

# **A proposed corporate entrepreneurial framework in the retail division of an agri-business**

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## **ABSTRACT**

The global economy is creating profound and substantial changes for business and industries throughout the world. In the agricultural industry this is also true regarding the active consolidation of the food-value chain that is taking place at a rapid rate and on the other hand a strong component of international competitiveness is becoming a reality with multi-national role players positioning them globally. The consumer on the other hand requires a simpler and cheaper supply chain and wants to participate in the deliberations regarding the end product.

In order for Senwes to be successfully positioned as an intermediary, it is evident that change is essential and unavoidable. Therefore, Senwes business platform has to be enlarged, scale of volume has to be added and trade mark has to be addressed.

The literature review in this study confirmed that corporate entrepreneurship is recognised as a potential viable means of promoting and sustaining competitiveness, and transforming business and industry opportunities for value-creating innovation.

The primary objective of this study is twofold: Firstly, to assess the determinants of corporate entrepreneurship and retail in an agri-business in South Africa and secondly to propose an integrated framework to facilitate the process of establishing and maintaining corporate entrepreneurship and retail within the specific agri-business in South Africa.

A comprehensive literature overview on corporate entrepreneurship was conducted in chapter 2. In the literature review corporate entrepreneurship was defined and the necessity and fostering of corporate entrepreneurship discussed. A framework with determinants for sustainable corporate entrepreneurship was furthermore explained. The chapter was concluded with a discussion on corporate entrepreneurial strategy.

A historic overview of the agricultural industry in South Africa was presented. The focus of the discussion was on the agri-business sector in South Africa with a discussion on Senwes Limited.

The nature of retail was discussed in chapter 4. An overview of the nature of retail with a definition of retail was explained. The reason for the change in retail, with different types of retailers as well as a strategic model was noted and discussed. A specific focus in the chapter was given to the strategic drivers for retail success with an overview of key retail success factors. The chapter was concluded with a discussion on the future of retailing.

Empirical research was conducted after the literature review. The empirical research focused on discussing the results obtained from the corporate entrepreneurial climate and retail questionnaire. Middle management and first line supervisors/staff of Senwes Village, Retail division, were selected as the sample population for this study and a 65% rating was achieved. Basic demographic information were dealt with first, after which the perceptions of the respondents with regard to the corporate entrepreneurial orientation and climate constructs, constructs measuring retail and perceived success of the business were discussed. Furthermore, relationships were determined between demographic variables and the constructs measured in the questionnaire.

Following the detailed empirical analysis done in chapter 5, conclusions were made in chapter 6.

Regarding the entrepreneurial orientation survey, five variables describing theoretical dimensions of **Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness** were extracted. The constructs **Innovativeness, Pro-activeness and Competitive aggressiveness** are present in Senwes Village, Retail division. **Autonomy** and **Risk-taking** are less prevalent in Senwes Village, Retail division due to the lower average mean score that was obtained from the empirical study.

In conclusion to the entrepreneurial climate survey, four variables describing theoretical dimensions of **Management Support, Work discretion, Rewards/Reinforcement, Specific climate variables** were extracted. The construct that is already active within the business is **Rewards/Reinforcement**.

**Specific climate variable. Work discretion and Management support** need development to become present.

As far as the retail survey is concerned, six variables describing the theoretical dimensions of **Store factor, Technology, Service factor, Merchandise/Product, Price** and **Segmentation/Target market** were extracted. As indicated from the results the constructs **Store factor, Technology** and **Service factor** are present in the business. **Merchandise/Product, Price** and **Segmentation/Target market** need development to become present in the business.

Regarding the perceived success survey is concerned three factors, **Financial measures, Process measures, People development** were extracted. All three factors are present in the business. .

Finally, recommendations were proposed by means of an integrated framework that could assist the agri-business to establish and maintain corporate entrepreneurship and retail within the business.

**Key words:** Corporate entrepreneurship; venturing; intrapreneurship; entrepreneurship; corporate entrepreneurial strategy; retail; agri-business; co-operatives.

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# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

The global economy is creating profound and substantial changes for business and industries throughout the world (Groenewald, 2010:1). These changes make it necessary for business to examine their purpose carefully and to devote a great deal of attention to selecting and following strategies in their pursuit of levels of success that have a high probability of satisfying multiple stakeholders.

