativity / New ideas encouraged (\bar{x} =3.220): Innovation does not necessarily present as prominent and a contributing factor to this is the fact respondents view the company as not being pro-active in implementing improved work methods timeously. Along with the company's lower tolerance for risk, respondents will not be as motivated to think "out of the box" and try new work methods. Innovation is an area that still needs improvement.

Appropriate rewards and reinforcement (\bar{x} =3.238): Appropriate rewards and reinforcement was also rated as one of the entrepreneurial constructs that needs further development. In order for the company to encourage innovation, they will have to look at improving rewards and better compensation for employees which will foster more innovative behaviour.

Vision and strategic intent (\bar{x} =3.326): The vision and strategy of the organisation are perceived to be well communicated by the company and its management. These well established communication channels assist employees in having a better understanding

of the company's value system. The alignment of the value system with the company's vision and strategy supports employees to prioritise their work and therefore they can be more effective.

Discretionary time and work (\bar{x} =3.317): Respondents were fairly neutral regarding the time to develop new ideas and the opportunities given to learn and grow. Respondents also feel comfortable that when an entrepreneurial idea has been developed, they would be given the chance to explore and grow the initiative.

Empowered teams / Multi disciplined teamwork and diversity (\bar{x} =3.352): It is evident that the company has put the necessary processes and structures in place to foster multi-disciplinary teamwork. The company also encourages cross-functional teams to develop and implement new ideas. Cross-functional teams are characterised by diverse skills and management gives the opportunity to employees to participate within these teams.

Resource availability and accessibility (\bar{x} =3.113): Resource availability and accessibility is ranked the lowest of all thirteen constructs. Respondents indicated that there are not adequate financial support for individuals to fund their innovative projects and ideas. It is thus evident that management should improve funding and make the necessary resources available in order to attract and commit to entrepreneurial ventures.

Continuous and cross-functional learning (\bar{x} =3.324): Respondents were neutral regarding the process of continuous cross-functional learning within the organisation. With multi-disciplinary teams in place employees are encouraged to stay up to date with new developments and encouraged to establish communication channels with employees in and outside of their respective departments.

Strong customer orientation (\bar{x} =3.507): A strong customer orientation was regarded as the most prominent entrepreneurial construct within the company. Respondents are

appreciative of the resources spent in determining customer needs and providing products and services driven by a strong customer orientation. In accordance with the company's value system, respondents view customers as the most important stakeholder.

Flat organisational structure with open communication and strong sense of believing (\bar{x} = 3.360): Respondents feel that the organisational structure is fairly flat and that they have the opportunity to make decisions about their work processes. The degree of hierarchical control is perceived to be relatively low within the organisation.

6.2.4 Reliability of perceived success of the organisation questionnaire

Cronbach alpha coefficient ranges from 0 to 1 and the greater the value, the higher the internal consistency and the more reliable the scale used in the study. A Cronbach alpha coefficient greater than 0.7 would be regarded as reliable (Nunnally and Bernstein, 1994: 265).

The results of all the constructs tested indicated a Cronbach alpha coefficient greater than 0.7 and therefore suggests that the research instrument used in this study to assess the perceived success of **Marsh South Africa** is reliable.

6.2.5 Conclusions on the perceived success of the organisation

Customer/market measures (\bar{x} = 3.558): It is evident from the data that Customer/market measures were considered as the most important factor when it comes to employees' perceived success of the organisation. This indicates that respondents feel that the customer needs and the retention rate of customers are a top priority and that it plays a significant role in the perceived success of the organisation.

Process measures (\bar{x} = 3.520): Process measures are also viewed as imperative. This signifies the importance of effectiveness and efficiency of the company. It is thus evident

that respondents view these measures as vital in the perceived success of the organisation.

Financial measures (\bar{x} = 3.446): Financial measures are also viewed as crucial as this refers to the experienced growth and profit over the past few years. It is clear that respondents feel that the company's financial performance plays a significant role in the perceived success of the company.

Future success (\bar{x} = 3.244): The future success of the organisation is viewed as one of the less important measurements pertaining to the perceived future success of the organisation. This indicates that respondents do not view elements such as the image of the business in relation to that of competitors or the organisation's level of resilience in difficult economic times as imperative factors when it comes to the perceived success of the organisation.

