

AN ASSESSMENT OF INTRAPRENEURSHIP IN THE EKURHULENI METROPOLITAN MUNICIPALITY

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ABSTRACT

In most instances people tend to think of the public sector as monopolistic entities facing captive demand, enjoying guaranteed source and levels of financing, and being relatively immune from voters, stakeholders, and political institutions such as legislatures and courts (Morris & Kuratko, 2003: 305).

Entrepreneurship or intrapreneurial behaviour is commonly discussed in the context of private business. However, government departments and other organs of state have a pressing need to think entrepreneurially (Rwigema & Venter, 2005: 10). Against the backdrop of legacy of apartheid in South Africa, municipalities are still faced with the challenge of extending the fundamental benefits of basic water supply and sanitation, electricity and housing to all people. It is therefore imperative in the light of these challenges for a municipality like Ekurhuleni to operate as business does, by adopting an innovative or intrapreneurial approach.

The primary objective of this study was to assess intrapreneurial climate in the Ekurhuleni Metropolitan Municipality and to make recommendations to foster intrapreneurship within the organisation. The literature review was instrumental to gather secondary data on corporate entrepreneurship (intrapreneurship) and to understand its dynamics. In order to gain primary data, quantitative research was carried out. The study population comprised lower, middle and top management participants, who were requested to complete questionnaires. This was followed by statistical analysis.

The empirical results indicate no practical significance in respondents' perception of their entrepreneurial characteristics in relation to their superiors. However, the results do indicate practical significant differences between the relationship between the groups of top/middle and lower management level and entrepreneurial climate.

The respondents did not fully agree with the statements that the Ekurhuleni Municipality climate is conducive to foster entrepreneurial behaviour. However, it was revealed that practical significant differences were found on the relationship between management level variable and intrapreneurial climate constructs. The results of the study indicate that the

respondents have divergent views of the intrapreneurial climate in the Ekurhuleni Municipality and that these views are based on the following constructs: Management support, Sponsor (champions), Tolerance for risks, mistakes and failure, Appropriate rewards, Discretionary time and work, Empowered teams and multi-disciplinary teams and diversity, Resources availability and accessibility, and Flat organisational structure with open communication and strong sense of belonging. It can thus be concluded that lower level managers are of the opinion that the climate is not conducive for a spirit of innovation to prosper.

The purpose of this research was to assess the intrapreneurial climate in the Ekurhuleni Municipality. Empirical evidence shows that there is a pressing need for a shift from the current top down approach to a future of entrepreneurship and innovation among the workforce. In light of the above-mentioned empirical findings, a practical action plan was recommended to the Ekurhuleni Municipality management in order to foster an intrapreneurial climate (see Table 5.1).

Subsequent to the findings, a practical action plan was proposed to the Ekurhuleni Metropolitan Municipality's management to enhance a culture of innovation and entrepreneurial behaviour.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

As entrepreneurship or intrapreneurial behaviour are commonly discussed in the context of private business, there is a pressing need for government departments, parastatals, and other organs of states to start thinking entrepreneurially (Rwigema & Venter, 2005: 10). Drucker (1985: 201) recommends that public service become as entrepreneurial and innovative as other businesses. Seeing that public sector organisations are faced with enormous challenges of dwindling subsidies, public scrutiny, elevated expectations, and privatisation, their need to be entrepreneurial may be even greater than that of private businesses.

1.2 BACKGROUND TO THIS STUDY

People tend to think of the public sector as monopolistic entities that face demand, but enjoy guaranteed source and levels of financing. The public sector is furthermore considered as relatively immune from voters, stakeholders, and political institutions such as legislatures and courts (Morris & Kuratko, 2003: 305). It is commonly believed that, unlike the private sector, public institutions are less innovative and more bureaucratic (as a weapon of survival). Innovation is often seen as an optional extra or added burden to business processes within the public sector (Sandamas, 2005: 4).

For the purpose of this study, Mulgan and Aubrey's (2003: 5) definition will be used to describe innovation. They describe it as the creation and implementation of new processes, products, services and methods of delivery, which result in significant improvements in outcomes efficiency, effectiveness or quality in the pursuit for excellent service delivery to customers.

Modern day public organisations face unprecedented demands from a society that grows more complex and interdependent by the day. Cummings and Worley (2005: 596) support this view and assert that the public sector operates in an environment of competing political, social, and economic forces. There are calls for public sector institutions to become more citizens focused and to operate in a more businesslike manner.

Government and the public services sector can do well by embracing innovation in their endeavour for excellent service delivery. They can achieve this by developing new solutions to old problems, using resources more effectively, meeting customer or community needs, and by refining their operational strategies.

1.3 PROBLEM STATEMENT

Southall (2007: 1) refers to the two preceding State of the Nation Addresses, which have highlighted the aspiration of President Thabo Mbeki's government for South Africa to become a developmental state. This aspiration is for a state that works successfully to combine extensive social redistribution with high economic growth. In doing so, it will effectively tackle poverty, overcome historical racial divides, and generally render the economy more dynamic, innovative, just and equitable.

Against the backdrop of a developmental state, municipalities are regarded as the main conduits for the socio-economic development of South African communities. Municipalities render basic services like electricity, water, sanitation, roads and other community infrastructural needs (Good Governance Learning Network, 2008: 8). Chapter 7 (Section 157) of the new South African Constitution of 1993 states that municipalities are constitutionally responsible for the delivery of a range of services to residents (Nyalunga, 2006: 4).

Local government has since 1994 adopted an increasingly developmental agenda and has undergone major transformation in line with the new democratic dispensation (SALGA, 2007: 9).

Despite extraordinary advances over the last ten years, municipalities are however still faced with the challenge of extending the fundamental benefits of basic water supply and sanitation, electricity and housing to all people. The lack of basic household services to all people remains an obstacle to achieving sustainable development. This remains the root cause of relentless poverty (SALGA, 2004: 2).

Protest actions and violent unrest from local communities are increasingly becoming a feature of South African societies (Hollands, 2008: 1). Yet many municipalities have risen above the delivery challenges (Good News SA, 2005). Municipalities faced with the challenges of limited resources and dearths of capacity are expected to transform and integrate previously disadvantaged communities. A compounding factor to this problem is that municipalities in South Africa are trapped in the vicious cycle of poor rates bases, low levels of payment for services, poor cash flows, poor maintenance, public disaffection, and deteriorating payment levels from poor communities (Atkinson, 2007: 72).

In this era of uncertainty, heterogeneity and operational challenges, one has to ask how excellently a municipality like Ekurhuleni may be able to turn the tide of poverty, unemployment, and under-development facing our country.

Morris and Kuratko (2003: 305) further assert that the external environment of today's public sector organisations can be characterised as highly turbulent. This implies an increasingly dynamic, hostile, and complex set of environmental conditions. Rwigema and Venter (2005: 11) postulate that in South Africa and internationally, government departments are faced with shrinking budgets and growing public expectations.

The public sector therefore needs to embrace corporate entrepreneurship (intrapreneurship) and full innovation, in the same manner as business does. Rwigema and Venter (2005: 11) highlight the fact that, for the public sector to survive, most sectors are turning to intrapreneurship with the hope of staying competitive.

Intrapreneurship is viewed as entrepreneurial behaviour in an established and larger organisation. The objective of this is simple – to gain competitive advantage by encouraging innovation at all levels in the organisation, ranging between corporate divisions, business units, functional departments and project team levels (Burns, 2005: 11).

This research argues that the municipality of Ekurhuleni should adopt a more innovative and entrepreneurial approach to service delivery. Such an approach should then serve as a powerful antidote to organisational staleness, lack of innovation and stagnated top-line growth (Thornberry, 2003: 329).

Creating an environment that fosters intrapreneurship within the Ekurhuleni Metropolitan Municipality would not merely act as an antidote for services delivery malaise and developmental challenges, but it will also revolutionise the manner in which Ekurhuleni conducts its business. Fostering a climate for innovation will include more than simply removing bureaucracy. A climate for innovation should bring new solutions to old problems. Resources should be used more effectively, needs should be met and strategies and tactics throughout the organisation should be refined. Ultimately, an investor-friendly environment for big business will thrive and attract more investment. In turn, this would create jobs and fight poverty as a vehicle for growth in the South African economy.

The traditional notion of viewing public sector organisations as monopolies inclined to guaranteed tax revenue streams, without incentives to innovate as private entities, creates a barrier to intrapreneurship. It is imperative and therefore amplified in this study that Ekurhuleni, by being entrepreneurial in its approach, starts to operate more like a business.

1.4. OBJECTIVES OF THE STUDY

1.4.1 Primary objective

The primary objective of this study is to assess the intrapreneurial climate in the Ekurhuleni Metropolitan Municipality and to make recommendations to foster an intrapreneurial climate within the organisation.

1.4.2 Secondary objectives of the study

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

- To define intrapreneurship or corporate entrepreneurship.
- To obtain insight into the dynamics of intrapreneurship by means of a literature review.
- To obtain insight into the business environment of municipal government.
- To assess the entrepreneurial characteristic of managers within the Ekurhuleni Metropolitan Municipality.
- To determine the reliability of the questionnaire.
- To assess the intrapreneurial climate in the organisation.
- To examine the relationship between the demographic variables and the constructs measuring entrepreneurial climate.
- To make practical recommendations to foster intrapreneurial climate within the Ekurhuleni Metropolitan Municipality.

1.5 SCOPE OF THE STUDY

The focus of this study is to assess the intrapreneurship climate in the Ekurhuleni Metropolitan Municipality. The research survey will be limited to top, middle and lower management staff, and will evaluate the staff's perceptions of the intrapreneurial climate within their working environment. The overarching goal of this research is to ascertain the level of intrapreneurship in the Ekurhuleni Metropolitan Municipality.

The field of this study is on corporate entrepreneurship. The geographical demarcation of this study falls within the Ekurhuleni Metropolitan Municipality

boundaries as reflected in the geographical map below. No further comparative study involving other municipalities will be conducted.

Ekurhuleni is one of six metropolitan councils in South Africa and located in the eastern part of Gauteng province (see Figure 1.1 below). It borders the metropolitan area of Johannesburg on the west, and the metropolitan area of Tshwane on the north-western side.

Figure 1.1: Ekurhuleni and Gauteng map



1.6 RESEARCH METHODOLOGY

The research method for this study will comprise of two stages, namely a literature review and empirical research.

1.6.1 Literature review

The literature review will include existing theoretical knowledge as a foundation for this research study. The literature review will contain the following: Definitions of concepts, history and forms of corporate entrepreneurship, and intrapreneurial leader's characteristics and climate for corporate entrepreneurship. Secondary data will be sourced from published and unpublished sources, periodicals, previous study reports from all relevant institutions, agency reports, conference papers, textbooks, newspapers articles, web or internet articles, journals, and other reference materials pertaining to the research.

1.6.2 Empirical research

The aim of the empirical research will be to gain primary data sources by analysing respondents' perceptions of the level of intrapreneurial climate within the Ekurhuleni Metropolitan Municipality. Empirical data will be gathered by distributing questionnaires to the top, middle and lower management staff of the organisation.

Prior to the distribution of questionnaires, respondents will be assured of the anonymity and confidentiality of their responses. No harm is envisaged by conducting this research study.

1.6.2.1 Measuring instrument

A structured questionnaire, developed by Oosthuizen & Van Der Merwe (2007), will be used as the instrument for measuring entrepreneurial climate. The focus in this section will be to assess the organisation as a whole to ascertain whether the climate is conducive to foster intrapreneurship. The questionnaire will set out the following thirteen (13) constructs essentials for an environment conducive for an intrapreneurial climate:

Visionary or entrepreneurial leadership, management support, the presence of champions or sponsors, tolerance of risk, mistake and failure, innovation and creativity, appropriate reward and reinforcement, vision and strategic intent, discretionary time and work, empowered teams, multi-disciplinary teamwork and diversity, resource availability and accessibility, continuous and cross-functional

learning, stronger customer orientation, and flat organisational structures with open communication.

The instrument will further evaluate the entrepreneurial characteristic of individual respondents relative to their superiors. The following characteristics of an entrepreneur will be investigated: Desire to achieve, internal locus of control, calculated risk-taking, tolerance of ambiguity, commitment, perseverance, determination, independence, self-confidence and optimism, tolerance for failure, persistence problem solving, opportunity orientation, integrity and reliability, high energy level, resourcefulness, creativity and innovativeness, visionary leadership, and team building.

1.6.2.2 Study population

The study group comprises of a simple random sample of top, middle and lower managers in the Ekurhuleni Metropolitan Municipality. Staff members of the Ekurhuleni Utility Companies are excluded from this research study. The population is drawn from managers of the Ekurhuleni Metropolitan Municipality. A simple random sample of 435 managers is used for this research study.

1.6.2.3 Data collection

The techniques used to gather data for this research will be through electronic and personal delivery of questionnaires to the respective workstations. Follow-up telephonic interviews will be conducted to ensure that the maximum number of respondents is reached for the purpose of this study. Subsequent to the completion of the questionnaires, the respondents will be requested to return them to the researcher. All responses collected will be collated and sent for statistical analysis.

1.7 LIMITATIONS OF THE STUDY

The focus of this research study is limited to the region of Ekurhuleni Metropolitan Municipality. No other areas of concern will be explored within the South African local

government systems. Ekurhuleni Utility Companies are also excluded for the purpose of this study.

Furthermore, the focus was placed on Ekurhuleni management level only. The sample can therefore not be considered to be representative of all the employees in the Ekurhuleni Metropolitan Municipality or in South African municipalities.

This study provides some evidence of construct validity, but further research is needed before the instrument could be utilised to diagnose corporate entrepreneurship. Care should be exercised in the interpretation and utilization of the results, and the findings of the study should not be generalized.

1.8 LAYOUT OF THE STUDY

This study will be divided as follows into five chapters:

Chapter 1: Nature and scope of the study

Chapter 1 introduces the research problem and its background. It sets out the objectives, research method, limitation, scope and layout of the study.

Chapter 2: Literature review on corporate entrepreneurship

Chapter 2 discusses background literature on corporate entrepreneurship as a basis for this research. This chapter also clarifies relevant concepts and elaborates on history, forms of corporate entrepreneurship, intrapreneurial leader characteristics and climate. Finally, a mechanism for establishing an intrapreneurial climate in the corporate environment is presented.

Chapter 3: Overview of Ekurhuleni Metropolitan Municipality

Chapter 3 provides the background information and profile of the Ekurhuleni Metropolitan Municipality.

Chapter 4: Results and discussion of empirical research

Chapter 4 focuses on the method used to gather empirical data for this project within the Ekurhuleni Metropolitan Municipality. This chapter also presents the findings of the study and discusses their implications.

Chapter 5: Conclusions and recommendations

Chapter 5 presents a diagnosis of the problem at hand based on the research findings. This chapter concludes the study, proposes recommendations, highlights the achievements of the study objectives, and sets out the limitations and suggestion for future research.

CHAPTER 2

LITERATURE REVIEW ON CORPORATE ENTREPRENEURSHIP

2.1 INTRODUCTION

Environmental uncertainty, turbulence, and heterogeneity create a host of strategic and operational challenges for today's organisations (Brown & Eisenhardt, 1998: 5). To cope with the challenges of simultaneously developing and nurturing both today's and tomorrow's core competencies, organisations increasingly rely on the effective use of corporate entrepreneurship (Covin & Miles: 1999). Block and Macmillan (2003: 7) assert that today's marketplace is characterised by fast paced and unremitting competition on a global scale.

To survive in this dynamic environment, organisations need a level of innovation, speed and flexibility that was unheard of a decade ago (Block & Macmillan, 2003: 8). It can be predicted that in tomorrow's entrepreneurial economy, managers and their organisations will face major but exciting challenges. Innovation will become even more significant in tomorrow's economy than what it currently is. Innovation in all areas of organisational systems, operations and culture will gain greater importance. Process innovation, too, will increase in importance. Managing and fostering these innovations will continue to be key managerial challenges (Zahra, 1999: 38).

South African public sector organisations, such as municipalities, are not immune to the turbulent environment faced by private sector entities. Rwigema and Venter (2005: 11) assert that government departments in South Africa and internationally are faced with shrinking budgets and increased public expectations. Most public sector organisations against the backdrop of survival are therefore turning to intrapreneurship, with the hope of staying competitive.

Not surprisingly, "bosberaads" have turned into one of South Africa's 'lucrative industries, as civil servants seek to establish themselves as intrapreneurs.

South African business organisations are challenged to manage in a globalised context of uncertainties. The dynamic nature of modern organisations, particularly those competing in global markets, together with the volatility of the South African setting, makes it imperative that organisations and their managers remain receptive to new ideas, approaches and attitudes (Hill, 2003: 1). Borman (1992: 19) believes that receptiveness will enable managers to *“anticipate the new developments likely to have an impact on their organisations, accommodating these developments into their strategic and operational plans and maintain competitive edge.”*

2.2 DEFINITION OF CONCEPTS

2.2.1 Defining entrepreneurship

From the literature, it is clear that there is a lack of general agreement among entrepreneurship scholars on the meaning of this concept, which often results in the conceptualisation of various definitions.

Even though the term entrepreneurship has been in use for over 200 years, there is generally no single accepted definition or model of what entrepreneurship is. Vague and sometimes contradictory definitions of entrepreneurship, together with the perception of the entrepreneur as a kind of mystical and complex character, have contributed to the uncertainty surrounding entrepreneurship (O’Neil, Terblanche & Keyter, 1997: 2).

People seem to hold widely separate views on who is an entrepreneur, what an entrepreneurial venture looks like, and what the nature is of the activities that constitute entrepreneurial behaviour (Burns, 2005: 23). Over the last decade, scholars have continued their attempts to describe or define entrepreneurship (Kuratko & Hodgetts, 2004: 2).

2.2.1.1 Evolution of entrepreneurial definitions

The term entrepreneur is derived from the French word *entreprendre*, which means “to undertake”. An entrepreneur is one who undertakes to organise, manage, and assume risks of a business (Kuratko & Hodgetts, 2004: 2). The word can be broken down into its three Latin roots: ‘entre’ means to ‘enter’; ‘pre’ means ‘before’ and ‘neur’ refers to ‘nerve centre’. From this, it is clear that the term describes someone who enters a business (any business) and over time forms or substantially changes that business nerve centre.

Entrepreneurship entails doing things that are not generally done in the ordinary course of business routine. This phenomenon is classified under the wider aspect of leadership (Schumpeter, 1951: 255).

Historically, Cole (1959) viewed entrepreneurship as a bridge in society between the non-economic aspect of that society, and the profit-orientated institutions, which were established to take advantage of economic endowments in order to satisfy, as best they could, their economic desires.

Shapero (1975) evolved the definition of entrepreneurship to a kind of behaviour that includes: (1) initiative taking, (2) the organising or reorganising of social economic mechanism to turn resources and situations to practical account, and (3) the acceptance of risk of failure.

Ronstadt (1984) implies that entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who take up risks in terms of equity, time, and/or career commitment to provide value for some product or service. Although the product or service itself may or may not be new or unique, value is infused as the entrepreneur secures and allocates the required skills and resources.

The recognition of entrepreneurs also dates back to the eighteenth century when Richard Cantillon used the term “entrepreneur” to refer to “originator” (O’Neil *et al.*, 1997: 3).

In business terms an entrepreneur is perceived as a person who:

- Recognises and seizes business opportunities.
- Converts opportunities into marketable ideas.
- Adds value through time, effort and money.
- assumes risk to implement ideas, and
- Realises the reward from these efforts (Tambwe, 2005: 16; Bowler & Dawood, 1996: 1).

Over the last years, hundreds of perspectives have been presented in the effort to define entrepreneurship. In the twentieth century the term has become synonymous (or at least closely linked) with free enterprise and capitalism. In recent times, entrepreneurs are generally recognised as agents of change who provide creative, innovative ideas for business enterprise, and help business grow and become profitable (Kuratko & Hodgetts, 2004: 29).

Schumpeter (1987) views entrepreneurship as a process of creative destruction, through which existing products or methods of production are destroyed and replaced with new ones (Hitt, Ireland & Hoskisson, 2001: 526). Formerly, entrepreneurship was defined as any attempt at new business, or new venture creation, such as self-employment, new business organisation or the expansion of an existing business, by an individual, a team of individuals, or an established business.

Timmons and Spinelli (2007: 79) define entrepreneurship as a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced. Kuratko and Morris (2003) highlight seven perspectives on nature of entrepreneurship, as set out in Table 2.1.

Table 2.1: Seven perspectives on nature of entrepreneurship

Key Attributes	Description
Creation of wealth	Entrepreneurship involves assuming the risk associated with facilitation of production in exchange of profit.
Creation of enterprise	Entrepreneurship entails the founding of new business venture where none existed before.
Creation of innovation	Entrepreneurship is concerned with unique combinations of resources that make 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 strong and positive orientation towards growth in sales, income, assets, and employment.

Source: Morris (1998)

2.2.2 Defining corporate entrepreneurship (Intrapreneurship)

Operational definitions of corporate entrepreneurship have evolved over the last 30 years (Kuratko & Hodgetts, 2004: 51). Related terms include organisational entrepreneurship, intrapreneurship and corporate venturing (Kuratko & Morris, 2002: 31).

Stopford and Baden-Fuller (1994) agree that there are three types of corporate entrepreneurship: The first type is where the creation of a new business within an organisation is referred to as corporate venturing or intrapreneurship. The second type is referred to as transformation or the renewal of an existing organisation. The

third type emerges when the rules of competition of industry are changed through innovation.

Antoncic and Hisrich (2001: 498) expand the definition of corporate entrepreneurship by elaborating on four entrepreneurship dimensions: (1) New business venturing, (2) innovativeness, (3) self-renewal, and (4) pro-activeness. Various terms are thus used to describe entrepreneurial efforts and behaviour within the context of an existing organisation. Different authors, however, use different terms to describe the same phenomenon.

Saetre (2001: 10) believes that some authors on corporate entrepreneurship have used the term corporate venturing and intrapreneurship synonymously. He argues that this is imprecise, since corporate entrepreneurship and intrapreneurship are synonymous, whereas the term corporate venturing is narrower. The term corporate venturing implies the creation of a new entity within the organisation, a venture, while intrapreneurship is an encompassing term, inclusive of corporate venturing. Saetre (2001: 10) concludes that there is little agreement among entrepreneurship and intrapreneurship scholars when it comes to a workable definition of the intrapreneurship concept.

In 1985, Gifford Pinchot coined the term intrapreneurship to define entrepreneurship inside the organisation where individuals (intrapreneurs) “champion” new ideas from development to total profitable reality. According to Dollinger (2003: 333), intrapreneurship is a development of internal markets and relatively small autonomous (or semi-autonomous) business units within a large organisation. These business units produce products, services or technologies that employ the organisation’s resources in a unique way. As a result, corporate managers get the opportunity to take initiative and try out new ideas in an internal corporate venture.

Intrapreneurship involves individual employees and how they might be persuaded to act in an entrepreneurial way within a larger organisation. It looks at the systems, structures and cultures that restrain this activity and how they might be avoided or challenged (Burns, 2005: 12; Birkinshaw, 2003).

Intrapreneurship can be described as an activity by an entrepreneur who works within the confines of an established organisation and perform the following roles: developing and communicating organisational vision; identifying new opportunities for the organisation; generating innovative strategic options; creating and offering an organisation-wide perspective; facilitating and encouraging change within the organisation; challenging existing ways of doing things, and breaking down bureaucratic inertia (Wickham, 2004: 574).

Corporate venture involves an activity that is new to the organisation. It is initiated internally and involves a significantly higher risk of failure than the organisation's base business. Corporate venture is also characterised by greater uncertainty than the base business. It will be managed separately at some time during its life, and is undertaken for the purpose of increasing sales, profit, productivity, or quality (Block & MacMillan, 1993: 14).

Historically, researchers have conceptualised corporate entrepreneurship as entrepreneurial behaviour that requires organisational sanctions and resource commitments to develop different types of value creating innovations.

Similar to entrepreneurship, there has been a striking inconsistency in defining corporate entrepreneurship activities. Although choices of definitions in the behavioural sciences generally remain subject to debate, a clearly stated set of definitions is required for scientific understanding, explanation, and prediction (Chrisman & Sharma, 2003: 1)

Kuratko and Hodgetts (2004: 17) indicate that although the subject of intrapreneurship has become quite popular, very few people thoroughly understand the concept. Most researchers agree that intrapreneurship refers to entrepreneurial activities that receive organisational sanction and resource commitments for the purpose of innovative results. The major thrust of intrapreneuring is to develop the entrepreneurial spirit within organisational boundaries, thus allowing an atmosphere of innovation to prosper.