Burns (2008:10) argued that many businesses have reacted to these new set of challenges by downsizing, unbundling, focusing on core business, reengineering, decentralisation, outsourcing, restructuring and relying on self-directed work teams. Morris, Kuratko and Covin (2008:7) state that sustained competitive advantage, now lies in the adaptability, flexibility, speed, aggressiveness and innovation which comes down to one word namely, entrepreneurship. Christensen (2004:302) indicates that many large businesses find it difficult to integrate the entrepreneurial spirit in a well-structured or bureaucratic business. Therefore these business must think non-traditionally to cope with the increasingly paradoxes. According to Johnson (2001:135), if a business does not adopt a proactive attitude towards innovation and the creation of new ventures, it is unlikely to survive in an increasingly, aggressive, competitive and dynamic market place. Business is turning to corporate entrepreneurship because they are not experiencing the continual innovation, growth and value-creation that they had (Thornberry, 2001:1). Corporate entrepreneurship is recognised as a potential viable means of promoting and sustaining competitiveness, and transforming business and industries opportunities for value-creating innovation (Aloulou & Fayolle, 2005:24).

According to Morris *et al.* (2008:20), remaining competitive is very different from achieving sustainable competitive advantage. The quest for competitive advantage requires that business and the managers within them continually reinvent themselves.

From this brief introduction it is clear that business and industries throughout the world are operating in an uncertain and dynamic global economy. Business of the future needs continual innovation, growth and value-creation to survive. Through corporate entrepreneurship the entrepreneurial spirit within business boundaries can be created, allowing an atmosphere of innovation to prosper. It is also highlighted that business need to achieve sustainable competitive advantage to remain competitive (Groenewald, 2010:3).

The focus of this study is on an agricultural retail business with the changing retail environment that affects the business sustainable competitive advantage. According to Lotz (2009:174), South African agri-businesses are in a relative unique situation due to the fact they have to content with the deregulation and liberalisation of the agricultural sector, but also face increasing globalisation and changing consumer preferences. Since the establishment of agricultural retail stores, these stores have been in a privileged situation by having a captured market in the sense that farmers were shareholders in these stores which brought some loyalty and commitment. They had the advantage of being the only suppliers, especially in the rural areas, of agricultural goods and other complimentary products to the farming community (Jacobs, 2007:5).

Furthermore, finance availability for the farmers was limited and mostly done through the co-operative structure which contributed to the loyalty factor of these farmers to their co-operative (Ortman & King, 2007:46). Finance through the commercial banking sector opened the door for these members to obtain financing somewhere else and more competitors entered the market with credit facilities and other modern attractions that lured these once loyal co-operative customers away from their traditional buying patterns (Jacobs, 2007:2). This resulted in some of the co-operatives to convert to business to obtain external funds to expand the business to be more competitive. These changes forced the once content co-operatives into a new playing field with higher demand on competition and a struggle to survive. Reasons highlighted the importance of corporate entrepreneurship and retail within the agricultural business as a means of developing an entrepreneurial and retail environment that could contribute to a sustainable competitive advantage.

The purpose of this study is to develop a sustainable corporate entrepreneurial and retail framework for an agricultural business in South Africa that will result in sustainable, value-creation for their stakeholders.

This chapter provides the background and literature review of the study. It sets out the research problem, purpose of the study, research objectives, research methodology, as well as an outline of the chapters. This is done to guide the flow of the study. In this study various terminology are sighted by different authors - terminology such as business, organisation, venture and firm. For the purpose of this study the term “**business**” will be used which refer to a profit seeking entity. Where authors are directly referred to these constructs, *it will not be changed*.

## 1.2 PROBLEM STATEMENT

South African agri-businesses faced challenges such as increasingly international competition, a changing social environment based on equity principals and increasingly complex consumer demand (Doyer, D’Haase, Kirtsen & Van Rooyen, 2007:495). Several co-operatives subsequently converted to investor - oriented firms (IOF`S) with the view to obtain easier access to various sources of capital, to align the interest of the shareholders with those of the customers and to instil an entrepreneurial flair often missing from conventional co-operatives (Ortmann & King, 2007:47- 48).

Agricultural businesses were confronted with the open market system and they had to battle since. The agricultural retail businesses were also confronted with volatile markets, costly input resources, disloyal customers buying direct from suppliers, direct competition from suppliers and other retail and agricultural businesses penetrating their area of business (Terblanche & Willemse, 2009:12). According to Kotze (2012), agricultural retail business outlets in cities are subsidising agricultural retail business outlets in rural areas. Jacobs (2007:7) argued that agricultural retail business will lose their competitive market share due to not responding aggressively to the changing trend in the retail environment. Esterhuizen, Van Rooyen and D’Haase (2008:44) argued that agri-businesses in South Africa must recognise the

important role of corporate entrepreneurship (innovation) to maintain competitiveness and sustainability.