People development (\bar{x} = 3.177): Finally, people development is viewed as the least important measure that could possibly indicate the perceived success of the organisation. Factors such as employees' commitment to the organisation and job morale and satisfaction constitute people development within an organisation. It was thus evident that the respondents do not view the general engagement of employees as an essential measure that could indicate the perceived success of the organisation.

6.3 RELATIONSHIP BETWEEN THE DEMOGRAPHIC VARIABLES AND THE ENTREPRENEURIAL CLIMATE CONSTRUCTS

The relationship between the demographic variables **gender**, **race** and **level of employment** was tested for statistical and practical significance differences. This was done by conducting an independent t-test and also the testing of effect sizes.

The only one statistical significant difference (p -value < 0.05) was that of the perception of White respondents (more positive) in direct comparison to their Black counterpart with

regard to the **Customer/Market** variable in measuring the perceived success of the organisation.

None of the **gender, race and level of employment** variable classifications had a practical significant effect on any of the thirteen constructs measuring entrepreneurial climate.

6.4 RECOMMENDATIONS

The presence of a **Strong customer orientation, Entrepreneurial leadership** and a **Flat organisational structure** are prominent factors within **Marsh South Africa** and this contributes to a conducive entrepreneurial climate. It is thus evident that the company understands its clients and their needs.

Furthermore, the company is managed by leaders who strive to foster entrepreneurship within the organisation which is supported by a flat structure that allows for more entrepreneurial freedom.

These constructs should be viewed as the building blocks for the company to add to the entrepreneurial environment, as it takes into account the external factor which is the customer, the management factor which is entrepreneurial leadership and the structure of the company. The company will need to maintain these strong entrepreneurial factors in order to lay the foundation for the development of a beneficial entrepreneurial climate.

The following recommendations are made in order to assist **Marsh South Africa** in fostering an even more conducive entrepreneurial climate:

6.4.1 Resource availability and accessibility

Resource availability and accessibility was ranked the lowest of all thirteen constructs. Respondents indicated that financial support is not available to individuals to

fund their innovative projects and ideas. It is thus evident that management should provide more funding and make the necessary resources available in order to attract and commit to entrepreneurial ventures. It is important for the company to realise that the availability of resources are linked to the loyalty of the employees and that management should make sure that funds are used in a responsible way. The company needs to create and recombine their resources in order to create value through innovation.

6.4.2 Innovation and creativity

Regarded as the soul of entrepreneurship, **innovation and creativity** are not as prevalent as it could. This is a reason for concern as innovativeness is seen as a source of competitive advantage in an organisation. It is necessary for the company to be proactive and implement improved work methods fast. Strong leadership is needed and management support should embrace the development of new products and services. Innovative behaviour needs to be fostered and motivated as employees need to be encouraged to try new work methods. It can even be built into individual or departmental performance evaluations. The company needs to provide incentives in order to cultivate innovative and creative behaviour.

6.4.3 Tolerance for risk and failure

It is evident that respondents feel that there is a lack of **tolerance for risk and failure** pertaining to new projects and entrepreneurial initiatives in general. Management needs to create an environment where employees feel comfortable to take calculated risks as this will contribute to an entrepreneurial spirit within the company. In addition to this, the presence of sponsors and management support need to be at a high level in order for such an entrepreneurial spirit to be sustained.

6.4.4 Appropriate rewards and reinforcement

Respondents also feel that **appropriate rewards and reinforcement** are not always up to standard and need to be developed more. The company will have to look at adequate compensation structures that will encourage entrepreneurial behaviour. Rewards can be of a monetary nature or in the form of recognition. The company could implement a reward-based performance feedback system providing intrinsic and extrinsic rewards. It is important that the company realises that rewards are a powerful tool that cultivates desired and in this case, entrepreneurial behaviour.

6.4.5 Sponsors/Champions

The presence of **sponsors/champions** needs to be developed more as they are the individuals needed to encourage and support the employees to be more entrepreneurial. The company needs to identify individuals with the necessary skills, commitment and passion to cultivate appropriate relationships with employees. Middle managers should play an important role as they can integrate information from employees and champion strategic alternatives and make them accessible to senior executives. The company should also place emphasis on the tasks of champions that entails the necessary psychological support, encouragement and management of resources. Ultimately, managers displaying high levels of entrepreneurial leadership need to utilise their skills and influence and support employees.