In the light of the above disagreements surrounding different concepts of intrapreneurship, more definitions are explored below:

Burns (2005: 11) describes intrapreneurship as entrepreneurial behaviour in an established and larger organisation. The objective is simply to gain competitive advantage by encouraging innovation at all levels in the organisation (corporate, division, business unit, functional or project team levels).

Vesper (1984) suggests that corporate entrepreneurship is characterised by three activities:

- The creation of new business units by an established organisation.
- The development and implementation of entrepreneurial strategic thrust.
- The emergence of new ideas from various levels in the organisation.

Zahara (1999) defines corporate entrepreneurship as activities aimed at generating new business in established organisations. He further highlights that corporate entrepreneurship may be formal or informal activities aimed at creating new business in established organisations through product and process innovations and market developments. These activities may take place at corporate level, division (business), functional or project level. Its unifying objective is to improve an organisation's competitive position and financial performance.

Guth and Ginsberg (1990) stress that corporate entrepreneurship encompasses two major phenomena, namely new venture creation (without an existing organisation) and the transformation of an organisation through strategic renewal. Evidence suggests that corporate entrepreneurship practices are facilitated through the effective use of firm strategic management process (Hit *et al.*, 2001: 524).

Corporate entrepreneurship (CE) is the process by which individuals inside organisations pursue opportunities without regarding the resources they currently control (Stevenson, Roberts, & Grousbeck, 1999). An entrepreneurial manager links up separate pieces of new technical knowledge that would provide a solution to a customer problem, matches this technical capability with the satisfaction of a market,

and brings together the resources and skills needed to take the venture to the next stage.

It can be deduced that scholars have crafted different theories of corporate entrepreneurship in their effort to clarify this phenomenon. Researchers have used a variety of labels to describe the first two CE phenomena. The creation of new businesses by organisations through this process is called intrapreneurship (Pinchot, 1985).

For the purpose of this study Wickham's (2004: 574) definition of intrapreneurship is adopted and considered as relevant for the organisation under investigation. This definition has a broader view as it defines intrapreneurship as an activity by an entrepreneur who works within the confines of established organisation. At the same time, this entrepreneur is someone who can develop and communicate organisational vision; identify new opportunities for the organisation; generate innovative strategic options; create and offer an organisation-wide perspective; facilitate and encourage change within the organisation; challenge existing ways of doing things, and break down bureaucratic inertia (Wickham, 2004: 574).

2.2.3 Definition of entrepreneurial climate

Bessant and Tidd (2008: 56) define climate as the recurring patterns of behaviour, attitudes and feelings that characterise life in the organisation.

King and Anderson (2002: 134; Ekval, 1996: 105) agree that climate is regarded as an attribute of the organisation. In other words, climate refers to a conglomerate of attitudes, feelings and behaviour, which characterise life in the organisation, and exist independently of the organisational members' perceptions and understanding.

Robbins (2001: 510) views culture as that which allows the organisation to develop the assumptions, understanding and implicit rules that govern the day to day behaviour in the workplace.

Cummings and Worley's (2006) description of organisational culture leaves the impression that they regard organisational climate as part of organisational culture. It is probably correct to consider climate as a sub factor or an element of culture. Puccio, Murdock and Mance (2007: 229) regard culture as deep-rooted assumptions that operate on a preconscious level and is often taken for granted. These authors also regard climate as illustrative of the day-to-day events within an organisation.

Bessant and Tidd (2008: 57) are of the opinion that culture and climate have been used interchangeably by different scholars. As a result, climate and culture can be viewed from different perspectives. In this study, culture and climate are regarded as closely related phenomena that are crucial in the creation of a thriving atmosphere for intrapreneurship.

What does organisational culture phenomenon really mean? Organisational culture plays a fundamental role in shaping and motivating corporate entrepreneurial activity. Cummings and Worley (2006: 483), view it as an organisational shared phenomenon; representing a stable and coherent set of beliefs about the organisation and its environment. Robbins (2001: 510) views culture as something that allows the organisation to develop a core of assumptions, understanding and implicit rules that govern the day-to-day behaviour in the workplace.

Timmons and Spinelli (2007: 540) stress that organisational culture and climate (either of a new venture or of an existing organisation) are critical in determining how well the organisation will deal with growth. The climate of an organisation can have a significant impact on performance. Climate is further created by the expectations people bring to the organisation and by the practices and attitudes of key managers. The degree of organisational climate can be described in six dimensions, as presented in Table 2.2.

Table 2.2: Six organisational dimensions

Attributes	Description
Clarity	The degree of organisational clarity in terms of being well organised, concise, and efficient in a way that tasks, procedures, and assignments are made and accomplished.
Standards	The degree to which management expects and puts pressure on employees for high standards and excellent performance.
Commitment	The extent to which employees feel committed to the goal and objectives of organisation.
Responsibility	The extent to which members of the organisation feel responsible for accommodating their goals without being constantly monitored and second guessed.
Recognition	The extent to which employees feel they are recognised and rewarded (non-monetarily) for a job well done, instead of only being punished for mistakes or errors.
Esprit de corps	The extent to which employees feel a sense of cohesion, team spirit, and working together well.

Source: Timmons and Spinelli (2007: 541)

Kreitner and Kinicki (2002: 405) point out that organisational climate is represented by how employees collectively perceive and feel about organisational characteristics, structures and processes (such as decision making and communication), and the quality of their physical work environment. It has been suggested that changing the climate of an organisation implies changing employees' perceptions and attitudes.

According to Timmons and Spinelli (2007: 263), an entrepreneurial culture exists in growing new ventures. Common value systems, which are difficult to articulate, are even more elusive to measure, but are evident from behaviour and attitudes. There is a belief in and commitment to growth, achievement, improvement, success, and a sense among members of the team that they are "in this together."

Hough, Thompson, Strickland and Gamble (2008: 245) define organisational culture as shared values (i.e. what is important) and beliefs (i.e. how things work) that

interact with an organisation's structures and control systems to produce behaviour norms (i.e. the way things are done in an organisation).

Hitt *et al.* (2001: 505) hold the view that organisational culture consists of a complex set of ideologies, symbols, and core values that is shared throughout the organisation and influence the way it conducts business. Organisational culture often encourages (or discourages) the pursuit of entrepreneurial opportunities, especially in large organisations. IBM produces a handbook designed to infuse an entrepreneurial spirit into its culture. An organisational culture has an enormous influence on the generation of innovative ideas (Block & MacMillan, 1993: 93).

Hisrich, Peters and Shepherd (2005: 45) distinguish between corporate culture and intrapreneurial culture. Typical corporate culture has a climate and reward system that favour conservative decision making. Risky decisions are deferred until enough hard facts can be gathered or a consultant hired to simplify the unknown.

The guiding directives of corporate culture adhere to instructions. They do not make mistakes, do not fail, and do not take initiative. Within this type of culture, people wait for instructions and stay within their terrain. This restrictive environment does not encourage creativity, independence, flexibility, or ownership. This environment also does not encourage risk-taking, which is the main guiding principle of intrapreneurship.

Entrepreneurial culture should encourage employees to be creative and innovative, so that they can experiment with new products, make suggestions for improvements of products and internal process, and take risks, responsibility and ownership of their creations (Nayager & Van Vuuren, 2005: 31).

2.3 HISTORY AND BACKGROUND OF CORPORATE ENTREPRENEURSHIP

The business environment today is all about change. This is not a radical or new revelation (Morris & Kuratko, 2002: 14). Heraclitus stated in 500BC that "nothing

endures but changes.” However, the pace and magnitude of current change is dramatically greater than ever before. Never in history has the pace of technology been so fast. Technology’s life cycle is getting shorter and technological advances are leapfrogging.

According to Rao (2001: 35), the “discipline of corporate entrepreneurship” refers to old models and examples that have existed for more than 100 years. He questions whether corporate entrepreneurship has changed that much over time and concludes that there has been no revolutionary change by today’s standards. Listed below is a historical fact sheet indicating the entrepreneurial activities of the inventor Edison, the owner of the Invention factory, founded in 1876:

- 1878 – Edison forms the Edison Electric Light Organisation in New York
– (financiers include J.P. Morgan and the Vanderbilts).
- 1879 – Edison places filament in vacuum. A light bulb lasts for 40 hours.
(The light bulb patent was purchased from inventors Henry Woodward and Matthew Evans).
- 1881 – Edison and Bell form the Oriental Telephone Organisation.
- 1882 – The first investor-owned electric utility opens in NY City.
- 1892 – Edison Electric combines with a major competitor to form General Electric. J.P. Morgan is the investment banker.
- 1912 – George Eastman (Kodak) supplies film for motion picture cameras.
- 1920 – Edison, Ford and Firestone establish the Edison Botanic Research Organisation.

Source: <http://www.tomedison.org>

In the past 20 years, entrepreneurship has become a very appreciated element of our economic fabric (Fattal, 2003: 14). Entrepreneurship has been recognised for its worth by individuals who have taken this route, through necessity or choice. It has also been recognised by the various government programmes and venture capital initiatives that support innovative entrepreneurial projects. However, the importance of intrapreneurship in the growth of established business, is often unnoticed.

Katz and Shepard (2004) explain that in business and business education, corporate entrepreneurship has been treated like a stepchild. Like many other practical inventions of business people, it seems to have existed in business for years before academics encountered and labelled it with wider visibility (Knight, 1967).

Research interest in the topic emerged in the 1970s, with perhaps the determining event being the International Symposium of Entrepreneurship. In 1980, as America was hammered by foreign competition, corporate entrepreneurship emerged as a possible answer to the Japanese industrial onslaught.

The contemporary thrust in entrepreneurship as a major force in American business has led to a desire to promote this type of activity inside the enterprise (Kuratko & Welsh, 2004: 233). Some researchers have concluded that entrepreneurship and bureaucracy are mutually exclusive and cannot coexist, while others have described entrepreneurial venture within an enterprise framework. Successful corporate ventures have been used in many different organisations, including 3M, IBM, Hewlett Packard, AT&T, General Electric and Polaroid.

Drucker (1985) points out that today's wealth of popular business literature describes a new corporate revolution, which can be attributed to the infusion referred to as corporate entrepreneurship or intrapreneurship. It was previously stated that in 1985, Gifford Pinchot coined the term intrapreneurship to describe entrepreneurial activity inside the organisation where individuals (intrapreneurs) support new ideas from development to complete profitable reality.

In recent times, there has been greater interest in the use of corporate entrepreneurship as a means for organisations to, on the one hand, develop the innovative abilities of their employees and, on the other hand, increase corporate success through creating new corporate ventures (Miller & Friessen, Pinchot, 1985; Kuratko & Montagno, 1989).

Goosen, De Coning and Smit (2002) agree that over the recent years, corporate entrepreneurship (or intrapreneurship) has been viewed as a means of invigorating the corporate organisation. This view is in part based on the belief that an

intrapreneurial element will assist the organisation to be more dynamic and competitive.

Block and McMillan (1993: 22) mention that, judging from media reports; one might be inclined to think that venturing does not work. For example, a Wall Street Journal headline on August 17 1990, read as follows: "KODAK EFFORTS AT INTRAPRENEURSHIP FAIL." The subheading was: "The practices that make organisations successful – training procedures, personnel policies, hierarchical management structures, – are anathema to risk-taking, free-wheeling entrepreneurs." The reality is nevertheless that venturing has proved successful for many organisations over a broad industry spectrum, ranging from specialty retailing to high technology products, and a host of other services business like Hewlett Packard and Johnson & Johnson.

2.4 FORMS OF CORPORATE ENTREPRENEURSHIP

As mentioned before, operational definitions of corporate entrepreneurship have evolved over the past thirty years. Stopford and Baden-Fuller (1994) stress the notion that there are three types of corporate entrepreneurship. The first type is the creation of new business within an organisation (often referred to as corporate venturing or intrapreneurship). The second type is the transformation or renewal of existing organisations. The third type is the process of changing the rules of competition of industry through innovation.

As mentioned before, Antoncic and Hirsch's (2002: 495) expansion of the definition of corporate entrepreneurship include four entrepreneurship dimensions: (1) New business venturing, (2) innovativeness, (3) self-renewal, and (4) pro-activeness. They define new business venturing as "the creation of new business within the existing organisation, regardless of the level of autonomy (Antoncic & Hirsch, 2001: 498; Saetre, 2001).

Covin and Miles (1999) conceptualise four types of corporate entrepreneurship, with each one oriented to either rejuvenating or intentionally redefining the organisation or

establishing innovation (Dess, Ireland, Zahra, Floyd, Janney & Lane, 2003). The table below sets out the key attributes of these forms of corporate entrepreneurship:

Table 2.3: Table of key attributes of four forms of corporate entrepreneurship

Forms of corporate entrepreneurship	Focus of corporate entrepreneurship	Typical basis of competitive advantages	Typical frequency of new entrepreneurial activity	Magnitude of negative impact if new entrepreneurial activity is not a success
Sustained regeneration	New products or new markets	Differentiation	High frequency	Low
Organisational rejuvenation	The organisation	Cost leadership	Moderate frequency	Low to moderate
Strategic renewal	Business strategy	Varies with specific form manifestation	Less frequency	Moderate to high
Domain rejuvenation	Creation and exploitation of product market arenas	Quick response	Infrequency	Varies with specific form manifestation and contextual consideration

Source: Covin and Miles (2001: 57)

Morris and Kuratko (2002: 69) expand the definition further by identifying seven major forms of corporate entrepreneurship as presented in Table 2.4.

Table 2.4: Seven major forms of corporate entrepreneurship

Attributes	Example
Traditional R&D	“Leave it to technical guys”
Ad hoc venture teams	“Here ‘s the concept, the budget, and the deadline – go for it”
New venture group	“We want a factory for breakthrough concepts”
Champions and the mainstream	“Its up to everyone, including you”
Acquisitions	“We can buy growth and obtain the products, markets, and technologies of other”
Outsourcing	“Lets have someone else develop it for us, and then we’ll make money”
Hybrid forms	“We can mix and match the other approaches to fit our context”

Source: Morris and Kuratko (2002: 69)

Structurally complex organisations, such as those engaging in product and/or market diversification, may simultaneously use one or more (or even all four) corporate entrepreneurship forms in different parts of the organisation. *Sustained regeneration* is concerned primarily with continuous innovations (this is the most frequently recognised corporate entrepreneurship form).

In this scenario, the organisation develops cultures, processes, and structures to support and encourage a continuous stream of new product introductions in its current markets as well as entries with existing products into new markets (Covin & Miles, 1999). The organisation’s internal processes, structures, and capabilities are the targets of *organisational rejuvenation*. Concerned primarily with developing the organisation’s ability to execute strategies, organisational rejuvenation often brings about changes to value chain activities.

For the most part, corporate entrepreneurship efforts oriented to organisational rejuvenation are framed around support activities (e.g. procurement and human resource management) rather than primary (e.g. inbound logistics and operations) activities (Dess *et al.*, 2003: 354; Porter, 1980).

Strategic renewal is viewed in terms of how an organisation may change the manner in which it competes in the market place. Thus, the nature of rivalry with competitors is altered as the organisation concentrates on renewing the strategies it uses to successfully align itself with its external environment. With organisational rejuvenation, the organisation itself becomes the focus of CE efforts. At its best, CE as strategic renewal gives the organisation a chance to exploit product-market opportunities more profitably. This outcome is achieved when the organisation repositions itself in ways that allow simultaneous exploitation of current competitive advantages and exploration for advantages that will lead to future success (Ireland, Hitt & Vaidyanath, 2002: 446).

Through *domain redefinition*, the organisation proactively seeks to develop a new product market position that contenders have not recognised or have underserved (Covin & Miles, 1999). The focus is to explore what is possible rather than to exploit what is currently available. The commitment to reenergize the organisation by redefining its domain is also intended to bring about first mover advantages. Sony's introduction of the innovative Walkman is an example of a first mover action that brought about a new product arena (Dess *et al.*, 2003: 355).

Last but not least, Rao (2002: 13) holds the view that there are at least four generic flavours of corporate entrepreneurship:

- Corporate venturing: Starting a business within a business.
- Resource re-organisation: New arrangement or combination of existing resources/capabilities.
- Industry rule breaking: Changing the rules or basis for competition within the industry.
- Intrapreneuring: Injecting intrapreneurial behaviour among employees.

2.5 ENTREPRENEURIAL PROCESS IN CORPORATE ENTREPRENEURSHIP

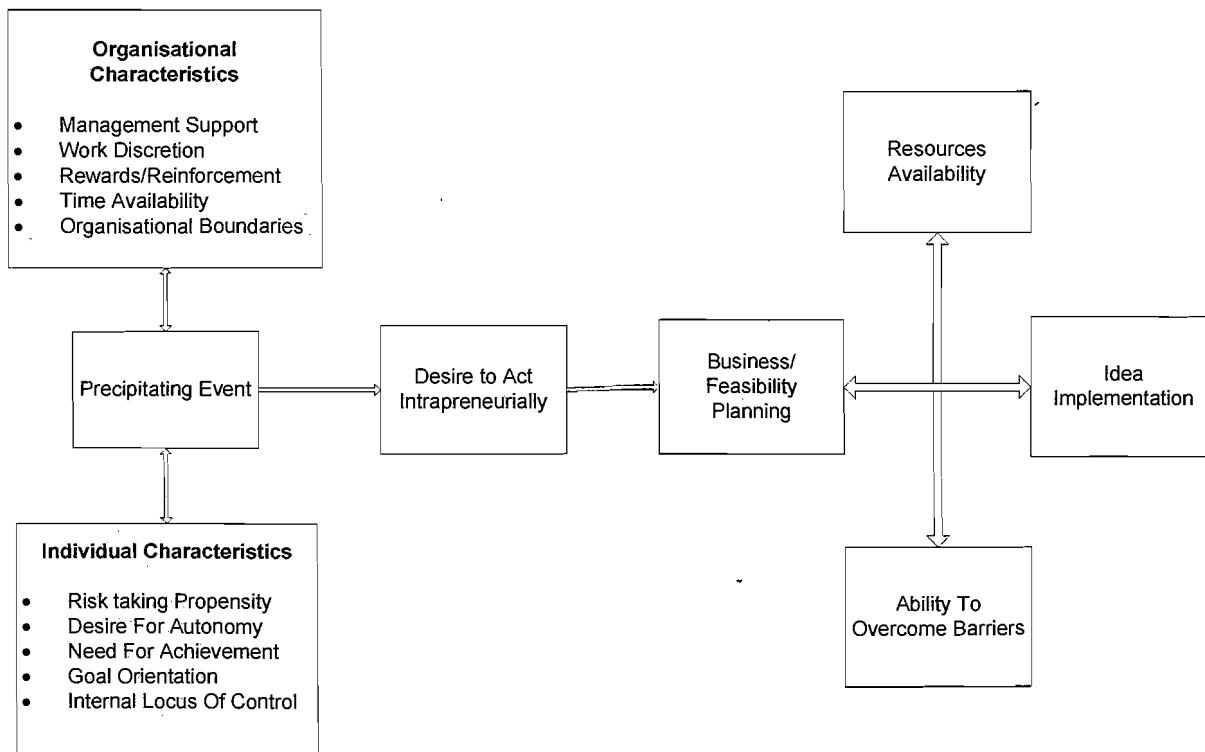
According to Timmons and Spinelli (2007: 88), a core fundamental process justifies the substantially greater success pattern among higher potential ventures. Despite the great variety of business, entrepreneurs, geographies, and technologies, it is the central themes that drive this highly dynamic entrepreneurial process.

The above authors have conceptualised the following features for the entrepreneurial process. These elements can be controlled, assessed, influenced and altered as a benchmark or blueprint for venture success or failure. The entrepreneurial process is:

- opportunity driven
- driven by a lead entrepreneur and an entrepreneurial team
- resources parsimonious and creative
- subject to fit and balance
- integrated and holistic
- sustainable.

Hisrich *et al.*, (2005: 38) hold the view that the process of starting a venture is embodied in the entrepreneurial process, which entails more than simple problem solving in typical management positions. An entrepreneur must find, evaluate, and develop an opportunity to overcome the forces that resist the creation of something new. In addition, Hisrich *et al.*, (2005: 38) explain that the process has the following four distinct phases: 1) identification and evaluation of opportunity, (2) development of business plan, (3) determination of the required resources, and (4) management of the resulting enterprise. The following model reflects organisational and individual characteristics for successful intrapreneurship.

Figure 2.1: An interactive model of corporate entrepreneurship



Source: Adapted from Hornsby, Naffziger, Kuratko and. Montagno (1993)

Block and MacMillan (1993: 23) points out that a literature review on intrapreneurship suggests that the intrapreneurial process can be described by four key features, which distinguish them from other internal investment projects. Firstly, new ventures are, unlike typical research and development projects, not about simple extension or technology or market (Block & MacMillan, 1993: 23). Thus, they typically introduce a significant amount of novelty. Secondly, it is a long-term investment to invest into new ideas. Thirdly, new ventures are highly uncertain, i.e. they typically fail (Block & MacMillan, 1993: 23). Finally, entrepreneurship is characterised by a considerable degree of ambiguity and it is firmly embedded into an inherently social environment. Burns (2005: 337) identifies five recognisable stages of intrapreneurship or corporate venturing:

Problem definition: Stage 1 begins with problem definition and problems. Alternatives or opportunities may emerge from sources within the organisation or industry.

Coalition building: Stage 2 requires coalition building. The entrepreneur must develop relationships within the corporate bureaucracy that support the innovative project throughout its early development. For an idea to attract support, it must in some way “fit” with organisation and match the organisation’s goals. To gain rapport, the intrapreneur should have a business plan. This is crucial because corporate managers and bureaucracy often see this internal corporate venturing as a threat to the current power structure and resources allocation process.

Resources mobilisation: Stage 3 calls for resource mobilisation. The intrapreneur seeks the same type of resources as entrepreneurs: physical, technological, financial, organisational, human, and reputational. To ensure venture success, resources need to be rare, valuable, imperfectly imitable, and without substitutes.

Project execution: Stage 4 is actual execution of internal corporate venturing. It must assess the industry environment, both static and dynamic, and make appropriate operating and tactical decisions. It may be necessary to open internal corporate venture to influence from external sources and recruit personnel and technology from outside.

Venture completion: Stage 5 is the venture completion phase. If the internal corporate venture has been less than successful, it can be dismantled and resources may then be reabsorbed by the organisation. If it has been successful, it can be continued and additional investment can be made.

2.6 THE KEY CHARACTERISTICS OF AN INTRAPRENEURIAL LEADER

Of all the elements necessary for successful corporate entrepreneurship, the individual “champion” or “intrapreneur” is the most critical. Without the visionary leadership and persistence demonstrated by the individual, little would be accomplished.

Morris and Kuratko (2002: 77) point out the following common psychological traits (with entrepreneurial intensity) that an entrepreneurial individual should possess:

- Desire to achieve.
- Internal locus of control.
- Calculated risk-taking.
- Tolerance for ambiguity.
- Commitment, perseverance, determination.
- Independence.
- Self-confidence and optimism.
- Tolerance for failure.
- Persistence in problem solving.
- Opportunity orientation.
- Integrity and reliability.
- High energy level.
- Resourcefulness.
- Creativity and innovativeness.
- Visionary leadership.
- Team building.

Intrapreneurship does not necessarily refer to the inventors of new products or services but rather to people who turn ideas or prototypes into profitable realities (Kuratko & Hodgetts, 2004: 67). These people are team builders with commitment and a strong drive to see their idea turn to reality. Most intrapreneurs begin their “intraprise” idea. This idea typically starts as a vision, often referred to as the “daydreaming phase.” Here the intrapreneur mentally goes through the process of taking the idea to fruition.

Different pathways are thought through, and potential obstacles and barriers are mentally examined. An intrapreneur is sometimes described as “a dreamer who does.” Intrapreneurs tend to be action oriented and can move quickly to get things done. They are goal-oriented and willing to do whatever it takes to achieve their objectives. They are a combination of thinkers, doers, planners, and workers.

Intrapreneurs combine vision and action. Dedication to new ideas is paramount. As a result, intrapreneurs often expect the impossible from themselves and consider no setback too great to make their venture successful. They are self-determined goal setters who go beyond the call of duty in achieving their goals.

Hisrich *et al.*, (2007: 49) stress that within corporate environment; certain individual characteristics that constitute a successful intrapreneur have been identified. These traits include understanding the environment, being flexible, creating management opinions, encouraging open discussion, building a coalition of supporters, and being persistent.