The research will address the growing concern of the impact of factors mentioned on the sustainability as well as value-creation for stakeholders in an agricultural retail business operating in five provinces in South Africa. The research will measure the current agricultural retail business against corporate entrepreneurial orientation characteristics, as well as perceived success factors and key retail success factors to determine a corporate entrepreneurial and retail framework, which would assist the agri-businesses in adapting to the change that can create value and sustainability for stakeholders.

### **1.3 OBJECTIVES OF THE STUDY**

The following primary and secondary objectives were set for this study:

#### ***1.3.1 Primary objective***

The primary objective of this study is twofold: Firstly, to assess the determinants of corporate entrepreneurship and retail in an agri-business in South Africa and secondly to propose an integrated framework to facilitate the process of establishing and maintaining corporate entrepreneurship and retail within the specific agri-businesses in South Africa.

#### ***1.3.2 Secondary objectives***

In order to achieve the primary objective various secondary objectives were formulated. The secondary objectives of the study are:

- Determine what is meant by corporate entrepreneurship and corporate entrepreneurial strategy by means of a literature study.
- Describe the link between innovation and corporate entrepreneurship.
- Obtain insight into the phenomena of retail by means of literature review.

- Obtain an understanding of Senwes retail division within the agricultural industry in South Africa.
- Assess the determinants of corporate entrepreneurship and retail within the specific agri-business.
- Assess perceived success determinants within the business.
- Propose an integrated framework to assist in establishing and maintaining corporate entrepreneurship and retail in a specific agri-business.

## **1.4 SCOPE OF THE STUDY**

This section describes the field of study and the geographical demarcation.

### ***1.4.1 Field of the study***

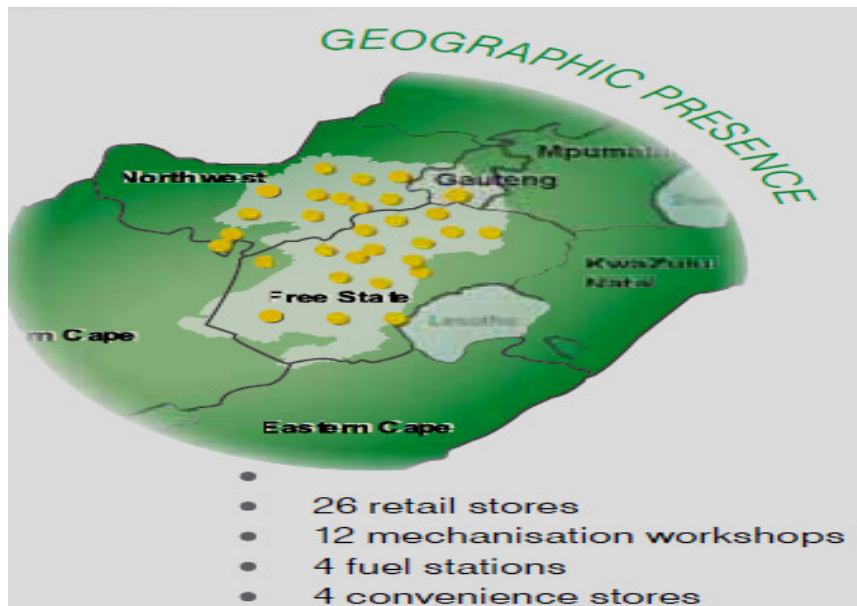
The field of the study falls within the subject of entrepreneurship and marketing in existing business with specific reference to corporate entrepreneurship and retail.

### ***1.4.2 Geographical demarcation***

The study is limited to Senwes Limited an agri-business within South Africa. Senwes is an agricultural business that focuses on the provision of retail and production inputs primarily to grain producers, as well as market access for agricultural produce. This is strategically coupled with the provision of value-added services, which include, among others, financing, insurance and agricultural technical services. Senwes conducts its business predominantly in the North-West, Free State, Gauteng, Northern and Western Cape. The group also undertakes international trade in the SADC region as well as certain parts of East Africa. Senwes is a broad based black economic empowered business.

The study is focusing on Senwes Limited, retail and input side. This division is Senwes Village, Retail division. The area of operation of Senwes Village, Retail division that took part in the study is indicated in figure 1.1.