6.4.6 Management support

As stated, **management support** did not necessarily reflect the strong leadership that was evident within the company. Management support is needed in almost all strategic implementations and therefore management needs to take responsibility for providing the necessary expertise. Management needs to be more receptive to entrepreneurial ideas brought forward by employees. More attention should be paid to middle managers in terms of compensation and support as they could set the tone for building coalitions

amongst peers and championing ideas, which is an area that needs more attention within the company. Management should provide the necessary support on a day-to-day basis in order for employees to care about the company's goals.

6.4.7 Perceived success of the organisation

In terms of the **perceived success of the organisation**, **Marsh South Africa** regards their customers as a very high priority as evidenced by **customer orientation** (highest rated construct of entrepreneurial climate) and **customer measures** (highest rated construct of perceived success of organisation).

The **future long-term success** of the company and **people development** as measures to rate the perceived success of the organisation, were rated as the lowest and will require attention. Management needs to spend more time and effort on people development related activities that will foster a higher level of commitment towards the company from the employees' side. This will also increase the morale of the employees. The image of the business in relation to its competitors also needs consideration as this is an important element pertaining to the perceived success of the organisation.

As seen from the above, some crucial elements needed to create an entrepreneurial climate are present in the company, but **Marsh South Africa** will need to refine and adjust some of their strategies pertaining to corporate entrepreneurship within the company. A greater awareness of talent within the company, more comprehensive support and more effective utilisation of skills are needed. It is important to understand that corporate entrepreneurship is a process that needs to be developed and nourished and that vital input and buy-in from all levels of the organisation is needed.

6.5 ACHIEVEMENT OF OBJECTIVES

In order to measure the success of the study, it is important to assess the achievement of the primary and secondary objectives as indicated in Section 1.3 of the study.

6.5.1. Primary objective

The primary objective of this study was to assess the level of corporate entrepreneurship present in **Marsh South Africa** and to make recommendations that will foster and encourage corporate entrepreneurship within the organisation.

The achievement of the primary objective was supported by and depended upon the realising of the secondary objectives.

6.5.2 Secondary objectives

As indicated in Section 1.3, the secondary objectives had to be met in order to achieve the primary objective. These secondary objectives were:

- To define corporate entrepreneurship.
- To obtain insight into the dynamics of corporate entrepreneurship, entrepreneurial climate and the role of top and middle management within these concepts.
- To gain insight into the business environment of **Marsh South Africa**.
- To assess the perceived entrepreneurial climate at **Marsh South Africa** by means of the questionnaire.
- To determine the relationship between the demographic variables and constructs which measure the entrepreneurial climate.
- To draw conclusions from the quantitative data obtained and make practical recommendations to ensure that corporate entrepreneurship is enhanced in the company.

The first secondary objective, to define corporate entrepreneurship, was achieved in section 2.2 of Chapter 2 of this study.

The second objective, to obtain insight into the dynamics of corporate entrepreneurship and the entrepreneurial climate by means of a literature study was achieved in the

balance of Chapter 2 and Chapter 3 focused specifically on the entrepreneurial climate and its relevant constructs.

The third objective, which was to obtain insight into the business environment of **Marsh South Africa** was discussed in Chapter 4.

The fourth secondary objective was to assess the perceived entrepreneurial climate at **Marsh South Africa** by means of an existing questionnaire provided by Oosthuizen (2006) and adapted by Jordaan (2008). The reliability and internal consistency of the questionnaire was established by using Chronbach alpha coefficients and this was presented in Chapter 5. Emphasis was also placed on the additional construct (perceive success of the organisation) and this was also documented in Chapter 5.

The second last objective which was to determine the relationship between the demographic variables and entrepreneurial constructs was addressed in section 5.7 of Chapter 5. Specific focus was placed on comparing gender, race and level of employment.

The last secondary objective, which was to draw conclusions from the quantitative data and to make recommendations pertaining to the enhancement of corporate entrepreneurship within the company was addressed earlier in Chapter 6.