Environment: An entrepreneur needs to understand all aspects of the environment. Part of this ability is reflected in an individual's level of creativity, which generally decreases with age and education in most individuals. The individual must be creative and have a broader understanding of internal and external environment of the organisation. According to Nieuwenhuizen *et al.*, (2003: 348), intrapreneurs or employees recognise opportunities and develop innovative concepts and sell it to senior management. In this process and by seeking high level sponsors, they become champions.

Visionary leadership: An intrapreneur must be a visionary leader – a person who dreams great dreams. To establish a successful new venture, the intrapreneurial leader must have a dream and overcome all the obstacles by selling the dream to others (Hisrich *et al.*, 2007: 49). In the context of intrapreneurial or visionary thinking, leaders have the ability to articulate a vivid image of what they desire to create within their organisations (Puccio *et al.*, 2007: 113).

Flexibility: the intrapreneur must be flexible and create management options, not by “minding the store” but rather by opening up to or encouraging change. By challenging the beliefs and assumptions of an organisation, an intrapreneur has the opportunity to create something new in organisational structure (Hisrich *et al.*, 2007: 49). Puccio *et al.*, (2007: 245) stress that creativity is a process that leads to change; you do not get deliberate change without it in your endeavour for intrapreneurial climate.

Team work: An intrapreneur should encourage teamwork and use a multi-disciplinary approach. Coordinating a variety of skills requires the crossing of established departmental structure and reporting systems. Team building involves the capability to inspire, to work with differing personalities, and to interweave individual goals (Rwigema & Venter, 2005: 620).

Open discussion: This must be encouraged in order to develop a good team for creating something new within an organisation. A successful new intrapreneurial venture can be formed when the teams involved feel free to disagree and critique an idea to reach the best solution.

Coalition of supporters: Openness establishes a strong coalition of supporters and encouragers. It also strengthens the motivation for career paths and job security. A good intrapreneur makes everyone a hero. Intrapreneurs have the capability to market their concept and idea to senior management. Ultimately, nothing can be achieved without management's "buy in" (Rwigema & Venter, 2005: 87).

Persistence: The establishment of any new intrapreneurial venture comes with its frustrations and obstacles. The persistence of an intrapreneur is crucial to successful venture establishment.

2.7 THE DETERMINANTS OF AN ENTREPRENEURIAL CLIMATE

According to Kuratko and Hodgetts (2004: 57), another way to create an innovative corporate atmosphere is to apply rules for innovation. The following rules can provide hands-on guidelines for developing the necessary innovative philosophy:

- Encourage action.
- Use informal meetings whenever possible.
- Tolerate failure and use it as a learning experience.
- Persist in getting an idea into the market.
- Reward innovation for innovative sake.

- Plan the physical layout of the enterprise to encourage informal communication.
- Expect clever bootlegging of ideas (people secretly working on new ideas during the organisation's time as well as during personal time).
- Put people on small teams for future-oriented projects.
- Encourage personnel to circumvent rigid procedures and bureaucratic red tape.
- Reward and promote innovative personnel.

When these rules are followed, they create an environment conducive to and supportive of potential entrepreneurs. The end result is a corporate philosophy that supports intrapreneurial behaviour.

A tolerance for experimentation will create an atmosphere of inquiry and critical thinking, which, in turn, will lead to ideas for improving the systems or products (Kuratko & Welsch, 2004: 57). Management should ensure that the consequences of pursuing a new idea will be that a person is given a sense of satisfaction just for being "one who tried" (Stevenson & Jarrillo-Mossi, 1986).

A good recipe for creativity is low tolerance for failure, accompanied by strategies to create an organisation with the courage to believe in change. Kuratko and Hodgetts (2004: 63) emphasise that when establishing the drive to innovate in today's organisations, the final and possibly most critical step is to invest in entrepreneurial activities that allow new ideas to flourish in an innovative environment. These authors have conceptualised the following factors as the foundation for introducing an intrapreneurial climate:

- Management support.
- Autonomy/work discretion.
- Rewards/reinforcement.
- Time availability.
- Organisational boundary.

Different authors have emphasised essential characteristics, which contribute to the creation of an entrepreneurial climate. Oosthuizen (2007) identify thirteen constructs or themes that are vital for establishing an entrepreneurial climate within the corporate environment. These constructs are set out below:

2.7.1 Visionary or entrepreneurial leadership

In order to nurture effective intrapreneurship, leaders must know where they are going, how they are going to get there and why they are going there. They should be focused on the achievement of their set goals (Wickham, 2004: 267). Hisrich *et al.*, (2007: 50) highlight that the intrapreneurial leader must have a dream and overcome all obstacles to achieve this dream. In order for the intrapreneurial spirit to thrive, the intrapreneurial leader must also sell his dream to others. Intrapreneurs are driven by the need to achieve their dreams by bringing innovative goods to the market in a profitable manner, in order to create value or wealth creation.

2.7.2 Management support

According to Kuratko and Hodgetts (2004: 63), management structure encourages employees to believe that innovation is part of the role-set for all organisation members. Some of the specific conditions reflecting management support would be a quick adoption of employees' ideas, and the recognition of people who support small experimental projects and seed money to get the project off the ground.

If team members are to succeed, they should receive support from management in the form of encouragement, advice, the provision of resources and influencing behind the scenes (Wickham, 2004: 560). In this scenario, intrapreneurs, like dormant seeds, will emerge and grow if the right assistance and support is available (Bolton & Thompson, 2004: 315).

2.7.3 Autonomy/work discretion and time availability

According to Bessant and Tidd (2007: 66), people are given autonomy to define their own work in a climate with much freedom. They are able to exercise discretion in their day to day activities. Workers have discretion to the extent that they are able to make decisions and perform work in a manner that they believe is most effective (Kuratko & Hodgetts, 2004: 63). Kuratko and Hodgetts (2004: 65) argue that the fostering of new and innovative ideas require that individuals have time to incubate ideas.

History reveals that, at the diversified manufacturing corporation, 3M, there is a clear guideline, (unwritten but universally understood) that researchers can spend 15 % of their time working on a new idea without approval from management (Fattal, 2003: 8). Organisations must control people's workload and avoid putting constraints on all aspects of a person's job. People should be allowed to work with others in long-term problem solving.

If organisations allow employees to make decisions about their work process and avoid criticising them for making mistakes when innovating, an intrapreneurial climate will be ultimately be encouraged. Environments that allow autonomous decision making result in employees that feel valued for their contribution to the organisation in attaining its goals and objectives.

2.7.4 Rewards/reinforcement

It is widely viewed that employees work harder when they strive to reach challenging goals than when they have no clear goals. People work harder when they perceive clear links between their efforts, performance, and the reward they receive. If these links are weak or absent, people work less hard. Last but not least, people also work harder when they feel that they are fairly treated (Barron & Shane, 2005: 332). Employees generally feel valued when a reward matches their expectations, when they feel valuable and when they are perceived as equitable among their team members.

Coetsee (2002: 153) supports this view by asserting that people need to know what they are getting in return for their efforts. They need to know what is in it for them. They expect their efforts to be recognised and rewarded.

Rewards and reinforcement enhance individuals' motivation to engage in innovative behaviour. Organisations should be characterised by providing rewards contingents on performance, providing challenges, increasing responsibilities and by making the ideas of innovative people known to others in the organisational hierarchy.

2.7.5 Strong customer orientation

The awareness of customer needs plays a powerful role in invention and innovation (Roberts, 2007). Customer-oriented behaviour develops long-term relationships between the organisation and its customers and these relationships are beneficial to both parties. An understanding of what customers really value is a far more fruitful exercise than merely asking them to submit their own solutions. The process of innovation begins with identifying the outcomes that customers want to achieve, and ends in the creation of items or services they will use (Ulwick, 2002: 5).

2.7.6 Visions and strategic intent

Intrapreneurial organisations need to have strategic thinkers or leaders who build bridges to get from the present to the future state of sustainable competitive advantages and effectiveness (Puccio *et al.*, 2007: 127). Leaders need to instil a culture of innovation among its workforce. By doing so they will remain agile in this environment of organisational and business uncertainty with its limited resources, elevated customer expectations and global competition.

When an organisation has a clear sense of its purpose, direction and desired future status, and when this image is widely shared, individuals are able to find their own roles both in organisation, and in the larger society (Puccio *et al.*, 2007: 11). According to Wickham (2004: 268), visions are the starting point to shape and direct an entrepreneurial venture. Some sense of vision must exist before strategy development and planning can start. Organisations with ambitions to delight their

customers with innovative processes, systems, excellent service delivery and quality products, must craft a vision with operational strategies that separates them from the rest.

It is thus asserted that a vision is successful if it reaches a wide audience and tells an engaging story that people want to be part of, a story that challenges them to be innovative, and creates a sense of urgency among the workforce. A vision is not merely an extended strategic plan or mission; it becomes attainable when it forms part of daily decisions and actions taken to those that are led (Lipton, 2007: 140). It is thus of utmost importance that all organisational members embrace the organisation's vision as their own through effective change management.

2.7.7 Empowered teams and multi-disciplinary teams

According to Gill (2003: 315), empowerment is about giving people power; it is about giving people the knowledge, skills, opportunity, freedom, self-confidence and resources to manage themselves and be accountable. An empowered team is thus a process of giving employees the power to make decisions about their work.

Covey (1990: 178) explains that one cannot give power to another individual or team but one has to earn trust before he/she can be empowered. Gill (2003: 315) also highlights the fact that encouraging intrapreneurship is an example of empowerment. An empowered team will operate efficiently if a multidisciplinary team-approach is supported. Such an approach needs the participation of organisational members to encourage an entrepreneurial climate, regardless of the organisational structure's area of specialisation (Hisrich *et al.*, 2005: 49).

Kreitner and Kinicki (2004: 455) are of the opinion that effective teamwork can be attained through cooperation, trust and cohesiveness among team members. They add that the sole purpose of effective teamwork should be to achieve a collective objective. A multi-disciplinary team approach is often implemented in organisations to deal with organisational challenges and to effectively resolve them for the ultimate goal of attaining organisational objectives.

2.7.8 Resource availability and accessibility

Resources refer to those things that a business uses to pursue its organisational needs (Wickham, 2004: 200). People, money and operational assets are essential ingredients or resources for intrapreneurial venture.

Resources need to be easily available in order to foster a climate of intrapreneurship. Resources are not supposed to be hampered by corporate bureaucracy. In pursuit of their goal, intrapreneurs utilise scarce resources by converting inputs into output. They use innovation funds that add value to their customers in attaining organisational effectiveness or competitive advantages.

2.7.9 Creativity and innovation

Nieuwenhuizen, Hough and Nieman (2003: 351) distinguish creativity and innovation as follows: Creativity deals with getting an idea, while innovation relates to implementing the idea. Baron and Shane (2005: 54) view creativity as the generation of ideas that are both new and potentially useful.

According to Bessant and Tidd (2008: 40), creativity is the making and communicating of meaningful new connections to help us think of many possibilities. It helps us to experience varied ways, use different points of view, and think of new and unusual possibilities. In addition, it guides us in generating and selecting alternatives.

These new connections and possibilities must result in something of value for the individual, group, organisation or society. It can be highlighted that new possibilities can stem from more efficient and effective business processes, new services and products that add value to customer needs.

Utterback (1994: 256) conceptualises and identifies four phases (4P's in innovation) in which innovation takes place. The myth that innovation or intrapreneurship is a preserve for the private sector but not for the public sector can be dispelled by the

following elements of the four phases: (i) product innovation, (ii) process innovation, (iii) position innovation, and (iv) paradigm innovation.

Lowe and Sue-Marriott (2006: 63) assert that innovation is the process by which the opportunities that have been identified through individual and organisational creativity are exploited for the benefit of the organisation, society and the end consumer.

A climate for creativity and innovation promotes the generation, consideration and use of new products, services and ways of working. Bessant and Tidd (2008: 40) emphasise that this climate supports the development, assimilation and utilisation of new and different approaches, practices, and concepts. Innovation and creativity are the lifeblood of intrapreneurship within organisations, bringing innovative outputs, new ideas, improved process, new products, and new ventures.

2.7.10 Risk-taking and tolerance for mistake

Organisations that do not allow opportunity for failure will result in fewer or no examples of thriving intrapreneurial ventures. Traditional corporate structure has a culture of avoiding mistakes: There is no failure and no initiative taking, but strict adherence to instructions. One stays within one's turf and protects one's backside. These norms are often regarded as barriers to an intrapreneurial climate (Hisrich *et al.*, 2004: 45).

Bessant & Tidd (2008: 65) assert that the employees of risk avoiding organisations complain about boring, low energy jobs in which they are frustrated by long, tedious processes to get their ideas into action. Ultimately, in such environments, intrapreneurial employees often leave the organisation to join a more intrapreneurial organisation in which creativity and innovation is valued.

Intrapreneurs play a crucial role in organisations in that they improve organisational performance due to their increased pro-activeness and willingness to take risks through the innovation of products, process and services (Robinson 2001: 95). It is commonly believed that leaders promote innovation by creating a shared rule that team members are safe to take interpersonal risks (Chatman & Cha, 2003: 25).

2.7.11 Flat organisational structure and open communication

Organisational hierarchies are often recognised as a hindrance to creativity and innovation, due to their culture of asking for permission from superiors (Niewenhuizen *et al.*, 2003: 354). Hisrich *et al.*, (2005: 45) explains that traditional organisation's characteristics of established procedures and reporting systems, together with their lines of authority and responsibility, instructions and control mechanisms, do not support innovations for new products, services, processes or ventures.

Organisational boundaries, real and imagined, prevent people from looking at problems outside their own jobs. People should be encouraged to look at organisations in broader perspective. Organisations should avoid having standard operating procedures for all major parts of jobs and should reduce dependence on narrow job description and rigid performance standards (Kuratko & Hodgetts, 2004: 65).

Intrapreneurial climates are often characterised by flat organisational structures with networking, teamwork, sponsors and mentorship. Gill (2003: 313) implies that networks of power, influence and horizontal relationships will replace the formal hierarchies found in bureaucratic organisations, which hamper climates for innovation. Chatman and Cha (2003: 22) emphasise that too much reliance on formal rules, policies, and procedures will not achieve anything outstanding, be it customer services, innovation and quality.

In order to build a trusting relationship among team members, and for innovation to prosper within the corporate environment, the intrapreneurial leader should encourage openness and dialogue. Hisrich *et al.*, (2005: 50) agree that openness leads to the establishment of strong coalition of supporters and encouragers.

2.7.12 Organisational learning

Senge (1990: 2) conceptualises the term organisational learning as organisations where people continually expand their capacity to create the results they truly desire.

In organisations where such learning occurs, new and expansive patterns of thinking are nurtured, collective aspiration is set free, and people are continually learning how to learn together. This phenomenon of organisational learning is viewed by Cummings and Worley (2005: 498) as an organisational structure or social process that enables employees and teams to learn and to share knowledge among organisational members.

Learning organisations have a strong culture that promotes openness, creativity, and experimentation among members. These values and norms provide the underlying social support for successful learning. They encourage team members to acquire process and share information. In addition, they nurture innovation and provide the freedom to attempt new things, to risk failure, and to learn from mistakes.

Kotzé (2002: 10) points out that an organisational learning climate is characterised by these core values, openness and transparency, innovation and creativity, acceptance of reasonable risks, trustworthiness and growth. A learning organisation can thus be regarded as one that allows a spirit of innovation, calculated risk-taking, transparency, and knowledge sharing. In such an organisation, management prospers with the ultimate goal of organisational effectiveness and competitive advantages.

2.7.13 Champions or sponsors

Effective entrepreneurial teams generally have a champion, a sponsor, and rewards to stir up the innovative spirit. Champions are people who encourage projects during critical stages. They keep decision-makers and sponsors informed, lead team members, and enthusiastically promote the project at all levels of the organisation (Peterson & Johnson, 2004: 62).

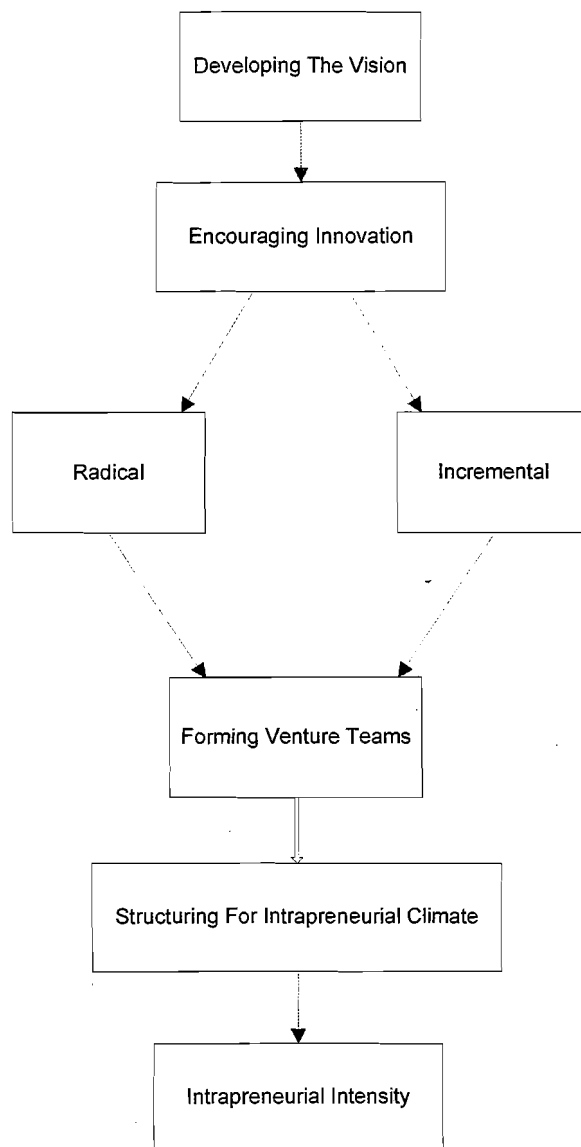
2.8 ESTABLISHING AN INTRAPRENEURIAL CLIMATE IN CORPORATE ENVIRONMENT

The era of the intelligent man/woman is almost over and new one is emerging — the era of the creative man and/woman. Pinchas Noy.

An organisation can follow four broad strategies if it wants to increase the creative production of its members (King & Anderson, 2002: 23). Firstly, it may introduce procedures to encourage the generation of new ideas, such as the well known 'brainstorming' technique (Puccio *et al.*, 2007: 71; Osborn, 1953). Secondly, it may train people in the skills required for successful creative performance. Thirdly, it may use a selection and assessment process to recruit creative individuals and assign people to positions appropriate to their level of creativity. Fourthly, it may change its own characteristics such as structure, climate and culture, in ways which facilitate creativity (King & Anderson, 2003: 23).

Literature has widely revealed that rigid, hierarchical and bureaucratic structures are a common recipe for lack of intrapreneurial development as reflected in the public sector organisations. Kuratko and Welsch (2004: 356) and Dent Jnr (1990) outline steps to be followed for corporate intrapreneurship to succeed in figure 2.2.

Figure 2.2: Flowchart of the key steps in developing intrapreneurial strategy



Source: Adapted from Dent (1990)

Many of the factors considered to inhibit innovation, (i.e. authoritarian leadership, routinised low jobs, hierarchical structures and bureaucratic cultures) operate by restricting people to work in the way that best suits them. Table 2.5 summarises the organisational characteristics that commonly impact on creative performance.

Table 2.5: Organisational characteristics influencing creativity

Leadership
Democratic, participative styles facilitate creativity; authoritarian styles inhibit it.
Job characteristics
Discretion is positively associated with creativity.
Structure
Strong hierarchical structures inhibit creativity; flat structures with permeable boundaries between subdivisions facilitate it.
Climate
Creativity is encouraged by climates, which are playful about ideas, supportive of risk-taking, challenging, and tolerant of vigorous debate.
Culture
Creativity is impeded by cultures, which emphasise rules, respect for traditional ways of doing things and clearly demarcated roles.

Source: King and Anderson (2002: 23)

Kirby (2003: 203) explains that if an organisation is to be intrapreneurial, the entire corporate culture should fit the intrapreneurial mode and it should be implemented over a long period. Intrapreneurship and innovation is not the sole responsibility of the private sector (or in particular the design and production departments). It should rather be considered as a means for organisations at all levels or divisions and departments to survive in the battle to be sustainable and competitive in the marketplace. Pinchot (1985) points out the following ten principles for developing entrepreneurial culture:

- Self-selection: Intrapreneurs appoint themselves and pursue their own ideas. They are self-starters, not people who just carry out assignment.
- No 'hands-offs': There is continuous involvement. The inventor or initiator is involved throughout the project's development. While other individuals may be brought in, the originator retains membership of the intrapreneurial team.
- The 'doer decides': The originators must be allowed to continue for as long as he/she believes the project to be viable.
- Corporate slack: This refers to an excess of resources beyond those required for normal output. These are discretionary resources that can be channelled to an intrapreneur for a project that might not otherwise be funded.

- Ending the home run philosophy: Realising that not all projects will be a major success.
- Tolerance: Of risk, failure and mistakes.
- 'Patience money': The willingness to invest funds in intrapreneurial venture without expecting an immediate return.
- 'Freedom from turfiness': The organisation is finally seen as a family of teams, all of whom worked towards the same goals. Working together as a group is encouraged. Resources are shared, ideas are shared and exchanged, and moral support and assistance is given, without regard to ownership claims.
- Cross-functional teams: For intrapreneurship to work at its best, individuals must be allowed to work in teams, irrespective of their specialties. Individuals with different specialties need to be encouraged to work together and stay with the project, throughout its development.
- Multiple options: The requirements of a particular project are not known at the outset, which means that multiple options should be followed.

Hisrich *et al.*, (2005: 51) highlight the following nine (9) key steps for ensuring that an intrapreneurial move becomes a success within the organisation:

2.8.1 Commitment of top management

It is a pre-requisite that management commitment exists when using cultural changes for implementing intrapreneurial venture. Nieuwenhuizen *et al.*, (2003: 352) points out that management should encourage employee's unconventional ideas, since such generated ideas might provide solutions to existing and future problems.

Management's willingness to support new ventures and to create structures and an organisational culture that will encourage intrapreneurship is imperative (Robinson, 2001: 98). Once commitment from management is achieved, a three-year period is necessary for the concept to be introduced within the organisation through workshops or seminars. Subsequent to conceptualisation, intrapreneurial leaders need to be identified, selected, and trained.

2.8.2 Ideas and general support of top management identified

Once identified and budgetary limits are established, the overall programme expectations, time frames, and targets should be established for performance impact to the organisation. Sponsors who believe in intrapreneurial vision will approve new intrapreneurial or innovation initiatives (Nieuwenhuizen *et al.*, 2003: 353). Sponsors and champions are crucial for a successful intrapreneurial change. The gaining of local political rapport is also imperative for any change initiative within the organisation.

2.8.3 Utilisation of technology to be flexible

Technology has revolutionised the manner in which organisations conduct their business operations, especially small organisations that behave like big giants. The emergence of Internet Technology has enabled small organisations to tap into new markets in the globalised environment of foreign competition. Technology has thus revolutionised the manner in which both public and private organisations operate in the 21st century, by adding value to customers (Wickham, 2004: 426). It has brought significant benefits by offering new services, new products and new methods of distribution like e-Government services. Large organisations can use technology from large corporate database to make them more agile and to gain competitive advantage in the marketplace.

2.8.4 Interested managers from organisation

Managers should continually mentor and train their employees by sharing their experiences. Training sessions should be conducted once a month for a specified period and should include an evaluation of the effectiveness of the training. Information gathering is of utmost importance at this stage of developing ideas of marketable products or services that form the basis of new business venture units.

2.8.5 Getting closer to customers

This can be achieved by tapping the database, hiring from smaller rivals, conducting market research and by assisting retailers. It can be augmented by a system of data gathering supported by analysis, which will ultimately trigger new processes, services and products to the delight of customer expectations (Lowe & Marriot, 2006: 93).

2.8.6 Intrapreneurial with fewer resources

A highly hierarchical organisation is a bad recipe for intrapreneurial success. In most cases, organisations downsize to remain lean in this environment of hyper-competitiveness. The concept of “lean and mean” needs to exist at all levels or units in order for intrapreneurship to thrive.

2.8.7 Supporting structures

According to Hisrich *et al.*, (2005: 52), organisations need to set up a strong support structure to encourage intrapreneurship. Because intrapreneurship is secondary, structures must be put in place to support the initiative. Robinson (2001: 96) points out that innovation will invariably assist the innovation process, in that it will challenge the status quo and eliminate organisational structures that obscure personal responsibility and homogenise individual actions.