**Figure 1.1: Area of operation of Senwes Village, Retail division**



Source: Senwes (2011:23)

## 1.5 RESEARCH METHODOLOGY

The study consists of two phases, namely a literature review and empirical research.

### 1.5.1 Literature review

The literature review for this study focused on the various aspects of the nature of corporate entrepreneurship and retail. More specifically it focused on:

- Discussing what is meant by corporate entrepreneurship and corporate entrepreneurial strategy.
- Describe the link between innovation and corporate entrepreneurship.
- Determining the internal business factors that have an influence on the corporate entrepreneurial climate within the specific agri-businesses.
- Discussing the phenomena of retail and its key success factors.
- Finally, the literature review focussed on Senwes Limited, Retail division within which the study was conducted and more specifically the challenges faced by the agri-businesses that are part of the greater agricultural industry.

The literature review consisted mainly of an analysis of secondary sources such as books, journal articles, unpublished theses and dissertations, papers and internet

sources such as websites. The literature review aided in acquiring a thorough understanding of the problem that is being investigated, assisted in preparing a suitable empirical research methodology and formed the basis of the questionnaire.

### **1.5.2 Empirical research**

Empirical research primarily deals with the means of data collection and the use of data (Lotz, 2009:7) as obtained from (Riley, Wood, Clark, Wilkie & Szivas, 2007). The empirical research, for this study, consisted of the research design, sample design, the research instrument, and method of data collection and the procedures for data analysis. Chapter 5 offers a detailed discussion on the above empirical research process and will only be presented briefly in this section.

#### 1.5.2.1 Research Design

The empirical study will focus on the assessment of corporate entrepreneurial and innovative levels, as well as perceived success determinants within business that may determine the compliance to key retail success factors in an agricultural business in South Africa.

A quantitative research design was followed in this study and more specifically descriptive research was used as the basis for the research design. The descriptive research consisted of a cross-sectional analysis which was conducted by means of a sample survey that made use of questionnaires as research measuring instrument to gather the required quantitative data. Welman, Kruger and Mitchell (2010:23) indicated that descriptive research has two goals: explaining phenomena and predicting behaviour. The goal of research is to explain the phenomena such as human behaviour in the business and administrative science by indicating how variables are related to one another and in what manner one variable affects another. Furthermore, the possibility of explaining and predicting human behaviour may enable us to change or control it.

In this study an attempt was made to determine the extent to which managers, first line supervisors and staff in a specific agri-businesses is capable of fostering sustainable corporate entrepreneurial behaviour as a path that is conducive to the compliance to key retail success factors. The assessment will be done through the

Entrepreneurial health audit of Ireland, Kuratko and Morris (2006) and through Entrepreneurial orientation of perceived success (Lotz, 2009). This assessment is done in four steps: step one, assessing the business' entrepreneurial intensity. Step two, assessing the internal environment for corporate entrepreneurship climate. The result of step one and two is to create an understanding of the corporate entrepreneurial and innovative process and to development of a corporate entrepreneurial framework. Step three; determine the compliance to key retail success factors. Step four; assess perceived success determinants within the business.

#### 1.5.2.2 The study population and sample

The sample of internal perceptions will involve Village managers at the head office as well as all branch and assistant branch managers and retail staff of an agricultural business.

The study population was selected by means of a non-probability sampling technique, convenience sampling, where a researcher selects the sample randomly with a total population of 120 (Welman *et al.*, 2010:69).

#### 1.5.2.3 Constructing the research instrument

The research instrument selected for this study was a structured questionnaire (see annexure A). The questionnaire, named the corporate entrepreneurial climate and retail questionnaire, consisted of a front page and a covering letter which included the instructions to the questionnaire. The questionnaire was divided into four sections namely:

**Section A:** Corporate entrepreneurial orientation. The purpose of this section was to measure the business's entrepreneurial orientation and intensity within the agri-businesses retail division. From the literature review five constructs were identified. These constructs and the number of items per construct are indicated in table 1.1.