Based on the achievement of all the secondary objectives, as well as the recommendations put forward in section 6.3, it can be concluded that the primary objective of this study was achieved

6.6 SUGGESTIONS FOR FUTURE RESEARCH

The focus of the study was to measure the climate conducive to corporate entrepreneurship within **Marsh South Africa**. It is recommended that the items measuring the following constructs of entrepreneurial climate are further researched to

further explore respondents rating of **Resource availability and accessibility**, **Innovation and creativity** and **Tolerance for risk, mistakes and failure**.

As the study was only done at **Marsh South Africa**, the opportunity exists to include other branches of **Marsh** throughout the world as well as other companies within the risk insurance industry.

6.7 SUMMARY

This chapter started off by addressing the demographic information in comparing the results of the sample to the original population and noting differences or similarities.

After addressing the demographic information, attention was paid to the different measures that influence the perceived success of the organisation. Customer/market measures and process measures were regarded as the most significant measures by respondents. In other words, respondents feel that customer needs and retention rate of customers as well as the overall efficiency and efficacy of the organisation are the most important measures of success in the organisation.

The reliability of the entrepreneurial climate was established by using the Chronbach alpha coefficient. Each of the thirteen constructs present in the entrepreneurial climate was discussed in relation to the results of the questionnaire that was sent out. The relationship between demographical variables and entrepreneurial climate constructs did not produce any significant results and therefore it was not elaborated on.

The most important section in this chapter dealt with recommendations and practical ways in which an entrepreneurial climate could be established at **Marsh South Africa**. Constructs that presented with the highest means were explored further and specific recommendations were made for constructs that performed fairly well but needed development and adjustment. Recommendations pertaining to the measures that indicate the perceived success of the organisation were also made.

The chapter concluded by addressing the achievement of all the primary and secondary objectives and by pointing out possible research pertaining to the topic that could be undertaken in the future.

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Appendix A
CORPORATE ENTREPRENEURIAL CLIMATE
QUESTIONNAIRE

Code number:

CORPORATE ENTREPRENEURIAL CLIMATE QUESTIONNAIRE

CONFIDENTIAL

Note: All responses are confidential and neither the individual nor the organization would be identified in any report or release.

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CORPORATE ENTREPRENEURIAL CLIMATE QUESTIONNAIRE

Dear Respondent

Very little to no research has been conducted on corporate entrepreneurship in any risk and insurance sector in South Africa.

The highly competitive and dynamic environment prevalent in our industry is forcing many companies to adopt an entrepreneurial strategy which is seeking a competitive advantage through innovation on a sustained basis. The past two decades also observed a growing interest for large organizations to use corporate entrepreneurship as a tool to enhance the innovative abilities of their employees, and simultaneously, increase corporate sustainability.

Corporate entrepreneurship is highly dependent on management's involvement and support, organizational support in terms of training and trusting individuals within the firm (risk taking propensity) practices such as work discretion, innovation rewards, flexible intra-organizational boundaries and availability of time. This requires top management creating an organizational setting that enables individuals to be innovative and to use appropriate processes to integrate different factors regarding corporate entrepreneurship that will contribute to organizational growth.

Corporate entrepreneurship in our company should therefore emphasise the establishment of business models, processes and structures so to increase the level of corporate entrepreneurship in the various departments within the company.

This questionnaire attempts to measure the intrapreneurial climate in the company in order to determine whether it is conducive to foster an intrapreneurial spirit, as well as to indicate possible barriers or trigger factors.

Your contribution is highly valued and appreciated.

Please complete all questions / statements to ensure the validity and reliability of the study.

GENERAL INSTRUCTIONS

Virtually all questions may be answered by ticking (X) or **highlighting** the relevant block.

Use the following key to indicate your preference:

SCALE	TERM USED
5	Strongly agree
4	Slightly agree
3	Neither agree nor disagree
2	Slightly disagree
1	Strongly disagree

Please select the number which best describes your opinion about a specific question or statement. In the example beneath, the respondent slightly agreed to the statement listed.