Since intrapreneurial venture is a secondary activity, which does not affect the bottom line, it might in some instances be overlooked without funding. Manager-leaders should therefore create an environment that supports creative ideas and remove those that impose uniformity of thought by encouraging change (Baron & Shane, 2005: 67).

2.8.8 Tying rewards with performance

It has been documented that team members are encouraged to work harder and that they compete more when rewards are guaranteed for their efforts endured in the venture. Performance must be directly linked to the outcome or the attainment of the

goal set. Such outcomes need to be positive if performance is to be enhanced (Coetsee, 2002: 154). Certain individuals possess an internal locus of control, in other words they have the urge to succeed in their work environment and to be praised by their superiors for a job well done (intrinsic motivations).

2.8.9 Evaluations systems for ventures

To suspend or eliminate projects that have proved to be unsuccessful and to fund those that are economically viable, a systems need should be established to measure the success and failure of intrapreneurial venture. History reveals that despite employing good intrapreneurial leaders with all the required resources in an established organisation, operational challenges for failure still present itself (Lowe & Marriott, 2006: 92) .The organisation can establish constraints to ensure that an expansion or venture does not run contrary to the corporate mission statement and vision(Hisrich *et al.*, 2007: 52).

Establishing a corporate entrepreneurial climate within organisations does pose challenges for intrapreneurs. However, such obstacles need to be evaluated in terms of their impact on the new venture. In order to develop an intrapreneurial climate within organisations, leaders need to ensure that barriers, which retard a motivating climate of the process, are highlighted. Table 2.6 sets out the constraints to corporate entrepreneurship, as identified by Morris (1988: 87) (see also annexure A).

Table 2.6: Categories of organisational constraints on corporate entrepreneurship

Systems	Structures	Strategic Direction	Policies and Procedures	People	Culture
Misdirected reward and evaluation systems	Too many hierarchical levels	Absence of innovation goals	Long, complex approval cycles	Fear of failure	Ill-defined
Oppressive control systems	Overly narrow span of control	No formal strategy for entrepreneurship	Extensive documentation requirements	Resistance to change	Lack of consensus over priorities
Inflexible budgeting systems	Responsibility without authority	No vision from the top	Over reliance on established rule of thumb	"Turf" protection	Lack of fit
Arbitrary cost allocation systems	Top down management	Lack of commitment from senior executive	Unrealistic performance criteria	Short-term orientation	Values that conflict with entrepreneurial requirements
Overly rigid formal planning systems	Restricted communication channels	No strategic role models		Inappropriate skills/talents	

Source: Morris (1988: 97)

Burns (2004: 143) state that traditional management may hamper the establishment of intrapreneurship through the following management activities:

- Focusing on efficiency or return on investment.
- Planning for long-term growth and then controlling against plan.
- Enforcing standards, procedures, rules and regulations.
- Avoiding risk-taking.
- Making decisions based on past experience.
- Managing functionally.
- Promoting individuals who conform.

2.9 SUMMARY

This chapter has introduced the phenomena of entrepreneurship, corporate entrepreneurship and entrepreneurial climate as a foundation for this research. This chapter presents the idea that different scholars do not agree when conceptualising the term entrepreneurship. The word entrepreneur is derived from the French *entreprendre*, “meaning to undertake”. Entrepreneurship is considered as a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced.

Environmental uncertainty, turbulence, and heterogeneity create a host of strategic and operational challenges for today’s organisations (Brown & Eisenhardt, 1998: 5). In order to cope with the challenges of simultaneously developing and nurturing both today’s and tomorrow’s core competencies, organisations increasingly have to rely on the effective use of corporate entrepreneurship (Covin & Miles: 1999). History revealed that the discipline of corporate entrepreneurship is related to old models and examples have existed for more than 100 years (Rao, 2001: 35). Corporate entrepreneurship is described by Burns (2005: 11) as entrepreneurial behaviour in established, larger, organisations. The objective is to gain competitive advantage by encouraging innovation at all levels in the organisation.

Scholars have postulated different forms and shapes of corporate entrepreneurship, including corporate venturing, intrapreneurship, innovativeness, self-renewal, pro-activeness, sustained regeneration, organisational rejuvenation and domain redefinition.

For entrepreneurship to thrive, a conducive climate for it must be created. Climate is regarded as an attribute of the organisation. Climate is a conglomerate of attitudes, feelings and behaviour, which characterise life in an organisation, and exist independently of the perceptions and understanding of the members of the organisation. Corporate entrepreneurship will thrive if it is led by an intrapreneur who displays impeccable characteristics, such as internal locus of control, visionary

leadership, creativity, perseverance, integrity and honesty, and innovativeness, to mention but a few.

It is imperative that senior management creates an environment, which will foster corporate entrepreneurship to thrive, as outlined in the thirteen constructs that form the basis for this research. Oosthuizen (2007) identify the following thirteen constructs that are vital for establishing an entrepreneurial climate: Visionary or entrepreneurial leadership; management support; the presence of champions or sponsors; tolerance of risk, mistake and failure; innovation and creativity; appropriate reward and reinforcement; vision and strategic intent; discretionary time and work; empowered teams, multi-disciplinary teamwork and diversity; resource availability and accessibility; continuous and cross-functional learning; stronger customer orientation; and flat organisational structures with open communication.

CHAPTER 3

OVERVIEW OF EKURHULENI METROPOLITAN MUNICIPALITY

3.1 INTRODUCTION

Most municipalities currently face the challenge of extending to all people the fundamental benefits of basic water supply and sanitation, electricity and housing. In addition, local government's mandated functions and responsibilities also include municipal roads and storm water drainage, provision of primary health facilities, childcare facilities, local tourism, municipal planning, refuse removal and municipal by-laws (Portfolio Municipalities South Africa, 2008: 20).

Many of these functions cannot be implemented successfully without the assistance and cooperation of other spheres of government. It is therefore argued that the lack of basic household services to all citizens is an obstacle in achieving sustainable development. This remains the root cause of relentless poverty within communities.

According to the South African Local Government Association (SALGA) (2007: 5), strategic plan municipalities have a constitutional responsibility to deliver services within the context of limited resources, both in material and in human terms. Against the backdrop of scarce resources, the Institute of Municipal Finance Officers (Portfolio Municipalities South Africa, 2008:15) asserts that the focus needs to be on "daring, new, innovative and creative ways" of doing business to improve service delivery within the municipal environment.

This research study attempts to highlight the fact that municipalities like Ekurhuleni, should adopt corporate entrepreneurship in the manner it conducts its business. Against the backdrop of an era of uncertainty, heterogeneity and operational challenges, it has become imperative to embrace a culture of innovation.

3.2 BACKGROUND TO EKURHULENI METROPOLITAN MUNICIPALITY (EMM)

The municipality of Ekurhuleni was established subsequent to the disestablishment of the former 11 municipalities in eastern Johannesburg (the former East Rand). These former municipalities include nine towns in the East Rand, i.e. Alberton, Benoni, Boksburg, Brakpan, Edenvale/Lethabong, Germiston, Kempton Park/Tembisa, Nigel and Springs.

The municipalities were amalgamated into the new Metropolitan Municipality, along with two other councils, namely the Kyalami Metropolitan Council and the Eastern Gauteng Services Council. The coined word for the municipality of “Ekurhuleni” is a Tsonga word which is translated as place of peace, (www.sacities.net/cities/ekurhuleni.stm assessed 21-08-2008). The word Ekurhuleni is pronounced as Ekoo-roo-leni.

The South African Cities Network (2008), also highlights that Ekurhuleni denotes a place where people work together to create a peaceful and prosperous environment, and bond together through their passion for peace. Historically, the geographical area of the East Rand was renowned for its competitive edge in gold production. The mining boom in the past century has led to the establishment of East Rand and also the emergence of the manufacturing hub in South Africa.

The amalgamation of the above-mentioned former towns in the former East Rand took place during the final phase of local government rationalisation and transformation in South Africa in 2000. According to the Ekurhuleni Growth and Development Strategy (GDS, 2005: 3), the amalgamation of different municipalities with various developmental agendas and cultures into one entity has resulted in developmental and administrative challenges.

Over the past five years, the municipality has made strides in developing its strategic planning capacity and process. The Integrated Development Plan (IDP) has already been adopted and institutionalised within the national guidelines for local government

planning and budgeting. The Integrated Development Plan and Social Development Framework (SDF) form the basis of the principal strategic planning tool within the municipality.

As with other municipalities in our country with socio-economic and spatial challenges, created by the injustice of the past regime of apartheid, these challenges cannot be resolved overnight but require long-term strategic plans. In the case of the Ekurhuleni Municipality, such a plan is in the form of the Ekurhuleni Growth Development Strategy 2025.

3.3 EKURHULENI METROPOLITAN MUNICIPALITY PROFILE

The municipality is located in the manufacturing heartbeat of Gauteng on the eastern part of the province. It covers the Alberton and Germiston areas in the west, Kempton Park and Edenvale in the north and Nigel and Springs on the east, forming a boundary with Mpumalanga province. As stated before, the municipality was established by the amalgamation of 11 former towns or councils in the former East Rand.

According to South African Cities Network (2008), Ekurhuleni has a total area of 1 942 square kilometres, with an estimated population of 2 528 303, and an average population density of 1 313 people per km².

The municipality accommodates 5% of the South African population and 28% of the Gauteng province population. It is often regarded as the most densely populated area in the province and country as a whole (EGDS, 2005: 5). Table 3.1 reflects the Ekurhuleni Metropolitan Municipality key comparative statistics with the Gauteng province and the South African estimates (quoted from Ekurhuleni's 2005-2006 annual report):

Table 3.1: Ekurhuleni key comparative statistics

Key statistics (2003 estimates)	Ekurhuleni	Gauteng	National
Population area (sq km)	2,642	16,975	1,21,246
Population	2,534,180	8,845,741	46,710,858
Population density (/sq km)	959	521	38
Economically active population (%)	53%	53%	39%
No of households	787,040	2,731,869	12,144,712
Average household income	88,025	115,817	70,326
Annual per capita income	27,338	35,768	18,284
Gini coefficient	0.57	0.60	0.64
Formal sector employment estimates	679,213	3,156,772	9,058,793
Informal sector employment estimates	84,249	362,647	1,699,327
Unemployment rate (Expanded Definition)	40%	35%	41%
Percentage of person poverty	27%	27%	46%
Poverty Gap(R million)	974	3,251	32,960
Human Development Index (HDI)	0.67	0.69	0.59
Index of Buying Power (IBP)	0.08	0.34	1.00
Economic output in 2003 (R million)	84,000	416,562	1,100,929
Share of economic output (GVA % of SA in current prices)	7.6%	37.8%	100%
Economic output 2003 (R million constant 1995 prices)	48,074	236,846	619,790
Share of economic output (GVA % of SA 1995 prices)	7.8%	38.2%	100%
Economic growth performance 1996-2003 (GVA % growth pa constant 1995 prices)	2.4	3.7	2.5

Source: Global Insights Southern Africa Regional Estimate Ekurhuleni IDP 2000-2010

The Ekurhuleni Metropolitan Municipality is comprised of 175 Councillors, led by the Executive Mayor, Speaker and ten members of the Mayoral Committee, who are responsible for the political oversight of the municipality. The administrative structure of the municipality is led by the City Manager with three Deputy City Managers (Executive Directors) heading the functional departments and the 17 000 staff members.

Economically, the municipality is vibrant, diverse and larger than smaller countries in the Southern African Development Community (SADEC). According to the Ekurhuleni Annual Report (2005-2006), the municipality has an estimated 53% economically active people, compared to 39% countrywide. It is estimated that 29% of people under this municipality live in poverty (relative to national average of 49%).

Ekurhuleni as a region contributes 7.6% towards the South African national production and 7.1 % in terms of employment. The municipality also accounts for a quarter of the Gauteng economy, the country economic powerhouse.

The municipality's economy has grown from 1996-2003 by an estimated rate of 2.4 % per annum. It is estimated that manufacturing in the municipality contributes 20% of the Gauteng GDP. Ekurhuleni has the densest concentration of industries in South Africa (SA) and Africa as a whole, which has resulted in it being nicknamed "Africa's Workshop".

According to the Ekurhuleni annual report (2005-2006), the main areas or engines of economic growth are Kempton Park, Germiston and Boksburg within Ekurhuleni. Table 3.2 highlights the performance of various sectors of the economy within the municipality as revealed by the Annual Report and Global Insights Southern Africa.

Table 3.2: Economic key performance areas

Sector	Ekurhuleni % share GVA	Ekurhuleni % share Employment	National % Share GVA	National % share Employment
Agriculture	0.5	1.1	3.8	9.9
Mining	2.5	2.3	7.1	4.8
Manufacturing	27.6	22.4	18.9	13.9
Electricity	1.5	1.1	2.3	0.9
Construction	2.8	4.7	2.6	3.7
Trade	13.5	20.2	13.3	17
Transport	14	7.8	10.1	4.8
Finance	22.5	13.1	20.7	11
Community Services	15.2	27.3	21.1	34

Source: Global Insights Southern Africa: Regional Economic Focus Estimate Ekurhuleni IDP 2000-2010

In terms of infrastructure, Ekurhuleni has a network of roads, airports, railways, telephones, electricity network, and a telecommunication network that is comparable to first world nations. Ekurhuleni is also home to Africa's busiest and biggest airport, the O.R.Tambo International Airport. The railway transport hub is situated in the former Germiston town in Ekurhuleni, and links major parts of the country. Ekurhuleni also boasts a number of freeway or motorways that connect to other parts of the country.

By means of the road, rail and air transport network, the Municipality is directly linked to the country's busiest port of Durban. On the eastern side, the municipality is linked by road to the Maputo corridor, connecting it to Mozambique and the largest Indian Ocean port. It can thus be concluded that Ekurhuleni is a major transport hub of the country.

The municipality is managed financially by an annual budget of R11 billion, while R1 billion is budgeted for capital projects as prescribed in terms of the Integrated Development Plan. The major part of this budget is dedicated to upgrade existing facilities and curb the serious backlog in infrastructural development created by past imbalances.

3.4 EKURHULENI METROPOLITAN MUNICIPALITY'S VISION, MISSION AND VALUES

3.4.1 Vision

The Ekurhuleni Metropolitan Municipality strives to realise its vision of being a smart, creative and developmental city.

3.4.2 Mission

- The Ekurhuleni Metropolitan Municipality provides sustainable and people-centred developmental services that are affordable, appropriate and of a high quality.
- The municipality is focused on the social, environmental and economic regeneration of our city and communities.
- Ekurhuleni is guided by the principles of Batho Pele through the commitment of a motivated and dedicated team.

3.4.3 Values

In its endeavour to be a developmental city, the municipality is guided by adherence to the following set of values:

Performance excellence

Through excellent teamwork, the municipality strives to continuously improve its skill base, process and systems. The service standard is to be responsive, professional and of high quality.

Integrity

The Ekurhuleni Metropolitan Municipality displays honesty, respect, dignity and caring in its work. It discourages all forms of discrimination. Ekurhuleni takes account of all it says and does towards those around it.

Transparency

The Ekurhuleni Metropolitan Municipality strives to ensure that all stakeholders have access to relevant information through a consultative approach that ensures accountability to each other and to the community it serves.

Community centredness

Based on the Batho Pele principles, the Ekurhuleni Metropolitan Municipality gains respect through community involvement and by ensuring development. The community or people it serves and respect, comes first.

Corporative governance

As a sphere of Government, the Ekurhuleni Metropolitan Municipality will initiate, evaluate and implement legislative and regulative measures to be accountable and transparent to all spheres of Government and stakeholders. This will take place through, amongst others, promoting and constructively participating in international, regional and provincial programmes.

3.5 EKURHULENI METROPOLITAN MUNICIPALITY'S ORGANISATIONAL STRUCTURE

In terms of the Local Government: Municipal Structures Act (1998), municipalities are managed in the following three broad categories:

- **Mayoral Executive:** The Municipal Council elects an Executive Mayor, who in turn appoints the Executive Mayoral Committee.
- **Executive Committee:** The Municipal Council elects the Executive Committee, which in turn elects the Mayor from its membership.
- **Plenary Executive:** The Municipal Council takes all decisions regarding the municipality; the Municipal Council elects the Chairperson, who is called the Mayor.

The municipality is managed politically and administratively in terms of the following structures (See attached Annexure B, C, D & E).

3.6 EKURHULENI METROPOLITAN MUNICIPALITY'S STRENGTH: KEY SUCCESS FACTORS

Ekurhuleni is deemed as a vibrant, cosmopolitan and culturally diverse region with over 2.5 million people residing in its borders. According to South African Cities Network (2008), the municipality has 8 000 industries, and contributes to an estimated 23% of the Gauteng province's Gross Domestic Product (GDP).

The municipality is renowned as the "Gold Axis" and over the past century, the mining activity created a comparative advantage of a well-developed transport system. This structure links Ekurhuleni and other parts of country. Mining has been instrumental in establishing a manufacturing industry within this region. This relates to the previous statement that Ekurhuleni can be regarded as the country or Africa's workshop, due to its manufacturing and mining base.

The municipality is also regarded as a frontier of manufacturing machinery and equipment of power and transportation industries. This can be compared to the relative manufacturing performance of other metropolitan municipalities. In addition, in comparison with other metropolitan municipalities, Ekurhuleni also boasts the highest growth in terms of manufacturing value-added goods and employment creation (Ekurhuleni Annual Report, 2005-2006: 3).

The amalgamation of 11 different towns in 2000 to create the Ekurhuleni Metropolitan Municipality has brought considerable transformational challenges, like merging different cultures and administrative structures with different developmental agendas. According to the Ekurhuleni Governance Guide 2008 report, the municipality has made strides by successfully unifying the above-mentioned disestablished towns into a single organisational structure with one common vision.

It can thus be confirmed that the municipality has stabilised and consolidated 11 former council administrative structures, processes and systems into a uniform one. In this scenario, key performance areas entail rates tariffs structures; municipal by-laws; human resources; financial systems and other developmental areas. With regard to the latter, informal settlements, hostels and old mine dumps have been earmarked for development. The Ekurhuleni Metropolitan Municipality has also developed from 2000-2005 as follows:

- Finalisation of the organisational structure based on the institutional review conducted in 2005.
- Appointment of senior management.
- Establishment of 88 Ward Committees.
- Development and approval of a Growth and Development Strategy 2025.
- Approval of Integrated Development Plans.
- Approval of Credit Control and Indigent Policies.

The Ekurhuleni Growth Development Strategy 2025 is one of the most significant documents within the municipality. It provides a framework and a point of reference for all Ekurhuleni Metropolitan Municipality plans, policies, and strategies in different

areas of performance. The municipality's quest is to realise its vision of being a smart, developmental and creative city. The Growth Development Strategy 2025 is regarded as a strategy document for the organisation, not a policy document; in that it guides management on future endeavours or the direction of the municipality. This document was approved and adopted by the council on 25 August 2005.

3.7 EKURHULENI METROPOLITAN MUNICIPALITY'S WEAKNESS: KEY CHALLENGES

It can be argued that all major parts of the country have challenges in meeting the needs of the community they serve. This obstacle is worsened by the legacy of the apartheid regime, which has created imbalances in terms of the provision of formal housing, infrastructural development, and economic opportunities. The result has been a dearth of critical skills among historical disadvantaged communities.

Ekurhuleni can be regarded as a spatially fragmented and inequitable city. This is attributable to the fact that major metropolitan areas border informal settlements. Like other urban metropolitan areas in the country, Ekurhuleni experiences a migration of people into its borders, because of the perception that there are better opportunities within urban areas. This migration has elevated the housing shortage and resulted in the development of informal settlements.

Ekurhuleni thus has a serious housing backlog and this problem is compounded by the growing concentration of informal settlements within its borders. The Ekurhuleni Annual Report 2005-2006 confirms that a decline in economic growth and manufacturing sector growth in the early 1990's has increased the number of immigrants into the region, with informal settlements as their only means of survival.

Other contributing factors to informal settlements are elevated by illegal invasion and subsequent poor land invasion management strategy. In turn, this affects planning for sustainable human settlement in the region. There are major imbalances in the developmental standards between former townships in the periphery areas and former white suburbs.

The Ekurhuleni Metropolitan Municipality is also challenged by racial and cultural integration, with some towns in its borders being 100 years old with ageing infrastructure, which needs to be maintained and upgraded.

As outlined in the above-mentioned annual report, additional challenges need to be overcome in accordance with the Growth Development Strategy 2025 strategy. These challenges can be outlined as follows:

- The consolidation of old township schemes remains a challenge and this hampers development applications from the private sector.
- The protection of agricultural land and sensitive environmental areas is still to be achieved.
- Acquisition of land for human settlements and the infrastructure development for public housing programmes remains an ongoing challenge.
- Public transport planning and implementation to ensure mobility of people is still to be achieved.
- Project management of capital projects linked to infrastructure development requires additional skilling and capacity.
- Development of a centre for administration, one identity for the region as well as accessibility of services closer to communities, remains a key challenge.

3.8. TRENDS WITHIN THE MUNICIPAL ENVIRONMENT IN SOUTH AFRICA

Since the first democratic elections in 1994, enormous strides have been made in the implementation of systems of government at local level. Over the past decade the country had 1200 municipalities which are now rationalised into 283 municipalities (Portfolio Municipalities South Africa, 2008: 20). Currently, the country comprises of 283 municipalities. Six of these are Metropolitan Municipalities (Category A), 231 are Local Municipalities (Category B), and 46 are District Municipalities (Category C).

South Africa is divided into municipal areas or borders subjected to the governance of an elected council, which employs officials responsible for the provision of services

to its citizens. Citizens are encouraged to participate in this sphere of government through the following different legislations:

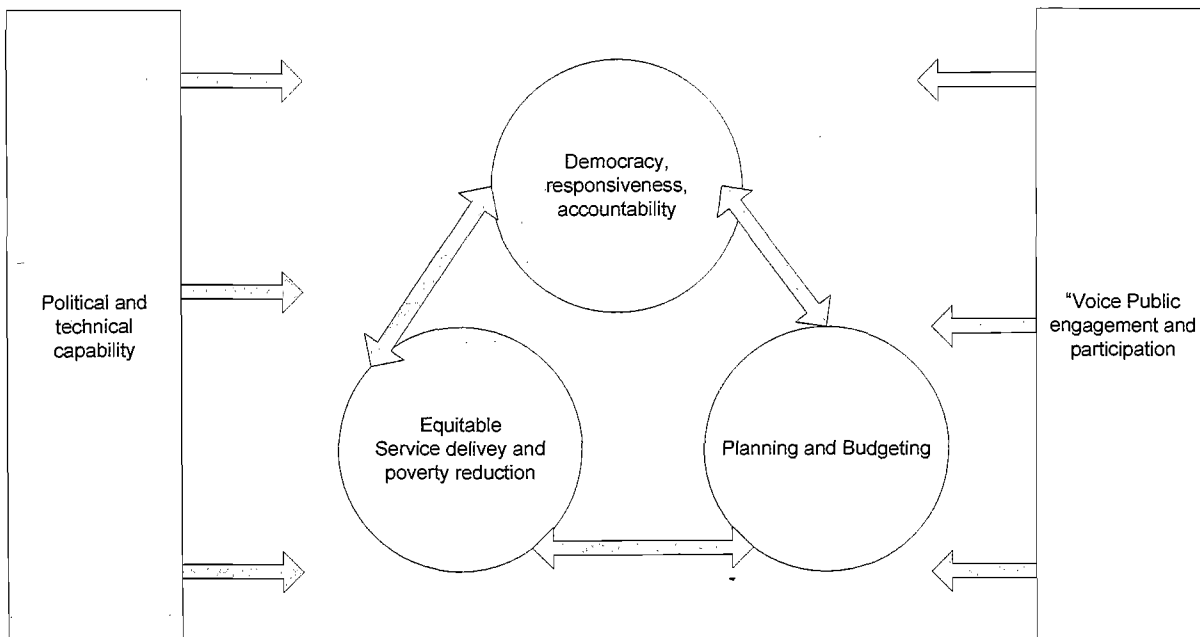
- The Constitution of Republic of South Africa (1996).
- White Paper on Local Government (1998).
- The Municipal Structures Act (1998).
- The Municipal Systems Act (2000).
- The Municipal Finance Management Act (2003).

Municipalities have a mandate to encourage participation of local residents and governance. Section 152 of the South African Constitution states that the objects of Local Government are:

- To provide a democratic and accountable government for local communities.
- To ensure the provision of services to communities in a sustainable way.
- To promote social and economic development.
- To promote a safe and healthy environment.
- To encourage involvement of communities and community organisations in matters of local government.

The Legislative framework provides a key to local residents to participate in Local Government affairs, ranging from budgeting to Integrated Development Planning. It is thus expected for Councillors and municipal officials to promote public participation in matters relating to Local Government (see figure 3.1). They must also report annually on the progress in the endeavour to ensure effective delivery of basic service to its residents.

Figure 3.1: Framework for evaluation of local governance



Source: Good Governance Learning Network (2008: 14)

There are areas within municipalities where improvement has been made since the advent of the democracy in 2004. Improvement is, for example, evident in the elimination of bucket sanitation systems in communities. Only a few municipalities are still trapped in the past system. According to Statistics South Africa Community Survey (STSA) data of October 2007, there has been general improvement and positive news within municipalities in terms of service delivery across the country.

Despite this improvement, certain municipalities are not rising to the challenges, as huge backlogs still remain in terms of service delivery, capacity and infrastructural development. One of the key challenges facing municipalities across the country is to maintain ageing infrastructures and upgrade existing ones. In particular, rural and township areas are faced with a backlog in terms of infrastructural development.

At this stage, legislation has been developed, refined and reviewed. The overall purpose is to attain effective governance within municipal structures. The promulgation of the Municipal Financial Management Act 56 of 2003 has greatly improved oversight in terms of municipal spending and public transparency. It has

also brought accounting reforms, stringent annual reporting obligations and frequent independent auditing of municipal finance.

However, the audit report of most municipalities (as expressed by Auditor General) reflects that most municipalities battle to keep their house in order. Common audit deficiencies include the following: The lack of adequate supporting documentation to accurately substantiate financial statement line items; the high expenditure rate on consultancy fees; the ineffective internal audit and audit committees; and the gross non-compliance with governing legislation, such as the Municipal Finance Management Act (MFMA Press Release, 2008).

The Municipal Rates Act No: 6 of 2004 was introduced as a vehicle for municipalities to raise new revenue streams in a more equitable manner. However, this Act has been welcomed with objections from ratepayers. The South African Local Government Association (SALGA), the voice of local government institutions, has drafted a five year strategic plan for the period 2007-2012. It is envisaged that this plan will overcome the key challenges that municipalities in the country are faced with in terms of their developmental agenda. The magnitude of each challenge can be outlined as follows:

Institutional capacity and municipal transformation

- Municipal management capacity and capability.
- Financial management, programme management, engineering and organisational development.

Local economic development

- High levels of poverty due to unemployment.
- Scarcity of Local Economic Development specialists.
- Serious social problems.

Financial viability and management

- Billing and debt management.
- Municipal financial management.

- Low revenue base due to high levels of indigents.

Good governance

- Political/technical/administrative domains need to be synergised.
- Poor communication between councils and communities.
- Non functionality of ward committees.
- Political leadership needs to be strengthened and capacitated.

Basic service delivery and infrastructure

- Water backlogs.
- Sanitation backlogs.
- Electricity backlogs.
- Housing backlogs.
- Slow pace of basic service delivery.
- An obvious lack of vertical and horizontal integration in the whole of government (as communities are expecting a package of government services).

Mitigating the impact of climate change

- Improving environmental awareness at the local level.
- Supporting the development of disaster management policies at local level.

The SALGA Strategic Plan 2007-2012 will respond more effectively to key imperatives, which will affect its representative, advisory, and supportive role in consolidating local government and ensure that it is served in a sustainable manner. Trends in the South African Municipal environment include foreseeable changes in the municipal landscape as outlined below:

- The establishment of a Single Public Service.
- Assessing the impact of the removal of the Regional Services Council (RSC) Levy on municipalities.

- Working with municipalities to prepare the necessary position as organised local government on the restructuring of the National Electricity Distribution Industry and supporting its implementation.
- Keeping informed on developments around the Provincialisation of Public Health, work with municipalities to assess the impact on local government and motivate any necessary changes.
- Be the practical role player and voice of organised local government on initiatives of the Accelerated and Shared Growth Initiative for South Africa (AsgiSA).

3.9 CAUSAL FACTORS TO THE STUDY

This research study argues that the public sector, and in particular the Ekurhuleni Metropolitan Municipality, should adopt a more innovative and entrepreneurial approach to service delivery. Such an approach should be an antidote for organisational staleness and poor service delivery malaise. It should be a method to develop customer service delight and public trust and confidence (Burns, 2003: 309).

Ekurhuleni as a public sector organisation indeed faces challenges in terms of delivery, poverty and underdevelopment, like other municipalities in South Africa.

The majority of people within Ekurhuleni's borders are poor, living in informal settlements and in an old black township with poor living conditions, without adequate housing and basic services. Such conditions affect negatively on service delivery and put it under pressure.

This research has pointed out that existing informal and historical disadvantaged communities are faced with a backlog of infrastructural development, which puts pressure on the availability of financial resources, project management skills and human resources. The Ekurhuleni Metropolitan Municipality, like any other organisation in the country, faces the pressure of brain drain, as the United States of America, United Kingdom and other developed countries poach local skills into their shores.

Municipalities also face the challenge of cost recovery while rendering basic services to their citizens, especially the poor communities. In 2002, municipalities were owed almost R22 billion for rates and services, with 60% of this debt owed to six metropolitan municipalities (CASE, 2003: 2). Ultimately, this puts pressure on financial resources and requires effective and efficient service delivery for the areas served by these municipalities.

This study argues that the lack of innovative approach in this regard will intensify the lack of public confidence and hostility in communities served by the municipality. This is evidential in frequent service delivery protests and xenophobic attacks in poor communities. The challenge is the reality of scarce resources in South African municipal environments.

Given the above-mentioned challenges of municipalities in South Africa, it is imperative for Ekurhuleni to find an alternative means of operating. As argued in this study, this can be done through an intrapreneurial approach in their pursuit of improving service delivery and developmental agendas. Traditionally, municipalities are risks avert processes, constrained with diverse and sometimes-conflicting accountabilities, and they tend to struggle to focus on innovation.

3.10 SUMMARY

Municipal or local government service with regard to roads, electricity, and water supply affect the lives of every citizen in our country. The advent of democracy in 1994 has brought numerous changes coupled with challenges to municipalities in South Africa. More than 1000 local municipalities were rationalised into 283 municipalities.

The Ekurhuleni Metropolitan Municipality as the organisation under study was formed because of the amalgamation of former 11 towns or local councils in the former East Rand. The municipality is one of six metropolitan councils in South Africa located in the eastern part of the Gauteng province. Ekurhuleni borders the metropolitan area of Johannesburg in the west, and the metropolitan area of Tshwane in the north-western side. The municipality has a total area of 1 942 square kilometres with an

estimated population of 2 528 303, and an average population density of 1 313 people per km².

In its endeavour of realising the vision of being a smart, creative and a developmental city, Ekurhuleni has shown some success and strength since 2000. The municipality has successfully unified the above-mentioned disestablished towns into a single organisational structure with one common vision. The municipality also boasts the status of being regarded as the manufacturing hub of the African continent. According to South African Cities Network (2008), the municipality has 8 000 industries, and contributes to an estimated 23% of Gauteng province's Gross Domestic Product (GDP).

Despite all its success and strengths, Ekurhuleni has inherited past imbalances of the apartheid legacy from the different towns, especially also from the former black townships. The key problems brought by the legacy of apartheid include, inter alia, poverty, underdevelopment, a housing and infrastructural backlog, and a lack of basic services. The municipality of Ekurhuleni can be regarded as a fragmented region with inequalities in terms of developmental imperatives. It can be concluded that these factors exacerbate the situation within the municipality, in that they exert pressure on service delivery, developmental needs, local economic development, and the constraints of financial, capacity, and human resources.

Municipalities nationally are faced with the challenges of dearth of skills, and municipal finance management leaves a lot to be desired. This is evident from the Auditor's General opinion expressing the dire need for municipalities to transform the manner in which they manage their finances.

It is finally argued in this research that the Ekurhuleni Metropolitan Municipality needs to be entrepreneurial in its approach if it wants to realise the vision of a smart, creative and developmental city, offering an improved quality of life for every citizen within its border.

CHAPTER 4

RESULTS AND DISCUSSION OF EMPIRICAL RESEARCH

4.1 INTRODUCTION

This chapter forms the second phase of this research and is founded on the literature review. The literature review was instrumental for developing the measuring questionnaire used for this study.

Besides highlighting the data gathering methodology, this section also summarises the findings of the empirical research. In this study a quantitative method of research was adopted. It is often postulated that quantitative research is more structured than qualitative research in that sampling, research design, questionnaires and statistical methods are largely determined prior to the respondents completing questionnaires (Struwig & Stead, 2004: 17).

4.2 DATA GATHERING

4.2.1 Empirical research

The overriding goal of conducting this empirical research was to ascertain Ekurhuleni Municipality managers' characteristics and their perceptions of intrapreneurial climate. Together with the questionnaires, the respondents were administered with covering letters, which elaborated on the objectives of this study. The respondents were assured that their responses would be treated with confidentiality and anonymity.

4.2.2 Measuring instrument

As previously mentioned, a questionnaire was employed to gather data for the purpose of this research. The research instrument was developed by Oosthuizen (2007). The design is based on the following previous instruments: *The*

Entrepreneurial Performance Index by Morris and Kuratko (2002: 292-294), the Corporate Entrepreneurship Assessment Instrument by Kuratko, Hornsby and Montangno (2002: 295-298); the Innovation Climate Questionnaire by Pinchot and Pellman (1999: 107-116) and Litwin and Stringer's Organisational Climate Questionnaire (1968). The design of this instrument has taken into cognisance constructs required to foster an intrapreneurial climate within a corporate environment.

The questionnaire used a five (5) point Likert scale as a measuring tool to capture the respondents' views of intrapreneurial climate. The following scale was used to measure their agreement or disagreement with the construct under study: 1 = Strongly disagree, 2 = Slightly disagree, 3 = Neither agree nor disagree, 4 = Slightly agree, 5 = Strongly agree.

Based on the scale below, thirty (30) entrepreneurial characteristics of managers were assessed: 1 = Definite weakness, 2 = Moderate weakness, 3 = Not strength or weakness, 4 = Moderate strength, 5 = Definite strength.

The questions were divided into three sections as outlined below:

Section A comprised sixty five (65) statements assessing thirteen (13) constructs required to foster an intrapreneurial climate. **Section B** attempted to measure the entrepreneurial characteristics of respondents and their respective superiors. Lastly, **Section C** aimed to gather demographic data of the respondents. Refer to Annexure F for the questionnaire.

4.2.3 Study population

The population of this research comprised a simple random sample of top, middle and lower managers in the Ekurhuleni Metropolitan Municipality. Ekurhuleni Utility Companies staff members were excluded from this study. For the purpose of this research, a simple random sample of 435 managers was drawn from the Ekurhuleni Municipality intranet database and telephone directories list.

Ninety two (92) questionnaires were returned out of the 435 managers that were sampled, yielding a response rate of 21% of the distributed questionnaires.

4.2.4 Data gathering method

The data gathering method for this research was through e-mail and the personal delivery of questionnaires to employees' workstations. Follow-up telephonic reminders were conducted to ensure that the maximum number of respondents was reached for the purpose of this study. Subsequent to the completion of questionnaires, the respondents were requested to forward their responses to the researcher. All questionnaires received were collated and sent for statistical analysis.

4.2.5 Data analysis

The data analysis was performed by means of STATISTICA (Statsoft, 2006) and SPSS (SPSS, 2005). The analysis used descriptive statistics and consisted of arithmetic mean, standard deviation (SD), inferential statistics (such as p for statistical significance and d for practical significance test) and Cronbach alpha coefficients (for testing the reliability of the questionnaire).

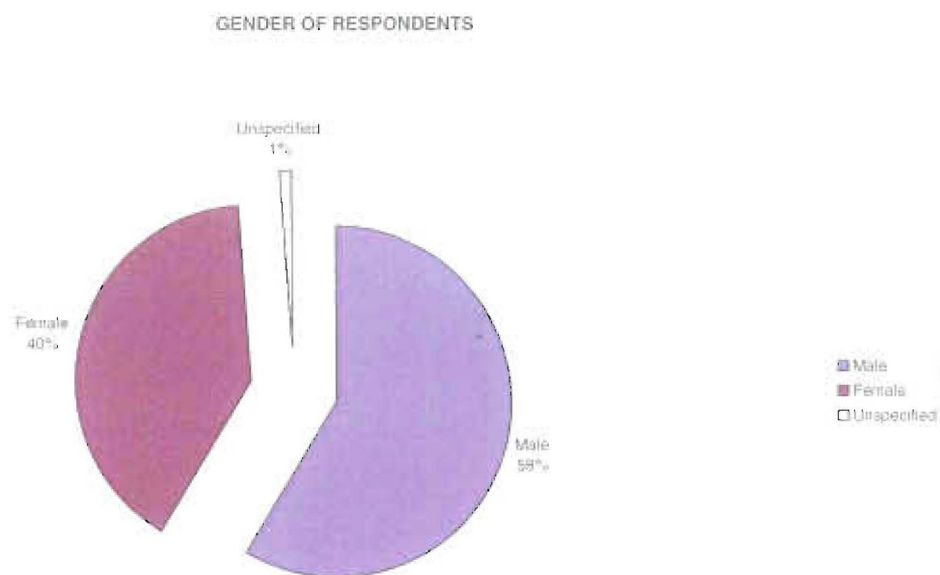
4.3 RESULTS OF THE DEMOGRAPHIC INFORMATION

The demographic data included an analysis of respondents' gender, age category, race, highest academic qualification and management level.

4.3.1 Gender

Figure 4.1 depicts the results of the gender of the participants in this study.

Figure 4.1: Gender distribution

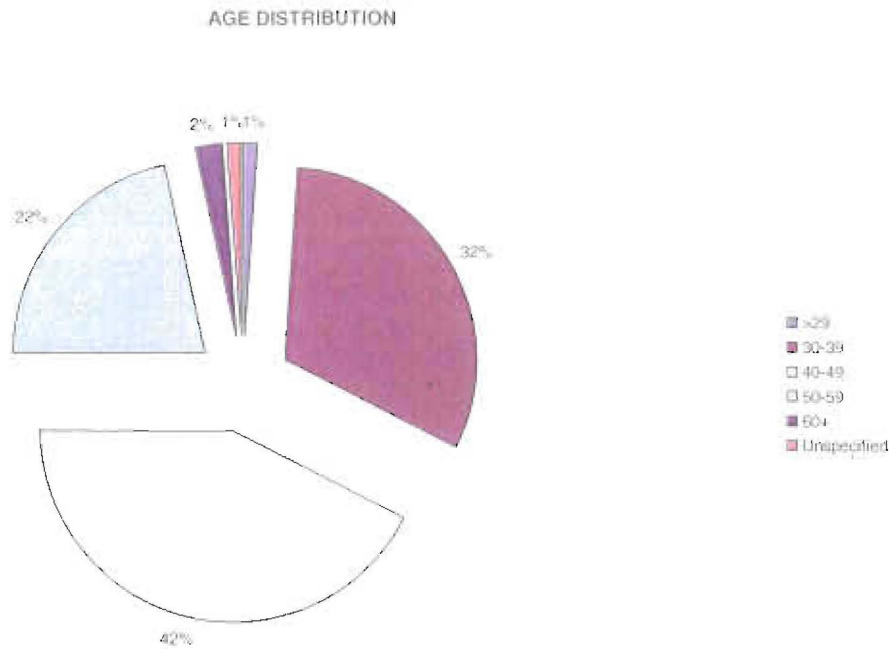


The majority of respondents were male (59%). There were 40% female employees, while 1% of the respondents did not disclose their gender.

4.3.2 Age group

The age group distribution of the respondents in this study is presented in Figure 4.2.

Figure 4.2: Age distribution

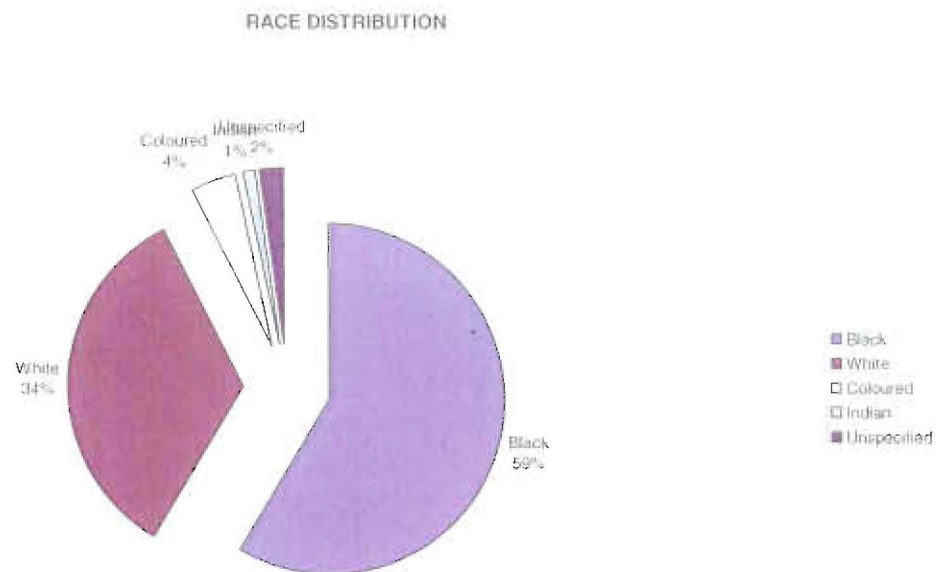


The age distribution shown in Figure 4.2 reflects that 42% of respondents were between 40 to 49 years old, 32% between 30 to 39 years old, and 22% between 50 to 59 years old respectively. It is conspicuous that 2% of respondents were older than 60 years, whilst only 1% were both under 29 years of age and under the unspecified age group.

4.3.3 Race

The race distribution of the respondents is reflected in Figure 4.3.

Figure 4.3: Race distribution

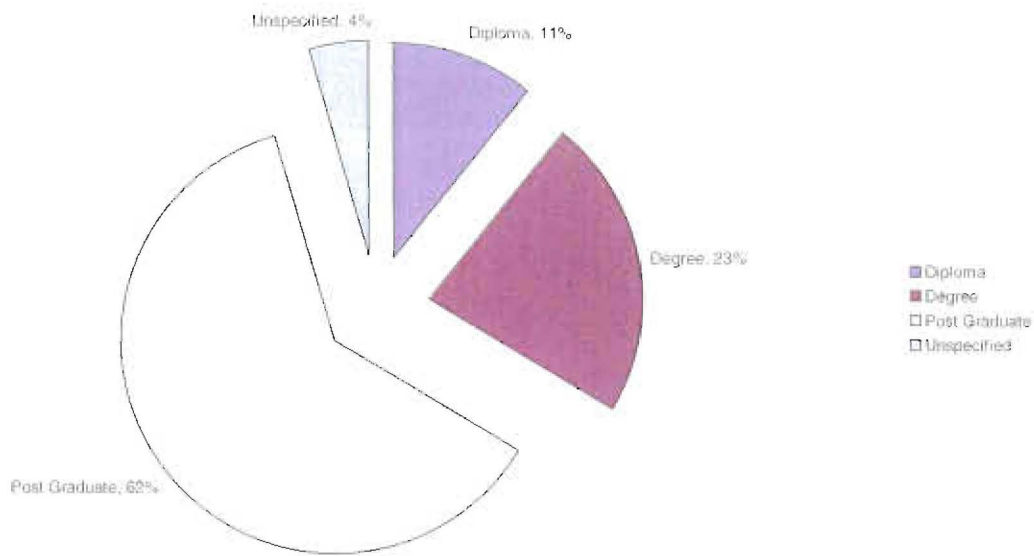


The majority of respondents were Blacks (59%), while 34% were Whites. It is conspicuous from Figure 4.3 that 4% of the respondents were Coloured and 2% Indian. Only 1% of respondents did not indicate their race group.

4.3.4 Highest academic qualifications

Figure 4.4 depicts the results of the respondents' highest academic qualifications.

Figure 4.4: Highest academic qualification



It is evident from Figure 4.4 that the majority of respondents had higher academic qualifications: 62% possessed post-graduate qualifications, 23% possessed degree qualifications and 11% possessed diploma qualifications. Only 4% of the respondents opted not to disclose their level of academic qualifications.

4.3.5 Level of management

Figure 4.5 presents the management level of respondents in this study.

Figure 4.5: Distribution of respondents by management level

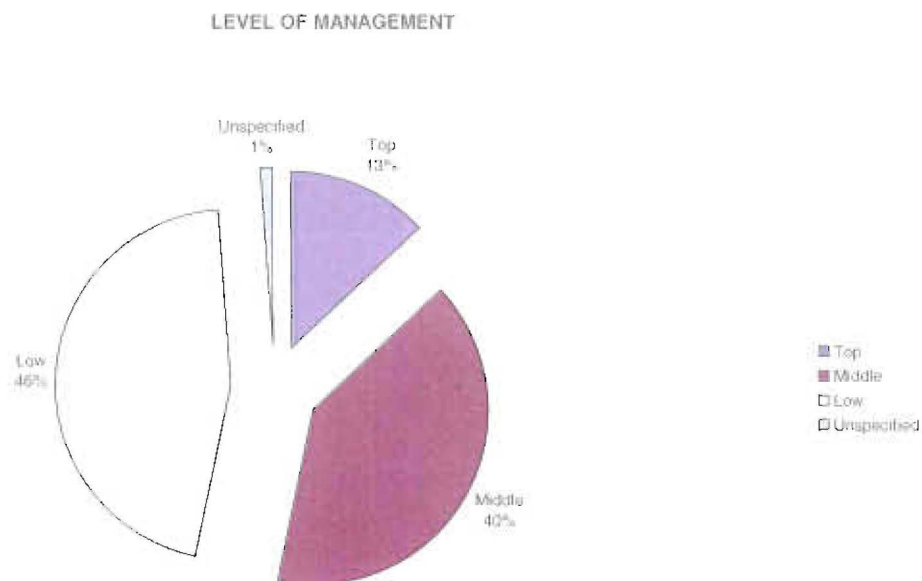


Figure 4.5 shows that the majority of respondents in this study (46%) were derived from lower level management. A total of 40% of respondents were from middle management level, whilst only 13% were from top management level.

4.5 ASSESSMENT OF ENTREPRENEURIAL CHARACTERISTICS

4.5.1 Self assessment

Table 4.1. assesses the entrepreneurial characteristics of the respondents. Thirty entrepreneurial characteristics were assessed on a Likert scale ranging from 1 to 5 (with 1 denoting definite weakness and 5 definite strength). Table 4.1 (turn the page) reflects the findings of this study from the highest arithmetic mean to the lowest arithmetic mean score.

Table 4.1: Results of self assessment of entrepreneurial characteristics

Code	Description	n	Mean \bar{x}	S
B1/07	Ability to take responsibility	89	4.506	0.676
B1/16	Integrity and reliability	91	4.462	0.544
B1/28	Drive to achieve and grow	90	4.456	0.621
B1/03	High energy levels	89	4.281	0.738
B1/01	High levels of commitment	89	4.225	0.517
B1/02	High levels of creativity & innovativeness	89	4.191	0.581
B1/19	Ability to adapt to change	90	4.167	0.566
B1/25	Self-starter (internal locus of control)	91	4.165	0.500
B1/08	Problem solving skills	89	4.146	0.632
B1/22	Quick learner who does not make same mistake twice	91	4.121	0.664
B1/30	Open-mindedness (lateral thinker)	91	4.077	0.793
B1/21	Self-awareness(personal strength and weakness)	91	4.011	0.691
B1/12	Self- confidence and optimism	91	3.978	0.715
B1/06	High levels of perseverance	89	3.966	0.818
B1/20	High level of emotional stability	90	3.922	0.810
B1/11	Courage	90	3.856	0.842
B1/15	Generosity	91	3.835	0.922
B1/23	Able to conceptualise and sweat the details	90	3.800	0.737
B1/13	Ability to manage ambiguity and uncertainty	91	3.780	0.814
B1/27	Restlessness with status quo	89	3.775	0.780
B1/09	Capacity to inspire others	89	3.773	0.867
B1/26	Limited need for status and power	91	3.758	0.735
B1/10	Self-reliance	89	3.685	0.899
B1/04	Low support needs	89	3.652	0.893
B1/17	Good judge of people	90	3.611	0.730
B1/05	Calculated risk-taking	89	3.596	0.962
B1/14	Ability to see opportunities in the marketplace	91	3.527	0.848
B1/18	Patience	91	3.505	0.935
B1/24	Willingness to undertake personal sacrifice	91	3.495	0.887
B1/29	Tolerance for failure	91	3.110	1.059

In this scenario, data analysis involves assessing the results of arithmetic means and the standard deviations of variables under investigation. The arithmetic mean is the most used measure of central tendency. It is derived by summing observed numerical values of variable in data sets and then dividing the total by the number of observations involved (Levine, Stephan, Kriel & Berenson, 2005: 105).