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly agree	Strongly Agree
A03	My manager helps me to get my work done by removing obstacles in my way.	1	2	3	4	5

SECTION A: CORPORATE ENTREPRENEURIAL CLIMATE

This section consists of 65 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A01	Our leaders take a long-term view of our organization.	1	2	3	4	5
A02	Management encourages us to develop ideas that would improve the organization.	1	2	3	4	5
A03	My manager helps me to get my work done by removing obstacles in my way.	1	2	3	4	5
A04	Development at our organization is based on taking calculated risks at the right time.	1	2	3	4	5
A05	Our organization quickly implements improved work methods that are developed by employees.	1	2	3	4	5
A06	Individuals implementing successful innovative projects receive additional rewards and compensation.	1	2	3	4	5
A07	I am well informed about our organizational vision and strategies.	1	2	3	4	5
A08	An employee with a good idea is often given time to develop that idea within working hours.	1	2	3	4	5
A09	Working together in project teams is encouraged at the organization.	1	2	3	4	5
A10	There are several options within the organization for individuals to get financial support for their innovative projects and ideas.	1	2	3	4	5
A11	People are keen to share knowledge within the organization, even over departmental or functional boundaries.	1	2	3	4	5
A12	A great deal of resources is spent in determining customer needs and satisfaction.	1	2	3	4	5
A13	People are allowed to make decisions about their work processes without going through elaborate justification and approval procedures.	1	2	3	4	5
A14	Our leaders challenge the status quo and they inspire us to think and act in innovative ways.	1	2	3	4	5
A15	Top management is receptive to my ideas and suggestions.	1	2	3	4	5
A16	Originators of new ideas find it easy to implement because of the support rendered by influential people at the organization.	1	2	3	4	5
A17	Projects involving calculated risk are highly valued, even when things do not always turn out according to plan.	1	2	3	4	5
A18	There is considerable number of employees at the organization that are involved in generating and implementing innovative ideas.	1	2	3	4	5
A19	In this organization recognition rather than criticism is emphasised.	1	2	3	4	5
A20	I have regular meetings with my manager where information is shared between us.	1	2	3	4	5
A21	A staff member who has initiated a new project/process is allowed to carry it through to completion/implementation.	1	2	3	4	5
A22	We use cross-functional teams effectively at the organization to develop and implement new ideas.	1	2	3	4	5
A23	Money is often available to get new project ideas off the ground.	1	2	3	4	5
A24	Employees are encouraged to talk to their colleagues in other departments of the organization about ideas for new projects.	1	2	3	4	5
A25	Product and service innovation are driven by a strong customer orientation.	1	2	3	4	5

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A26	Employees are given ample opportunity for independence and freedom in how they do their work.	1	2	3	4	5
A27	This organization has a specific value system which we all know and live up to.	1	2	3	4	5
A28	Those employees who come up with innovative ideas on their own receive management's encouragement for their activities.	1	2	3	4	5
A29	Our organization has people with influence that support, coach, protect, and find resources for an intrapreneurial project and its team.	1	2	3	4	5
A30	We occasionally take big risks to keep ahead of our competitors.	1	2	3	4	5
A31	This organization provides me with the chance to be creative and try out new methods of doing my job.	1	2	3	4	5
A32	My supervisor will give me special recognition if my work performance is outstanding.	1	2	3	4	5
A33	Great effort has been made to clarify what the vision and strategy of the organization mean to us in our own department.	1	2	3	4	5
A34	Nobody at the organization is forced to develop new ideas.	1	2	3	4	5
A35	Top management encourages the establishment of teams from various departments whenever needed for a project.	1	2	3	4	5
A36	Resources are readily accessible in pursuance of new ideas and opportunities.	1	2	3	4	5
A37	Our organization has open communication channels in which all employees participate.	1	2	3	4	5
A38	Our organization involves customers in service and product development.	1	2	3	4	5
A39	I have autonomy to decide how to do my work.	1	2	3	4	5
A40	Our leaders lead by example and people are eager to voluntarily follow them.	1	2	3	4	5
A41	The creation of innovative ideas is a regular occurrence in our organization.	1	2	3	4	5
A42	Our organization's managers have the skills, commitment and courage to be effective champions of intrapreneurial initiatives.	1	2	3	4	5
A43	This organization supports many small and experimental projects realising that some will undoubtedly fail.	1	2	3	4	5
A44	Training is provided to ensure that innovative new processes are implemented effectively.	1	2	3	4	5
A45	In this organization effective intrapreneurs are generally rewarded.	1	2	3	4	5
A46	The vision and strategies of the organization often help me in setting priorities in my work.	1	2	3	4	5
A47	I am allowed time at work to explore new ideas I believe have potential.	1	2	3	4	5
A48	Project teams have choices in recruiting and selecting new team members.	1	2	3	4	5
A49	The process for accessing and acquiring resources to pursue new opportunities is streamlined so that approval is quickly granted.	1	2	3	4	5
A50	Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge with others.	1	2	3	4	5
A51	We regularly ask our customers to give their opinions of our service and product offerings.	1	2	3	4	5
A52	The degree of hierarchical control is relatively low in our organization.	1	2	3	4	5
A53	Our leaders seek to maximise value from opportunities.	1	2	3	4	5
A54	Senior managers allow innovators to bend rules and rigid procedures in order to keep promising ideas on track.	1	2	3	4	5
A55	In this organization it is easy to build coalitions of sponsors to help projects succeed.	1	2	3	4	5