The standard deviation (s) assists researchers in establishing how a set of data gathers or distributes around the mean. It measures the variation of data set around the mean. The lower the mean, the lower the variation. The higher the standard deviation, the higher the variation (Levine *et al.*, 2005: 117).

From the results concerning the respondents' entrepreneurial characteristics, it is evident that **Ability to take responsibility** has the highest mean ($\bar{x} = 4.506$), followed by the characteristic, **Integrity and reliability** ($\bar{x} = 4.462$), **Drive to achieve and grow** ($\bar{x} = 4.456$) and **High energy levels** ($\bar{x} = 4.281$).

In this case the lowest arithmetic mean ($\bar{x} = 3.110$) was obtained on the entrepreneurial characteristic, **Tolerance for failure**, followed by **Willingness to undertake personal risk** ($\bar{x} = 3.495$), **Patience** ($\bar{x} = 3.505$), **Ability to see opportunities in the marketplace** ($\bar{x} = 3.527$) and **Calculated risk-taking** ($\bar{x} = 3.596$).

4.5.2 Superior assessment

Participants in this research were furthermore requested to assess their perception of their superiors' entrepreneurial characteristics. The results in Table 4.2 (turn the page) reflect how respondents perceived the strength and weakness of their superiors' entrepreneurial characteristics relative to theirs.

Table 4.2: Results of superior assessment of entrepreneurial characteristics

Code	Description	n	Mean \bar{x}	S
B1/16	Integrity and reliability	88	4.250	0.997
B1/01	High levels of commitment	87	4.207	0.823
B1/07	Ability to take responsibility	87	4.207	0.878
B1/06	High levels of perseverance	85	3.965	0.865
B1/03	High energy levels	87	3.943	0.812
B1/08	Problem solving skills	86	3.942	0.899
B1/22	Quick learner who does not make same mistake twice	90	3.933	0.761
B1/25	Self-starter (internal locus of control)	90	3.933	0.776
B1/11	Courage	88	3.898	0.845
B1/02	High levels of creativity and innovativeness	87	3.897	0.823
B1/30	Open-mindedness (lateral thinker)	90	3.889	1.033
B1/20	High level of emotional stability	90	3.878	0.872
B1/28	Drive to achieve and grow	90	3.856	0.966
B1/26	Limited need for status and power	89	3.843	0.987
B1/12	Self- confidence and optimism	90	3.833	0.738
B1/13	Ability to manage ambiguity and uncertainty	90	3.789	0.977
B1/21	Self-awareness (personal strengths and weakness)	89	3.787	0.947
B1/15	Generosity	90	3.778	0.993
B1/17	Good judge of people	90	3.756	0.812
B1/10	Self-reliance	87	3.701	0.823
B1/19	Ability to adapt to change	89	3.697	0.982
B1/09	Capacity to inspire others	87	3.678	1.017
B1/23	Able to conceptualise and sweat the details	89	3.663	0.797
B1/05	Calculated risk-taking	87	3.621	0.918
B1/27	Restlessness with status quo	88	3.602	0.865
B1/04	Low support needs	86	3.593	0.987
B1/14	Ability to see opportunities in the marketplace	90	3.544	0.823
B1/18	Patience	90	3.467	0.985
B1/24	Willingness to undertake personal sacrifice	90	3.411	0.860
B1/29	Tolerance for failure	90	3.111	0.999

The highest arithmetic mean ($\bar{x} = 4.250$) was obtained on the entrepreneurial characteristic, **Integrity and reliability**, with **High levels of commitment** and **Ability to take responsibility** both yielding ($\bar{x} = 4.207$).

However, superiors obtained the lowest arithmetic mean score ($\bar{x} = 3.111$) on **Tolerance for failure**, **Willingness to undertake personal sacrifice** ($\bar{x} = 3.411$), **Patience** ($\bar{x} = 3.467$), and the **Ability to see opportunities in the marketplace** ($\bar{x} = 3.544$).

4.5.3 Gap analysis

In order to determine how managers perceptions of their relative entrepreneurial characteristics strengths compare to those of their superiors, the mean score are compared by means of a dependent or paired t- test (p values) and effect sizes (d values) in terms of the entrepreneurial characteristics measured.

In order to test the differences between two arithmetic means of respondents and their superiors, *p-value* and *d-value* were scrutinised. A smaller *p-value* (<0.05) is considered as sufficient evidence that there is a statistically significant difference (Ellis & Steyn, 2003: 51). The *d-value* is employed to test the practical significance of a standardised difference between the means of two populations (Ellis & Steyn, 2007: 32). The *d-values* are thus interpreted as follows: small effect ($d = 0.2$), medium effect ($d = 0.5$), and large effect ($d = 0.8$).

The comparison between the self and superior assessment is presented in table 4.3 with the number of respondents (n), mean (\bar{x}), standard deviation (s), statistical significant (p-values) and practical significant (d- values) difference between the means.

Table 4.3: Relationships between self and superior assessment

Characteristic	Self assessment			Superior assessment			Gap analysis	
	<i>n</i>	\bar{x}	<i>s</i>	<i>n</i>	\bar{x}	<i>s</i>	<i>p</i>	<i>d</i>
High levels of commitment	89	4.225	0.517	87	4.207	0.823	0.744	0.04
High levels of creativity/innovativeness	89	4.191	0.581	87	3.897	0.823	0.009	0.29
High energy levels	89	4.281	0.738	87	3.943	0.812	0.003	0.32
Low support needs	89	3.652	0.893	86	3.593	0.987	0.751	0.03
Calculated risk-taking	89	3.596	0.962	87	3.621	0.918	0.928	0.01
High levels of perseverance	89	3.966	0.818	85	3.965	0.865	0.846	0.02
Ability to take responsibility	89	4.506	0.676	87	4.207	0.878	0.005	0.31
Problem solving skills	89	4.146	0.632	86	3.942	0.899	0.079	0.19
Capacity to inspire others	89	3.773	0.867	87	3.678	1.017	0.380	0.10
Self-reliance	89	3.685	0.899	87	3.701	0.823	0.921	0.01
Courage	90	3.856	0.842	88	3.898	0.845	0.665	0.05
Self-confidence & optimism	91	3.978	0.715	90	3.833	0.738	0.197	0.14
Ability to manage ambiguity and uncertainty	91	3.780	0.814	90	3.789	0.977	0.933	0.01
Ability to see opportunities in the marketplace	91	3.527	0.848	90	3.544	0.823	0.833	0.02
Generosity	91	3.835	0.922	90	3.778	0.993	0.617	0.05
Integrity and reliability	91	4.462	0.544	88	4.250	0.997	0.112	0.17
Good judge of people	90	3.611	0.730	90	3.756	0.812	0.299	0.11
Patience	91	3.505	0.935	90	3.467	0.985	0.877	0.02
Ability to adapt to change	90	4.167	0.566	89	3.697	0.982	0.000	0.42
High level of emotional stability	90	3.922	0.810	90	3.878	0.872	0.792	0.03
Self-awareness (personal strengths and weaknesses)	91	4.011	0.691	89	3.787	0.947	0.056	0.21
Quick learner who does not make the same mistakes twice	91	4.121	0.664	90	3.933	0.761	0.071	0.19
Able to conceptualise and sweat the details	90	3.800	0.737	89	3.663	0.797	0.208	0.13
Willingness to undertake personal sacrifice	91	3.495	0.887	90	3.411	0.860	0.531	0.07
Self-starter (internal locus of control)	91	4.165	0.500	90	3.933	0.776	0.020	0.25
Limited need for status and power	91	3.758	0.735	89	3.843	0.987	0.547	0.06
Restlessness with status quo	89	3.775	0.780	88	3.602	0.865	0.128	0.16
Drive to achieve and grow	90	4.456	0.621	90	3.856	0.966	0.000	0.53
Tolerance for failure	91	3.110	1.059	90	3.111	0.999	0.942	0.01
Open-mindedness (lateral thinker)	91	4.077	0.793	90	3.889	1.033	0.182	0.14

The results indicate the statistical significant differences in the means between the self and superior assessment regarding the following entrepreneurial characteristics: **High levels of creativity and innovativeness** ($p = 0.009$) and **High energy levels** ($p = 0.003$); **Ability to take responsibility** ($p = 0.005$); **Ability to adapt to change** ($p = 0.000$); **Self-starter (internal locus of control)** ($p = 0.020$) and **Drive to achieve and grow** ($p = 0.000$). The above-mentioned results indicate that there is a statistical significant difference in how the respondents view themselves regarding a specific entrepreneurial characteristic in direct comparison with their superiors.

The findings of the practical significance of the *d-value* reflect that the **Ability to adapt to change** ($d = 0.42$) and **Drive to achieve and grow** ($d = 0.53$) had a medium effect. With the exception of these two characteristics, the above-mentioned results thus indicate no practical significance in how the respondents perceive their entrepreneurial characteristics relative to their superiors.

4.6 RELIABILITY OF QUESTIONNAIRE

In this research, coefficient alpha (commonly known as Cronbach alpha) was employed to ascertain the reliability of the measuring instrument. Coefficient alpha is certainly one of the most important and pervasive statistics in research involving test construction and use (Cortina, 1993: 98; Cronbach, 1951).

It can furthermore be highlighted that coefficient alpha ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous scales or questionnaires. Nunnally (1978) as quoted by Reynolds and Santos (1999), has indicates a coefficient alpha of 0.7 to be an acceptable reliability coefficient. However, from literature it is evident that lower thresholds are sometimes used.

The results of the reliability and internal consistency of constructs are presented in Table 4.4.

Table 4.4: Reliability of questionnaire measuring entrepreneurial climate

No:	Construct	Cronbach alpha
1	Entrepreneurial leadership	0.656
2	Management support	0.773
3	Sponsors (champions)	0.711
4	Tolerance for risks, mistakes and failure	0.593
5	Innovation and creativity	0.650
6	Appropriate rewards and reinforcement	0.599
7	Vision and strategic intent	0.615
8	Discretionary time and work	0.698
9	Empowered teams, multidisciplinary teamwork and diversity	0.809
10	Resource availability and accessibility	0.793
11	Continuous and cross-functional learning	0.763
12	Strong customer orientation	0.833
13	Flat organisational structure with open communication	0.755

A closer glance at Table 4.4 reflects low Cronbach alpha coefficients calculated for the entrepreneurial climate constructs **Tolerance for risks, mistakes and failure** (0.593); **Appropriate rewards and reinforcement** (0.599); **Entrepreneurial leadership** (0.656) and **Vision and strategic intent** (0.615). The remaining constructs scored an acceptable Cronbach alpha of 0.7 and the highest score was for the construct **Strong customer orientation** (0.833).

4.7 ASSESSMENT OF ENTREPRENEURIAL CLIMATE

The assessment of the intrapreneurial climate within Ekurhuleni was based on thirteen (13) constructs which this research regards as a prerequisite to foster entrepreneurial climate. Respondents indicated their perceptions to the constructs on the Likert scale between 1 to 5 (1 = strongly disagree and 5 = strongly agree). The empirical data findings, as presented in Table 4.5, are ranked from the highest to the lowest arithmetic mean scores.

Table 4.5: Results of entrepreneurial climate

No:	Construct	<i>n</i>	\bar{x}	<i>s</i>
7	Vision and strategic intent	92	3.453	0.646
12	Strong customer orientation	92	3.186	0.488
11	Continuous and cross-functional learning	92	2.970	0.786
8	Discretionary time and work	92	2.958	0.704
1	Entrepreneurial leadership	92	2.627	0.694
9	Empowered teams, multidisciplinary teamwork and diversity	92	2.555	0.860
5	Innovation and creativity	92	2.485	0.665
3	Sponsors (champions)	92	2.408	0.677
4	Tolerance for risks, mistakes and failure	92	2.337	0.645
13	Flat organisational structure with open communication	92	2.228	0.756
2	Management support	92	2.224	0.706
6	Appropriate rewards and reinforcement	92	2.223	0.719
10	Resource availability and accessibility	92	1.864	0.684

The respondents ranked the construct of **Vision and strategic intent** (\bar{x} =3.453) of their leaders as the highest arithmetic mean score. This result indicates a slight agreement to the statement. The ranking is followed by the constructs **Strong customer orientation** of organisational members (\bar{x} =3.186); **Continuous and cross-functional learning** within the organisation (\bar{x} =2.970) and **Discretionary time and work** (\bar{x} =2.958). The above-mentioned three constructs indicate a neutral viewpoint from the respondents of the statement. The constructs **Entrepreneurial leadership** (\bar{x} =2.627) and **Empowered teams, multidisciplinary teamwork and diversity** (\bar{x} =2.555) were rated as average by the respondents.

The constructs **Resource availability and accessibility** (\bar{x} =1.864); **Appropriate rewards and reinforcement** (\bar{x} =2.223); **Management support** (\bar{x} =2.224); **Flat organisational structure with open communication and strong sense of belonging** (\bar{x} =2.228) and **Tolerance for risks, mistakes and failure** (\bar{x} =2.337) respectively yielded the lowest arithmetic scores. The results of these four constructs indicate that respondents slightly disagree with the statements.

4.8 RELATIONSHIP BETWEEN THE DEMOGRAPHIC VARIABLES AND CONSTRUCTS

Statistical significance tests have the tendency to yield small p-values (indication of significance) as the size of the data set increases. The effect size, however, is independent of sample size and is a measure of practical significance (Ellis & Steyn 2003: 51). In this study, independent t-test (p-value) and effect sizes (d-values) were calculated between the mean values to examine the relationship between the extracted factors, that is, age group of respondents, gender classification of respondents and department classification of respondents. In practice that means that this analysis aim to determine if there is a significant difference between the evaluation based on the mean score for instance male and female respondents with regard to a specific construct.

For the purpose of this study, the demographical data are classified according to the following categories:

- Gender: Male; female.
- Age: Younger than 40 years old; 40: years and older.
- Race: Black/coloured/Indian; white.
- Management level: Lower; middle/top management.

As mention in paragraph 4.5.3, effect sizes (d) are interpreted, according to Cohen's guidelines, as follows: small effect (d-values = 0.2), medium effect (d-values = 0.5) and large effect (d-values = 0.8). Results with medium effects can be regarded as visible effects and with $d \geq 0.8$ as practically significant, since it is the result of a difference having a large effect (Field, 2005: 32: Ellis & Steyn, 2003: 51-53).

Table 4.6 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).

4.8.1 Gender

Table 4.6 presents the results of the relationship between the demographic variable, gender (Male; female) and the constructs measuring the entrepreneurial climate.

Table 4.6: The relationship between demographic variable, gender, and the constructs

Gender							
Item	Description	Gender	<i>n</i>	\bar{x}	<i>s</i>	<i>p</i>	<i>d</i>
1	Leadership	Male	54	2.631	0.7416	0.97	0.01
		Female	37	2.626	0.636		
2	Support	Male	54	2.190	0.7237	0.56	0.12
		Female	37	2.280	0.6946		
3	Sponsor	Male	54	2.348	0.6754	0.32	0.21
		Female	37	2.495	0.6879		
4	Tolerance	Male	54	2.280	0.5641	0.31	0.19
		Female	37	2.420	0.7546		
5	New ideas	Male	54	2.445	0.7186	0.49	0.14
		Female	37	2.545	0.5932		
6	Rewards	Male	54	2.183	0.7257	0.48	0.15
		Female	37	2.292	0.7205		
7	Vision	Male	54	3.463	0.6557	0.84	0.04
		Female	37	3.435	0.6490		
8	Time work	Male	54	2.994	0.7202	0.59	0.11
		Female	37	2.911	0.6951		
9	Teams	Male	54	2.564	0.8702	0.97	0.01
		Female	37	2.557	0.8637		
10	Resources	Male	54	1.822	0.6536	0.43	0.16
		Female	37	1.938	0.7351		
11	Learning	Male	54	2.94	0.736	0.67	0.08
		Female	37	3.01	0.873		
12	Customer	Male	54	3.195	0.8973	0.86	0.04
		Female	37	3.162	0.7916		
13	Structure	Male	54	2.27	0.814	0.59	0.11
		Female	37	2.18	0.675		

No statistical (p -value < 0.05) significant difference between the perceptions of male and females regarding any of the 13 constructs, were calculated.

It is, furthermore, evident from Table 4.6 that no statistical significant difference ($p < 0.05$) was obtained, but only a small effect regarding the constructs **Tolerance for risks, mistakes and failure** ($d = 0.19$) and **Sponsor (champions)** ($d = 0.21$) realised.

There is thus no practical significant difference between the perceptions of males in direct comparison with females with regard to any of the entrepreneurial climate constructs.

4.8.2 Age

Table 4.7 (turn the page) presents the results of the relationship between the demographic variable, age group (< 40 years; > 40 years) and the constructs measuring the entrepreneurial climate.

No statistical (p -value < 0.05) significant difference between the perceptions respondents older or younger than 40 years on any of the 13 constructs, were calculated.

Table 4.7 reflects that only a small effect on **Tolerance for risks, mistakes and failure** ($d = 0.36$) and on **Resources availability and accessibility** ($d = 0.22$) were realised. There is thus no practical significant difference between the perceptions of respondents older or younger than 40 years respectively with regard to any of the entrepreneurial climate constructs.

Table 4.7: The relationship between demographic variable, age group, and the constructs

Age group							
Item	Description	Age 1=<40yrs 2=>40yrs	<i>n</i>	\bar{x}	<i>s</i>	<i>p</i>	<i>d</i>
1	Leadership	1	30	2.606	0.6027	0.821	0.05
		2	61	2.641	0.7442		
2	Support	1	30	2.233	0.7309	0.948	0.01
		2	61	2.223	0.7049		
3	Sponsor	1	30	2.498	0.7015	0.376	0.19
		2	61	2.363	0.6713		
4	Tolerance	1	30	2.494	0.6350	0.108	0.36
		2	61	2.262	0.6455		
5	New ideas	1	30	2.565	0.5749	0.405	0.18
		2	61	2.440	0.7102		
6	Rewards	1	30	2.180	0.6692	0.678	0.09
		2	61	2.248	0.7518		
7	Vision	1	30	3.507	0.4571	0.558	0.12
		2	61	3.412	0.7264		
8	Time work	1	30	3.033	0.5898	0.478	0.15
		2	61	2.920	0.7607		
9	Teams	1	30	2.615	0.8597	0.642	0.10
		2	61	2.525	0.8727		
10	Resources	1	30	1.963	0.7107	0.319	0.22
		2	61	1.810	0.6753		
11	Learning	1	30	3.01	0.639	0.669	0.09
		2	61	2.94	0.852		
12	Customer	1	30	3.237	0.7567	0.692	0.08
		2	61	3.161	0.9009		
13	Structure	1	30	2.26	0.677	0.766	0.06
		2	61	2.21	0.803		

4.8.3 Race

Table 4.8 presents the results of the relationship between the demographic variable, race classification (Black; White) and the constructs measuring the entrepreneurial climate.

Table 4.8: The relationship between demographic variable, race, and the constructs

Race classification							
No:	Description	Race 1=B,C,I 2=W	<i>n</i>	\bar{x}	<i>s</i>	<i>p</i>	<i>d</i>
1	Leadership	1	59	2.682	0.6784	0.33	0.20
		2	31	2.531	0.7446		
2	Support	1	59	2.260	0.6992	0.54	0.13
		2	31	2.161	0.7473		
3	Sponsor	1	59	2.510	0.6503	0,06	0.40
		2	31	2.226	0.7151		
4	Tolerance	1	59	2.390	0.6421	0.28	0.24
		2	31	2.232	0.6675		
5	New ideas	1	59	2.592	0.5762	0.38	0.04
		2	31	2.285	0.7974		
6	Rewards	1	59	2.269	0.6988	0.50	0.14
		2	31	2.161	0.7770		
7	Vision	1	59	3.573	0.5819	0.01	0.48
		2	31	3.223	0.7265		
8	Time work	1	59	3.047	0.6939	0.11	0.31
		2	31	2.792	0.8161		
9	Teams	1	59	2.588	0.8737	0.68	0.09
		2	31	2.508	0.8676		
10	Resources	1	59	1.906	0.6458	0.50	0.13
		2	31	1.802	0.7739		
11	Learning	1	59	3.07	0.661	0.10	0.29
		2	31	2.78	0.987		
12	Customer	1	59	3.331	0.8015	0.03	0.47
		2	31	2.911	0.8996		
13	Structure	1	59	2.27	0.714	0.59	0.11
		2	31	2.18	0.855		

Statistical significant difference between the two race classifications (Blacks; Whites) investigated in this analysis regarding the following constructs realised: **Vision and strategic intent** ($p = 0.01$) and **Strong customer orientation** ($p = 0.03$).

Furthermore, the results yielded the following effect sizes: **Vision and strategic intent** ($d = 0.48$); **Strong customer orientation** ($d = 0.47$) **Sponsors (sponsors)** ($d = 0.40$), which indicates a medium effect.

4.8.4 Management level

Table 4.9 reflects the results from relationships between management levels.

Table 4.9: The relationship between demographic variable, management level, and the constructs

No:	Description		<i>n</i>	\bar{x}	<i>s</i>	<i>p</i>	<i>d</i>
1	Leadership	Top/Middle	49	2.762	0.8097	0.05	0.36
		Lower	42	2.474	0.5047		
2	Support	Top/Middle	49	2.507	0.7068	0.00	0.85
		Lower	42	1.908	0.5604		
3	Sponsor	Top/Middle	49	2.567	0.7543	0.02	0.45
		Lower	42	2.226	0.5341		
4	Tolerance	Top/Middle	49	2.516	0.7057	0.01	0.53
		Lower	42	2.141	0.5041		
5	New ideas	Top/Middle	49	2.581	0.8068	0.16	0.24
		Lower	42	2.385	0.4393		
6	Rewards	Top/Middle	49	2.404	0.8160	0.01	0.48
		Lower	42	2.012	0.5320		
7	Vision	Top/Middle	49	3.545	0.6545	0.15	0.30
		Lower	42	3.348	0.6352		
8	Time work	Top/Middle	49	3.123	0.7597	0.02	0.46
		Lower	42	2.774	0.5939		
9	Teams	Top/Middle	49	2.816	0.8826	0.00	0.62
		Lower	42	2.268	0.7413		
10	Resources	Top/Middle	49	2.077	0.7983	0.00	0.56
		Lower	42	1.632	0.4161		
11	Learning	Top/Middle	49	3.09	0.856	0.13	0.29
		Lower	42	2.84	0.690		
12	Customer	Top/Middle	49	3.319	0.9309	0.14	0.28
		Lower	42	3.055	0.7201		
13	Structure	Top/Middle	49	2.45	0.826	0.00	0.58
		Lower	42	1.98	0.581		

Lastly, the results indicate greater statistical significant differences on the following constructs: **Management support** ($p = 0.00$), **Champions (sponsors)** ($p = 0.02$), **Tolerance for risks mistakes and failure** ($p = 0.001$), **Appropriate rewards and reinforcement** ($p = 0.01$), **Discretionary time and work** ($p = 0.02$), **Empowered teams, multi-disciplinary teamwork and diversity** ($p = 0.00$), **Resources availability and accessibility** ($p = 0.00$), **Flat organisational structure with open communication and strong sense of belonging** ($p = 0.00$).

Results further indicate practical significant differences on **Management support** with high effect ($d = 0.85$). The results further indicate the medium effect on **Champions (sponsors)** ($d = 0.45$), **Tolerance for risks mistakes and failure** ($d = 0.53$), **Appropriate rewards and reinforcement** ($d = 0.48$), **Discretionary time and work** ($d = 0.46$), **Empowered teams, multi-disciplinary teamwork and diversity** ($d = 0.62$), **Resources availability and accessibility** ($d = 0.56$), and **Flat organisational structure with open communication and strong sense of belonging** ($d = 0.58$). The results indicate practical significant differences between the two groups of top/middle and lower management level.

4.9 SUMMARY

This chapter set out the methodology employed to gather empirical data. Quantitative research was conducted through distributing questionnaires to Ekurhuleni Metropolitan Municipality managers. A five (5) point Likert type was used to gather data. The ultimate objective of the instrument was (1) to assess the entrepreneurial characteristics of respondents relative to their superiors, and (2) to assess the intrapreneurial climate. In order to ascertain the internal consistency of the measuring instrument, the Cronbach coefficient alpha was employed and calculated.

The results of the primary data indicated that the highest arithmetic mean was on **Ability to take responsibility** ($\bar{x} = 4.506$). The lowest arithmetic means obtained was on **Tolerance for risks, mistake and failure** ($\bar{x} = 3.110$). It can furthermore be noted that the above results indicate no practical significance between two means in how the respondents perceive themselves relative to their superiors.

Moreover, the results from this study indicated that the intrapreneurial climate has the highest arithmetic mean ($\bar{x} = 3.453$) on **Vision and strategic intent** construct and the lowest arithmetic mean ($\bar{x} = 1.864$) on **Resource availability and accessibility**. The empirical data further reveals statistical significant differences and practical significant differences on views of top/middle and lower management level groups on constructs of intrapreneurial climate.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter concludes this study, projects the scene for possible recommendations, and suggests a possible area for future research. The results from the empirical data form the base for the conclusion and recommendations. The achievement of the study objectives will also be discussed.

5.2 CONCLUSIONS

5.2.1 Demographic profile

The demographic profile of this study indicates that 59% males and 40% females formed the respondents in this study, while less than 1% respondents preferred not to disclose their gender. It was noted that the respondents were unequally racially distributed (59% Black, 34% Whites and only a few Indians and Coloureds).

The majority of respondents possessed tertiary educational qualifications. Lower level managers made up the highest number of respondents (46%), followed by middle management managers (40%). Only 13% of respondents were drawn from top management.

While a small number of managers participated in the study and a simple random sample was employed, the views expressed cannot be safely regarded as fully representative of the Ekurhuleni Municipality staff. The study implies that cognisance of the interpretation and application of the results and its finding cannot be generalised. The study can be repeated to compare the results with similar research in the future.

5.2.2 Reliability of questionnaire

The results of this study indicate that the following constructs had scored lower Cronbach alpha coefficients (between 0.593 and 0.698): **Entrepreneurial leadership; Tolerance for risks, mistakes and failure; Innovation and creativity; Appropriate rewards and reinforcement; Vision and strategic intent;** and **Discretionary time and work**. The remaining constructs had scored an acceptable Cronbach alpha of above 0.7, with the highest score of 0.833.

Nunnally (1978) as quoted by Reynolds and Santos (1999) indicates a coefficient alpha of 0.7 as an acceptable reliability coefficient. Even so, lower thresholds are sometimes used in the literature. Schmitt (1996: 353) concludes that there is no acceptable or unacceptable level of alpha, and that in some cases (by conventional standards) this may still be quite acceptable.

A lower score in this research might be attributed to respondents' lack of understanding of questions. It is a common misconception that if the alpha is low, it must be a bad test (Yu, 2003: 3). It is generally accepted that values below 0.7 can be expected when dealing with diverse constructs (Oosthuizen, 2007; Field, 2005: 668). It is suggested that an instrument be refined to improve its internal consistency of constructs to an acceptable Cronbach alpha of 0.7. However, due care should be taken not to generalise the results of this study. A similar study in future might shed more light on comparison.

5.2.3 Entrepreneurial characteristics

An assessment of the entrepreneurial characteristics of the Ekurhuleni Municipality managers reflect the highest arithmetic mean scores respectively on the following: **Ability to take responsibility** ($\bar{x} = 4.405$), **Integrity and reliability** ($\bar{x} = 4.462$) and **Drive to achieve and grow** ($\bar{x} = 4.456$).

These results indicate that managers have a slight **Tolerance for risks, mistakes and failure** ($\bar{x} = 3.110$); **Willingness to undertake personal sacrifice** (3.495); **Patience** (3.505); the **Ability to see opportunities in the marketplace** ($\bar{x} = 3.527$);

and **Calculated risk-taking** ($\bar{x} = 3.596$). These results imply that managers in the Ekurhuleni Municipality perceive the bureaucratic environment as inflexible, with rigid structures, policies and procedures. They perceive the control and budgeting system as a deterrent to entrepreneurial characteristics/behaviour.

The results further indicate statistical significant differences between respondents and their immediate superiors with regard to the following characteristics: **High levels of creativity and innovativeness; High energy levels; Ability to take responsibility; Ability to adapt to change; Self-starter (internal locus of control); and Drive to achieve and grow.**

With the exception of two characteristics (i.e. the **Ability to adapt to change** and **Drive to achieve and grow**), no practical significant differences could be found between the respondents and their superiors. It can thus be concluded that there are no practical significant differences in how the respondents view themselves towards their superiors on entrepreneurial characteristics.

5.2.4 Intrapreneurial climate

A major highlight of this study is the results of the intrapreneurial climate assessment projecting a highest mean score of ($\bar{x} = 3.453$) and a lowest mean score of ($\bar{x} = 1.864$). In accordance with the research instrument, 3.4 falls in the neither agree nor disagree range, whilst 1.8 falls in the range of slightly disagree. Respondents in this study therefore do not fully agree with the statements that the environment is conducive to foster entrepreneurial behaviour.

Furthermore, no practical significant differences could be found in the relationship between constructs and the demographic variables of **age, gender** and **race** groupings. However, major significant differences were found on the relationship between management level variable and constructs. The results of the study indicate that the different views of respondents regarding the intrapreneurial climate in the Ekurhuleni Municipality are based on the following constructs: **Management support, Champion (sponsor), Tolerance for risks, mistakes and failure, Appropriate rewards and reinforcement, Discretionary time and work,**

Empowered teams, multi-disciplinary teams and diversity, Resources availability and accessibility, and Flat organisational structure with open communication and strong sense of belonging.

According to Thomson's (2001), Cohen's guidelines to interpret the differences in arithmetic means between variables should not be used in an overly rigid manner. It can thus be concluded that the study provides evidence of practical significant differences in views on intrapreneurial climate constructs among managers from top/middle and lower management levels. Further empirical research is recommended to confirm these differences and to establish norms for future interpretation.

This study has managerial implications to senior managers in the Ekurhuleni Municipality, in that it reflects that lower management is of the opinion that the climate is not completely conducive to foster entrepreneurial behaviour relative to middle and top managers. The empirical evidence concludes that lower management staff is endowed with lower support needs from their superiors.

This study further reveals that lower level managers are of the opinion that organisational structure, rewards systems, resources availability, lack of sponsors, effective teamwork, and discretionary time impede their ability to be entrepreneurial. For entrepreneurial behaviour to thrive there needs to be a paradigm shift from prescription and a top down approach, to an innovative and experimental approach among competent workforce.

Corporate entrepreneurship can be sustained in the organisation once it is embedded in the culture of the organisation (Nayager & Van Vuuren, 2005: 31). Chatman, Joyce and Lyons (2007: 179) assert that sustained innovation requires that a cultural foundation (embedded in how people lead and are led) permeate the organisation.

Intrapreneurship as an antidote to organisational challenges is a rather innovative and proactive role by government to steer society towards an improved quality of life (Morris & Kuratko, 2004: 327). In this scenario, encapsulated business practices are

imperative. These include alternative revenues, improvement in internal process, and the development of novel solutions to inadequately addressed social and economic needs. The focus of this research was to assess the intrapreneurial climate in the Ekurhuleni Metropolitan Municipality. This was done through finding empirical evidence to shed light on the pressing need to improve from the current state of bureaucracy to an envisioned future of entrepreneurship.

5.3 RECOMMENDATIONS

In light of the above-mentioned conclusions, it is recommended that measures be put in place to create a climate that will promote entrepreneurial behaviour within the Ekurhuleni Municipality.

Furthermore, it is recommended that the measuring instrument be refined to enhance its reliability. This recommendation ties with the fact that a Cronbach alpha of 0.6 was obtained from a few constructs under investigation.

5.3.1 Entrepreneurial characteristics

Entrepreneurial characteristics can be enhanced by strong leadership that stimulate entrepreneurial behaviour such as risk-taking and experimentation in pursuit of innovative behaviour or continuous improvement. It is also imperative for senior managers to perform symbolic behaviour that reinforce the attitude towards innovative thinking. Managers should act as role models for culture change towards employees to enhance entrepreneurial behaviour. Furthermore, multiplicity and ambiguity of goals, high political interference and restrictive personnel policies should be lessened by senior managers in order to encourage entrepreneurial behaviour.

5.3.2 Establishing an entrepreneurial climate

It is also recommended that senior management creates an environment that will foster an intrapreneurial climate at all levels of organisation (see also table 5.1 for action plans). This can be outlined as follows:

- **Entrepreneurial leadership** should be enhanced through traits of leaders who always possess a dream and overcome all obstacles in achieving it by selling the dream to others. In this way, an intrapreneurial spirit will thrive. Leaders should create a climate practice of urgency among employees to work on a new vision (McGrath & Macmillan, 2000). Employees need to be motivated with a sense of ownership to take pride in their work, irrespective of challenges and obstacles.
- **Management support** should be improved to sustain entrepreneurial behaviour for team members. In order to succeed in ventures, team members should receive support from management in the form of encouragement, advice, the provision of resources and influencing behind the scenes (Wickham, 2004: 560). In this instance, innovators will emerge and grow, provided that the right support and resources are made available to develop new ideas and work methods.
- The number of **Sponsors (champions)** should be increased and identified. It is a fact that effective entrepreneurial teams require champions and sponsors for an innovative spirit to thrive. Champions will encourage a project during the critical stages and keep the decision makers informed. They will also lead the team and enthusiastically promote the project throughout the organisation.
- Ekurhuleni Municipality should embrace a culture of **Tolerance toward risks, mistakes and failure** by allowing employees opportunities to take risks in order to be creative. Management should allow employees to experiment with new ideas boldly and aggressively, yet not recklessly (they should take calculated risk into cognisance). Furthermore, leaders should promote innovation by creating a shared belief that it is safe for team members to take interpersonal risks. An innovative culture seeks unusual or novel solutions to problems. It also supports technical leadership and covets brainstorming as much as cost saving (Peterson & Johnson, 2004: 57).

- **Creativity and innovation** should be enhanced by making and communicating meaningful new connections. This would help employees to think of many possibilities, and help them experience varied ways and use different points of view. Ultimately, creativity and innovation will assist employees to think of new and unusual possibilities. In this process, they will be guided to generate and select alternatives. A climate for creativity and innovation will promote the generation, consideration and use of new products, services and ways of working.
- The **Reward and recognition** policy should be reviewed and identified to enhance motivation of individuals to engage in innovative behaviour. It has been documented that people work harder when they perceive clear links between their efforts, performance, and the reward they receive, than when the links are weak or absent. In order to enhance effectiveness, a reward and feedback system must be prompt to ensure equity and reinforcement, unlike a practice of a once a year performance appraisal or merit award system.
- The **Vision and strategic intent** of the organisation should be improved by ensuring that all employees are aware of the vision of the organisation. Organisational 'vision is successful if it reaches a wide audience and tells an engaging story that people want to be part of. It should challenge people to be innovative and create a sense of urgency among the workforce. Leaders need to articulate the vision and strategic intent of the organisation to enhance a "buy in" from employees and to realise the organisation's goal and objectives.
- Management should give ample **Discretionary time and work** to employees in order to encourage innovative ideas. Employees should have discretion to the extent that they are able to make decisions and perform their work in a manner that they believe is most effective.
- **Cross-functional project teams** that are dedicated to develop innovative ideas for organisational effectiveness should be improved. Management should allow a multi-disciplinary team to deal with organisational challenges

and new innovative ventures. This team should effectively resolve challenges with the ultimate goal of attaining organisational objectives. An empowered team will operate efficiently if a multidisciplinary team approach is supported. This approach needs the participation of organisational members, regardless of their area of specialisation in organisational structure to encourage an entrepreneurial climate (Hisrich *et al.*, 2005: 49).

- The system of **Acquiring and maintaining the availability of resources** should be improved within the organisation to encourage entrepreneurial behaviour. Employees with innovative ideas or projects should not be discouraged to embark on ventures due to bureaucratic systems.
- The Ekurhuleni Metropolitan Municipality's working environment should encourage **Continuous learning and cross-functional learning** in order to foster innovation. Organisational learning can be attained if employees continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. Organisational structures and social processes should be designed to facilitate employees and teams to learn and share knowledge among them.
- Employees should be encouraged to display **Strong customer orientation** when dealing with clients. This can be achieved by being innovative in their approach.
- The Ekurhuleni Metropolitan Municipality can learn to adopt a **Flat organisational structure together with open communication** to enhance an entrepreneurial climate. The bureaucracy imposed by a vertical hierarchy results in an inability to make timely decisions. It also creates ineffective communication between senior management and line managers, and ineffective communication between functional groups (Gaw & Liu, 2004: 5).

5.3.3 Action plans to establish intrapreneurship

Detailed action plans to establish intrapreneurship in the organisation are presented in Table 5.1.

Table 5.1: Action plans to establish intrapreneurship in the organisation

Action	Implementation steps	Duration	Responsible person
Commitment of management	<ul style="list-style-type: none"> • Introduce intrapreneurship through seminars and workshops to management to develop strategies to transform organisational culture. • Establish general guidelines. • Utilise an internal newsletter to communicate strategies, policies, new service launches, and general snippets of information. • Ensure resources commitment from the outset. 	Three years	Intrapreneur
Identify ideas and areas supported by top management support	<ul style="list-style-type: none"> • Identify time-frames, goals and objectives of the venture. • Establish the benefits of the venture to the organisation, e.g. improved customer services and new working methods. 	Ongoing	Intrapreneur
Utilise technology for flexibility	<ul style="list-style-type: none"> • Exercise leverage on existing data to optimise on organisational effectiveness and performance. • Use organisational data, information and competencies for strategic purposes. 	Ongoing	ICT Department
Identify team of interested managers	<ul style="list-style-type: none"> • The team will assist in training and mentoring employees on intrapreneurial behaviour. • The team will assist in developing a business plan and conducting market research on customer needs. • Build a coalition of sponsors to support the venture. • Educate the steering committee and sponsors on the principles and practice of intrapreneurship. • Assist with team dynamics & personnel issues. • Ensure cohesive teamwork from cross-functional departmental teams. 	One day per month	Sponsor or Champion

Action	Implementation steps	Duration	Responsible person
Develop methods to know customers and their needs	<ul style="list-style-type: none"> • Tap into the organisational database. • Conduct customer needs and satisfaction surveys. • Build a customer relationship model in the business process. 	Three years	Communication and Marketing Department
Being productive with few resources	<ul style="list-style-type: none"> • Implement a less hierarchical structure. • Encourage managers to operate with a lean and mean approach. • Reward managers who are lean and mean in operations. • Consistently seek innovative methods on business process or business process re-engineering. 	Ongoing	HR Department
Provision of support structure	<ul style="list-style-type: none"> • Providing sufficient funding to innovative ventures. • Ease the approval procedures for funding. • Give intrapreneur authority over their expenditure. • Allow employees time to work on innovative ventures. • Implement development initiatives to provide high potential young leaders with growth and development impunities. • Implement structural development initiatives and career paths in the form of development plans to attract and retain talented employees. 	Ongoing	Finance and HR Department
Recognition and rewards systems	<ul style="list-style-type: none"> • Link performance with rewards. • Ensure equity in rewarding innovative behaviours. • Ensure prompt evaluations and feedback on performance attained. • Introduce a programme of best staff member for the month. 	On going	HR Department

Action	Implementation steps	Duration	Responsible person
Monitoring and evaluation of intrapreneurial venture	<ul style="list-style-type: none"> • Put in place a mechanism for evaluating the success and failure of a venture. • Set a standard for performance and limits for failure of a venture. • Identify best practices and benchmarks within the sector. • Provide regular feedback and promotions of ventures by champions to all organisational members. • Recognise failure as a key to learning not a deterrent to intrapreneurship. 	On going	Intrapreneurial team
Create aligned commitment to intrapreneurship	<ul style="list-style-type: none"> • Involve employees; clarify their needs; guide and mentor with information and knowledge. • Empower employees with training and exercise discretion on innovative projects • Motivate employees in realising and taking ownership of their vision. • Enable employees to perform effectively and unlock their potential. • Establish trusting relationships. 	Three years	Intrapreneur
Manage resistance to change	<ul style="list-style-type: none"> • Determine system readiness to change and susceptibility • Identify sources of resistance. • Determine the nature of resistance. • Diagnose reasons. • Evaluate the success of the change management effort. • Empathise and offer support to those who are affected. • Communicate information through the relevant channels. • Involve stakeholders in the change discussions. 	During the planning and implementation phase	Sponsors/ Champions

5.4 ACHIEVEMENTS OF OBJECTIVES

The measurement of success of this study is based upon the achievement of the primary and secondary objectives, as indicated in Section 1.4 of this study.

5.4.1 Primary objectives

The primary objective of this study was to assess corporate entrepreneurship (intrapreneurship) in the Ekurhuleni Metropolitan Municipality. Furthermore to put forward recommendations that can foster intrapreneurial climate in the Ekurhuleni. The achievement of the primary objective was depended upon the realising the secondary objective.

5.4.2 Secondary objectives

As outlined in Section 1.4, the secondary objectives had to be achieved to be able to achieve the primary objectives. The following secondary objectives had to be met:

The first objective, to define corporate entrepreneurship (intrapreneurship), was achieved by defining corporate entrepreneurship in section 2.2 in chapter 2 of this study.

The second objective, to obtain insight into the dynamics of corporate entrepreneurship (intrapreneurship) by means of a literature review, was also achieved by means of a literature study in chapter 2.

The third secondary objective, to obtain insight into the business environment of Ekurhuleni and municipal government by means of a literature review, was achieved by means of the literature study as presented in chapter 3.

The fourth objective, to assess the entrepreneurial characteristics of managers within the Ekurhuleni Municipality, was achieved by presenting the findings in Section 4.5 of this study

The fifth objective, to determine the reliability of the questionnaire in assessing intrapreneurial climate in a corporate environment, the objective was achieved as presented in Section 4.6 of this study.

The sixth objective was to assess the intrapreneurial climate in the organisation by measuring the 13 constructs necessary to foster intrapreneurship. This objective was achieved by means of the presentation and discussion of the findings in Section 4.7 of this study.

The seventh objective, to examine the relationship between the demographic variables and the constructs measuring entrepreneurial climate, it was achieved by presenting empirical results of the relationship in section in Section 4.8 of this research.

The last secondary objective, to suggest practical recommendations to foster intrapreneurial climate within the Ekurhuleni was achieved by presenting recommendations in section 5.3 of this study.

The conclusion can be made that all of the secondary objectives were achieved. Based on the realising of the secondary objectives, as well as the recommendation put forward in Section 5.3, it can be concluded that the primary objective of this study was achieved.

5.5 LIMITATIONS AND SUGGESTION FOR FUTURE RESEARCH

This study has attempted to make a significant contribution to the knowledge base of corporate entrepreneurship and the assessment of intrapreneurship in the Ekurhuleni Metropolitan Municipality. It can thus be regarded as a first step in enhancing entrepreneurship in the public sector. This study has adopted a simple random sample and a limited response rate was attained. The findings of the study might not be fully representative of views of all Ekurhuleni Metropolitan Municipality employees, since utilities companies of Ekurhuleni were excluded in this study.

Based on the empirical findings solely derived from the Ekurhuleni Metropolitan Municipality, the following are proposed for future research:

- Refining the instrument in order to improve the internal consistency of the questionnaire (since a Cronbach alpha of 0.6 was obtained in few constructs).
- A further similar research study can be conducted where the Ekurhuleni Utility Companies and other municipal institutions are included for comparative purposes.

5.6 SUMMARY

This chapter concluded the study, set out the limitations and made recommendations to foster an intrapreneurial climate.

The majority of respondents possessed academic qualifications and represented lower, middle and top management level. Although a small number of managers participated in the study and a simple random sample was employed, the views expressed cannot be regarded as fully representative of Ekurhuleni Municipality staff. The implication of this study is therefore that cognisance of the interpretation and application of these results and its finding cannot be generalised.

The empirical findings reveal that the test for reliability for the measuring instrument indicates a few constructs with a coefficient alpha of 0.6. It was suggested that an instrument be refined to improve its internal consistency of constructs to an acceptable Cronbach alpha of 0.7. The assessment of the respondents' entrepreneurial characteristics evidently indicates that there is no practical significant difference in how the respondents view their entrepreneurial characteristics relative to their superiors.

The respondents did not fully agree with the statements that the Ekurhuleni Municipality climate is conducive to foster entrepreneurial behaviour. However, it was revealed that practical significant differences were found on the relationship between management level variable and intrapreneurial climate constructs. The results of the

study indicate that the respondents have divergent views of the intrapreneurial climate in the Ekurhuleni Municipality and that these views are based on the following constructs: **Management support, Sponsor (champions), Tolerance for risks, mistakes and failure, Appropriate rewards, Discretionary time and work, Empowered teams and multi-disciplinary teams and diversity, Resources availability and accessibility, and Flat organisational structure with open communication and strong sense of belonging.** It can thus be concluded that lower level managers are of the opinion that the climate is not conducive for a spirit of innovation to prosper.

The purpose of this research was to assess the intrapreneurial climate in the Ekurhuleni Municipality. Empirical evidence shows that there is a pressing need for a shift from the current top down approach to a future of entrepreneurship and innovation among the workforce. In light of the above-mentioned empirical findings, a practical action plan was recommended to the Ekurhuleni Municipality management in order to foster an intrapreneurial climate.