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A56	If you make a mistake in this organization you will be forgiven.	1	2	3	4	5
A57	Employees are inspired to push their boundaries and to think "out-of-the-box."	1	2	3	4	5
A58	Employees are rewarded in relation to their job performance.	1	2	3	4	5
A59	There is considerable buy-in from employees into the value system of the organization.	1	2	3	4	5
A60	Our organization provides ample opportunities for learning and growth.	1	2	3	4	5
A61	Cross-functional teams are characterised by diversity based on the skills required by the project.	1	2	3	4	5
A62	Attracting resource commitment for entrepreneurial ventures in this organization is relatively easy.	1	2	3	4	5
A63	Employees are willing to assist others and share knowledge and skills even if it is not required of them.	1	2	3	4	5
A64	Customers are treated as very important stakeholders.	1	2	3	4	5
A65	Employees determine their key performance areas in co-operation with their supervisors.	1	2	3	4	5

SECTION B: SUCCESS OF THE ORGANIZATION

This section consists of 17 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
B01	Our organization develops product/services with customers' needs in mind.	1	2	3	4	5
B02	The competitive position of our organization has improved over the past few years.	1	2	3	4	5
B03	Our organization has experienced growth in market share over the past few years.	1	2	3	4	5
B04	Our employees are highly committed to our organization.	1	2	3	4	5
B05	During difficult economic periods, investments in research and development/ innovative projects continue and no significant financial cuts are made.	1	2	3	4	5
B06	Our organization has a high customer retention rate.	1	2	3	4	5
B07	Our customers are loyal to our organization.	1	2	3	4	5
B08	In our organization, employees are viewed as the most valuable asset of the organization.	1	2	3	4	5
B09	Taking care of customers is our organization' top priority.	1	2	3	4	5
B10	The morale (job satisfaction) of our employees has improved over the past few years.	1	2	3	4	5
B11	Our customers are satisfied with our organization's product/service offerings.	1	2	3	4	5
B12	The image (stature) of our organization, relative to our competitors, has grown over the past few years.	1	2	3	4	5
B13	Our organization has experienced growth in turnover over the past few years.	1	2	3	4	5
B14	The effectiveness (doing the right things) of our organization has improved over the past few years.	1	2	3	4	5
B15	Employees in our organization understand the needs of our customers.	1	2	3	4	5
B16	Our organization has experienced growth in profits over the past few years.	1	2	3	4	5
B17	The efficiency (doing things right) of our organization has improved over the past few years.	1	2	3	4	5

SECTION C: BACKGROUND INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated.
Please mark the applicable block with a cross (X).

C01	Indicate your age group	≤29	30 - 39	40 - 49	50 - 59	60+
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C02	Indicate your gender	Male	Female
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C03	Indicate your race	Black	White	Coloured	Indian
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C04	Indicate your highest academic qualification				
	Lower than Grade 12				
	Grade 12				
	National certificate				
	National diploma				
	3-year degree				
	Post graduate qualification				

C05	Indicate your management level	EXCO	Line management	Base Employee
	Other: (Specify):			

C06	Indicate your functional department				
	RMP	MARS	MES	MRP	CORP SUPPORT

THANK YOU VERY MUCH FOR YOUR VALUED INPUT.