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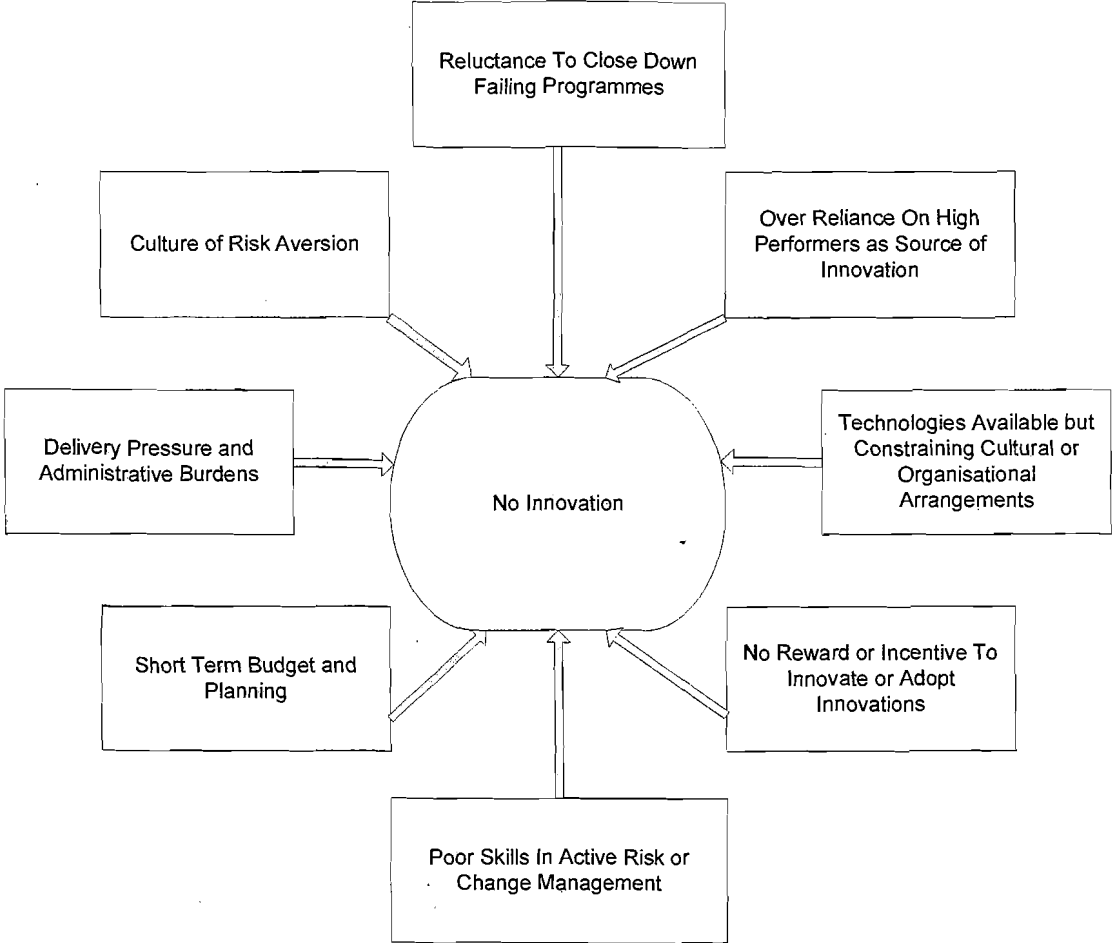
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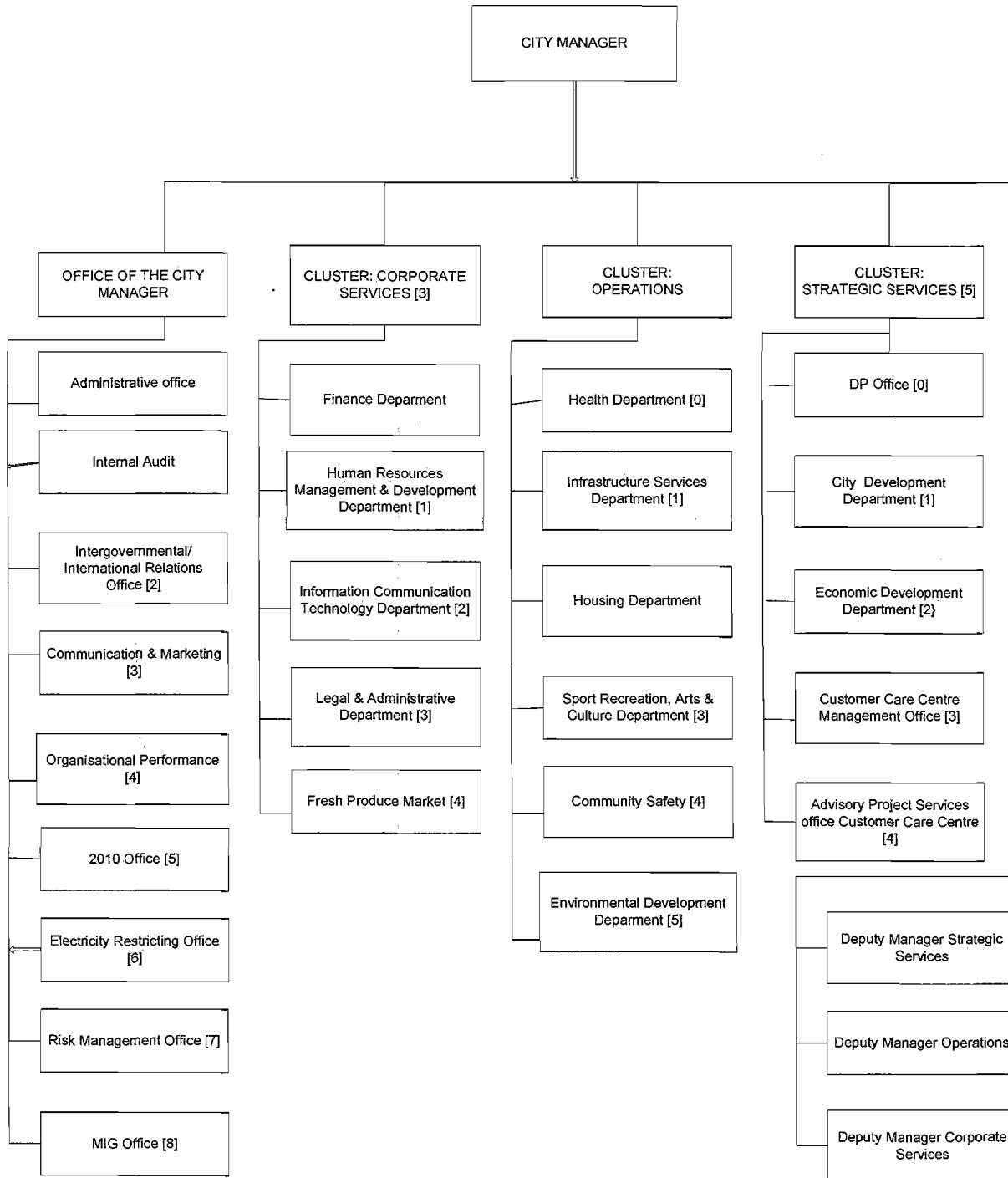
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ANNEXURE A: BARRIERS TO INNOVATION

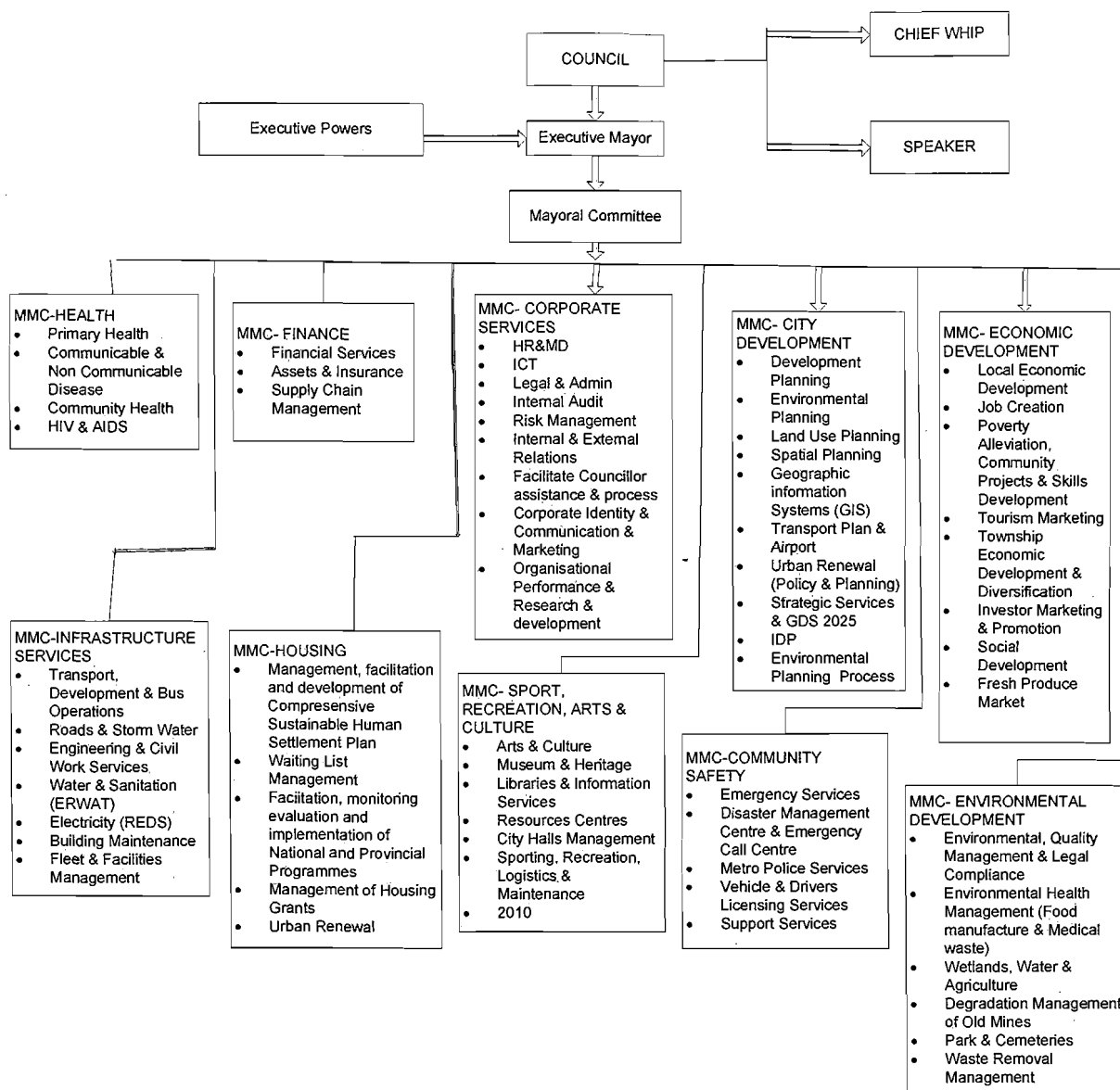


SOURCE: MULGAN & ALBURY (2003: 31)

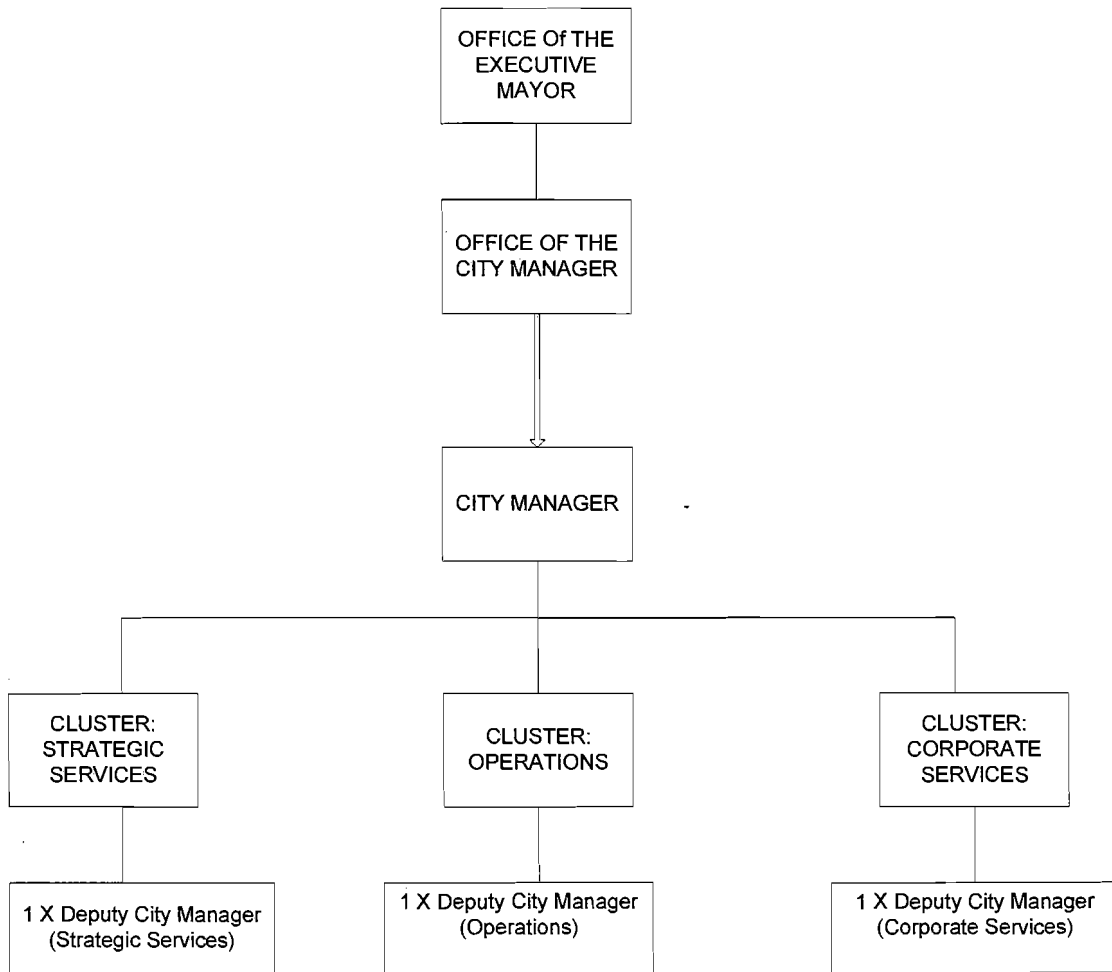
ANNEXURE B: APPROVED ORGANISATIONAL STRUCTURE



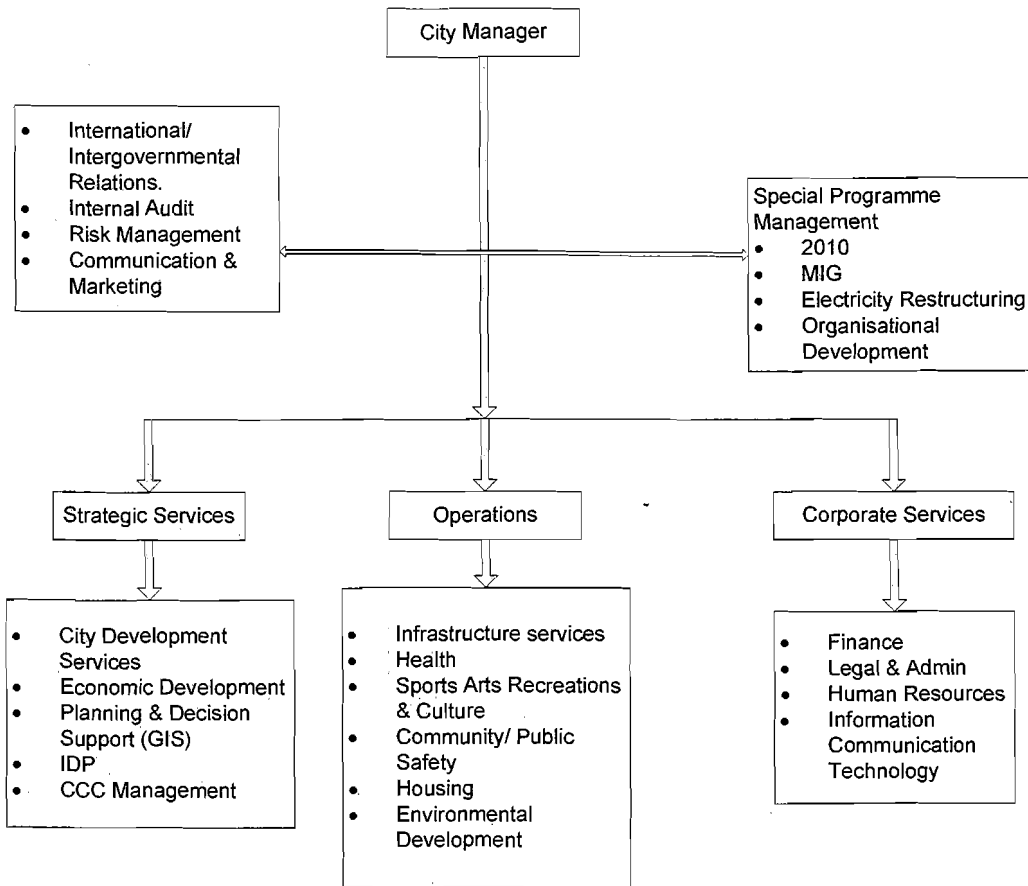
ANNEXURE C: APPROVED POLITICAL STRUCTURE



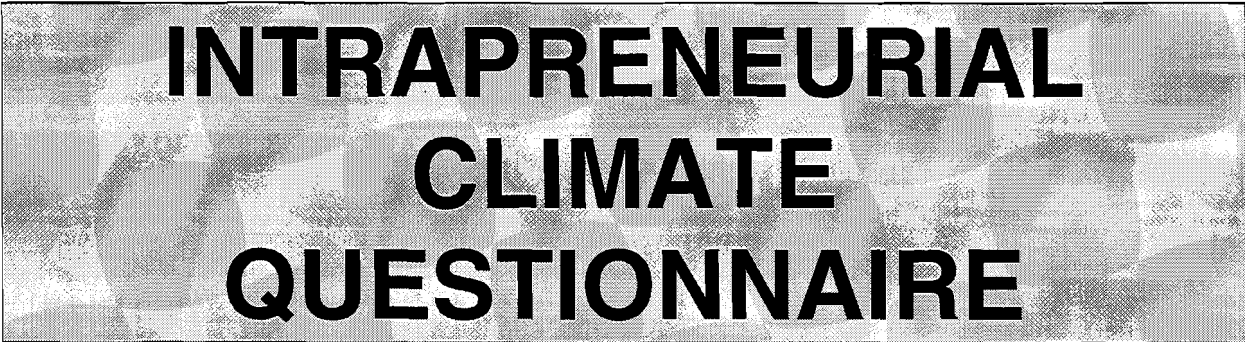
ANNEXURE D: APPROVED MANAGERIAL STRUCTURE



ANNEXURE E: APPROVED FUNCTIONAL STRUCTURE



ANNEXURE F: INTRAPRENEURIAL CLIMATE QUESTIONNAIRE



INTRAPRENEURIAL CLIMATE QUESTIONNAIRE

CONFIDENTIAL

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

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INTRAPRENEURIAL CLIMATE QUESTIONNAIRE

Dear respondent

I am currently busy with my dissertation in partial fulfilment of my Masters Degree study at the North-West University (Potchefstroom Business School). The main objective of the study is to measure the intrapreneurial climate in the Ekurhuleni Metropolitan Municipality (EMM).

Environmental uncertainty, turbulence, and heterogeneity create a host of strategic and operational challenges for today's organisations (Brown & Eisenhardt, 1998). To cope with the challenges of simultaneously developing and nurturing both today's and tomorrow's core competencies, organisations increasingly rely on the effective use of intapreneurship/corporate entrepreneurship (Covin & Miles, 1999). The major thrust of intrapreneuring is to develop the entrepreneurial spirit within organisational boundaries, thus allowing an atmosphere of creativity and innovation to prosper.

Traditionally municipalities are regarded as bureaucratic, less innovative and monopolistic with a guaranteed tax revenue base unlike private entities. However, today public sector organisations are facing challenges of public riots, dearth of skills and a lack of investor/public trust and confidence. Therefore, the public sector needs to embrace a culture of innovation in order to play a crucial role in the economy, by being a conduit for employment creation, excellent service delivery, creation of an investor friendly environment, and growth of the South African economy. EMM as a public sector organisation is expected to foster an environment that promote an intrapreneurial climate in order to survive and sustain organisational effectiveness in this era of elevated public needs, scarce resources and uncertainty.

The focus of this research study is within the EMM. Your honest feedback and opinions or perception without any substantiation regarding the level of the intrapreneurial climate within the organisation, will be valuable for this study. Your response will be treated with strictest confidentiality and anonymity for the purpose of this research. This questionnaire attempts to measure the intrapreneurial climate within EMM 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 every question / statement 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: INTRAPRENEURIAL CLIMATE

The questionnaire 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) or highlight it.

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A01	Our leaders take a long-term view of our municipality.	1	2	3	4	5
A02	Management encourages us to develop ideas that would improve the municipality.	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 EMM is based on taking calculated risks at the right time.	1	2	3	4	5
A05	Our municipality 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 EMM's 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 EMM.	1	2	3	4	5
A10	There are several options within the municipality 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 EMM, 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 municipality.	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 within this municipality that are involved in generating and implementing innovative ideas.	1	2	3	4	5
A19	In this municipality (EMM) 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 within this municipality 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 EMM 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	EMM 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	EMM 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/other service providers.	1	2	3	4	5
A31	EMM 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 EMM mean to us in our own department.	1	2	3	4	5
A34	Nobody at this municipality 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	EMM has open communication channels in which all employees participate.	1	2	3	4	5
A38	EMM 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 EMM.	1	2	3	4	5
A42	EMM's managers have the skills, commitment and courage to be effective champions of intrapreneurial initiatives.	1	2	3	4	5
A43	This municipality 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 municipality effective intrapreneurs are generally rewarded.	1	2	3	4	5
A46	The vision and strategies of the municipality 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 EMM.	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 EMM it is easy to build coalitions of sponsors to help projects succeed.	1	2	3	4	5
A56	If you make a mistake in EMM you will be forgiven.	1	2	3	4	5

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
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 EMM.	1	2	3	4	5
A60	Our municipality 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 EMM 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 from 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: CORE ATTRIBUTES OF ENTREPRENEURS

Self assessment (B1) and Supervisor assessment (B2)

Successful entrepreneurs have certain characteristics in common. Section B of the questionnaire is aimed at determining to what extent employees within Ekurhuleni Metropolitan Municipality (EMM) are inclined towards an entrepreneurial mind. In section B1 you are requested to evaluate yourself on a scale from 1 to 5 in terms of how well each of the attributes or characteristics applies to you. In section B2 evaluate your supervisor on the same scale. Tick in the appropriate block or highlight the block.

Please be honest when completing the rating scale. Your responses remain anonymous and an over-inflation of how you view yourself and/or your supervisor will compromise the integrity of the survey.

SCALE	TERM USED
5	Definite strength
4	Moderate strength
3	Neither strength nor weakness
2	Moderate weakness
1	Definite weakness

	B1 Self assessment					Characteristics	B2 Superior assessment					
	Definite weakness	Moderate weakness	Not strength or weakness	Moderate strength	Definite strength		Definite weakness	Moderate weakness	Not strength or weakness	Moderate strength	Definite strength	
(B1/01)	1	2	3	4	5	High levels of commitment	1	2	3	4	5	(B2/01)
(B1/02)	1	2	3	4	5	High levels of creativity and innovativeness	1	2	3	4	5	(B2/02)
(B1/03)	1	2	3	4	5	High energy levels	1	2	3	4	5	(B2/03)
(B1/04)	1	2	3	4	5	Low support needs	1	2	3	4	5	(B2/04)
(B1/05)	1	2	3	4	5	Calculated risk-taking	1	2	3	4	5	(B2/05)
(B1/06)	1	2	3	4	5	High levels of perseverance	1	2	3	4	5	(B2/06)
(B1/07)	1	2	3	4	5	Ability to take responsibility	1	2	3	4	5	(B2/07)
(B1/08)	1	2	3	4	5	Problem solving skills	1	2	3	4	5	(B2/08)
(B1/09)	1	2	3	4	5	Capacity to inspire others	1	2	3	4	5	(B2/09)

B1 Self assessment					Characteristics	B2 Superior assessment						
Definite weakness	Moderate weakness	Not strength or weakness	Moderate strength	Definite strength		Definite weakness	Moderate weakness	Not strength or weakness	Moderate strength	Definite strength		
(B1/10)	1	2	3	4	5	Self-reliance	1	2	3	4	5	(B2/10)
(B1/11)	1	2	3	4	5	Courage	1	2	3	4	5	(B2/11)
(B1/12)	1	2	3	4	5	Self-confidence and optimism	1	2	3	4	5	(B2/12)
(B1/13)	1	2	3	4	5	Ability to manage ambiguity and uncertainty	1	2	3	4	5	(B2/13)
(B1/14)	1	2	3	4	5	Ability to see opportunities in the market place	1	2	3	4	5	(B2/14)
(B1/15)	1	2	3	4	5	Generosity	1	2	3	4	5	(B2/15)
(B1/16)	1	2	3	4	5	Integrity and reliability	1	2	3	4	5	(B2/16)
(B1/17)	1	2	3	4	5	Good judge of people	1	2	3	4	5	(B2/17)
(B1/18)	1	2	3	4	5	Patience	1	2	3	4	5	(B2/18)
(B1/19)	1	2	3	4	5	Ability to adapt to change	1	2	3	4	5	(B2/19)
(B1/20)	1	2	3	4	5	High level of emotional stability	1	2	3	4	5	(B2/20)
(B1/21)	1	2	3	4	5	Self-awareness (personal strengths and weaknesses)	1	2	3	4	5	(B2/21)
(B1/22)	1	2	3	4	5	Quick learner who does not make the same mistake twice	1	2	3	4	5	(B2/22)
(B1/23)	1	2	3	4	5	Able to conceptualise and sweat the details	1	2	3	4	5	(B2/23)
(B1/24)	1	2	3	4	5	Willingness to undertake personal sacrifice	1	2	3	4	5	(B2/24)
(B1/25)	1	2	3	4	5	Self-starter (internal locus of control)	1	2	3	4	5	(B2/25)
(B1/26)	1	2	3	4	5	Limited need for status and power	1	2	3	4	5	(B2/26)
(B1/27)	1	2	3	4	5	Restlessness with status quo	1	2	3	4	5	(B2/27)
(B1/28)	1	2	3	4	5	Drive to achieve and grow	1	2	3	4	5	(B2/28)
(B1/29)	1	2	3	4	5	Tolerance for failure	1	2	3	4	5	(B2/29)
(B1/30)	1	2	3	4	5	Open-mindedness (lateral thinker)	1	2	3	4	5	(B2/30)

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.

Tick or highlight the applicable block.

C01	Indicate your age group	≤ 29	30 - 39	40 - 49	50 - 59	60+
------------	--------------------------------	------	---------	---------	---------	-----

C02	Indicate your gender	Male	Female
------------	-----------------------------	------	--------

C03	Indicate your race	Black	White	Coloured	Indian
------------	---------------------------	-------	-------	----------	--------

C04	Indicate your highest academic qualification	
	National Certificate	
	National Diploma	
	3-year Degree	
	Post Graduate qualification	

C05	Indicate your management level	Top management	Middle management	Lower management
		(L1-5)	(L 6 - 7)	(L 8 - 11)

Other: (Specify):

C06	Indicate your functional department				
	Infrastructure Services	Media & Marketing	Finance	Human Resources	Environmental Development
	Legal & Administration	Sport Recreation & Culture	Research & Development	Economic Development	City Development
	Housing	Health	Community Safety Services	IDP	ICT
	Other: (Specify):				

THANK YOU VERY MUCH FOR YOUR VALUED INPUT.