**Table 1.1: Constructs and number of items**

<b>NO</b>	<b>CONSTRUCT</b>	<b>NUMBER OF ITEMS</b>
1	Autonomy	5
2	Innovativeness	9
3	Risk-taking	5
4	Proactiveness	4
5	Competitive aggressiveness	4
<b>Total</b>		<b>27</b>

The items in this study were developed from scales used in the following previous studies:

- Hornsby, Kuratko and Zahara (2002)
- Ireland *et al.* (2006)
- Lotz (2009)
- Miller (1983)
- Morris and Kuratko (2002)
- Morris *et al.* (2008)

**Section B:** Corporate entrepreneurial climate instrument. Section B of the questionnaire was to understand why the business has developed its current level of entrepreneurial orientation and intensity. More specific the corporate entrepreneurship climate instrument (CECI) was used to assess, evaluate and manage the business's internal work environment in ways that support entrepreneurial behaviour and the use of corporate entrepreneurship strategy. From the literature review six constructs were identified. The constructs and the number of items per construct are indicated in table 1.2.

This section consists of 78 questions and/or statements. Respondents were requested to select the number, on a 1 to 5 Likert scale (where 1 indicates they strongly disagree and 5 they strongly agree with the statement) in terms of which best describes their opinion about a specific question or statement.

**Table 1.2: Constructs and number of items**

NO	CONSTRUCT	NUMBER OF ITEMS
1	Management support	19
2	Work discretion	10
3	Rewards/Reinforcement	6
4	Time availability	6
5	Organisational boundaries	7
6	Specific climate variables	30
<b>Total</b>		<b>78</b>

**Section C:** Key retail success factors - The purpose of this section was to measure the business's compliance to key retail success factors within the agri-businesses retail division. From the literature review nine constructs were identified. These constructs and the number of items per construct are indicated in table 1.3.

**Table 1.3: Constructs and number of items**

NO	CONSTRUCT	NUMBER OF ITEMS
1.	Segmentation/Target market	4
2.	Store factors	5
3.	Service factors - process	8
4.	Merchandise/Product	5
5.	Price	13
6.	Supply chain	2
7.	Technology	12
8.	Promotions	3
9.	Location	2
<b>Total</b>		<b>54</b>

This section consists of 54 questions and/or statements. Respondents were requested to select the number, on a 1 to 5 Likert scale (where 1 indicates they strongly disagree and 5 they strongly agree with the statement) in terms of which best describes their opinion about a specific question or statement.

**Section D:** Perceived success determinants of the business - The purpose of this section was to measure perceived success determinants within the business. From the literature review four constructs were identified. These constructs and the number of items per construct are indicated in table 1.4.

**Table 1.4: Constructs and number of items**

NO	CONSTRUCT	NUMBER OF ITEMS
1.	Financial measures	3
2.	Process measures	3
3.	People development	3
4.	Future (Long-term) success	2
<b>Total</b>		<b>11</b>

This section consists of 11 questions and/or statements. Respondents were requested to select the number, on a 1 to 5 Likert scale (where 1 indicates they strongly disagree and 5 they strongly agree with the statement) in terms of which best describes their opinion about a specific question or statement.

1.5.2.4 Collection of data

The actual gathering of data was done by means of the following procedure:

- An email was sent to Senwes Village, Retail division management with the questionnaire attached explaining the purpose of the study and requesting permission to distribute questionnaires within the Village division.
- After permission was obtained, an email was sent to the Assistant General Manager Information Technology to obtain permission to electronically distribute

the questionnaire via the email system to the specific target sample. The questionnaire would be answered via monkey survey.

- Village General Manager emailed a letter in support of the survey to all managers and staff to encourage the completion of the questionnaires.

It simplified the data gathering process, since the questionnaires were answered electronically via monkey survey. Questionnaires were also distributed via the internal mail system to the branch managers that distributed the questionnaires to staff related to the sampling population. After completion they send it back via the internal mail system. The researcher captured the hard copies manually on monkey survey. A total of 78 questionnaires were returned, whereof a total of 12 respondents did not complete all statements of the questionnaire. All the data received were analysed. Collection of data is presented in more detail in chapter 5.

#### 1.5.2.5 Data analysis

The data collected will be statistically analysed by the Statistical Consultation Services of the North-West University: Potchefstroom Campus.

Frequencies and percentages were calculated for the demographic variables age, gender, race, highest qualifications obtained and functional level in which the respondents worked in according to predetermined categories.

The results of the corporate entrepreneurial and retail survey were presented showing the arithmetic mean and standard deviation for each construct.

A comparison of the mean differences between the demographic variables and corporate entrepreneurial orientation and climate variables, retail variables and perceived success variables were also examined by means of independent tests (p-values) and effect sizes (d-values).

## 1.6 LIMITATIONS TO THE STUDY

The study attempts to make a contribution to the existing knowledge of corporate entrepreneurship and retail. The following limitations regarding the study are presented.

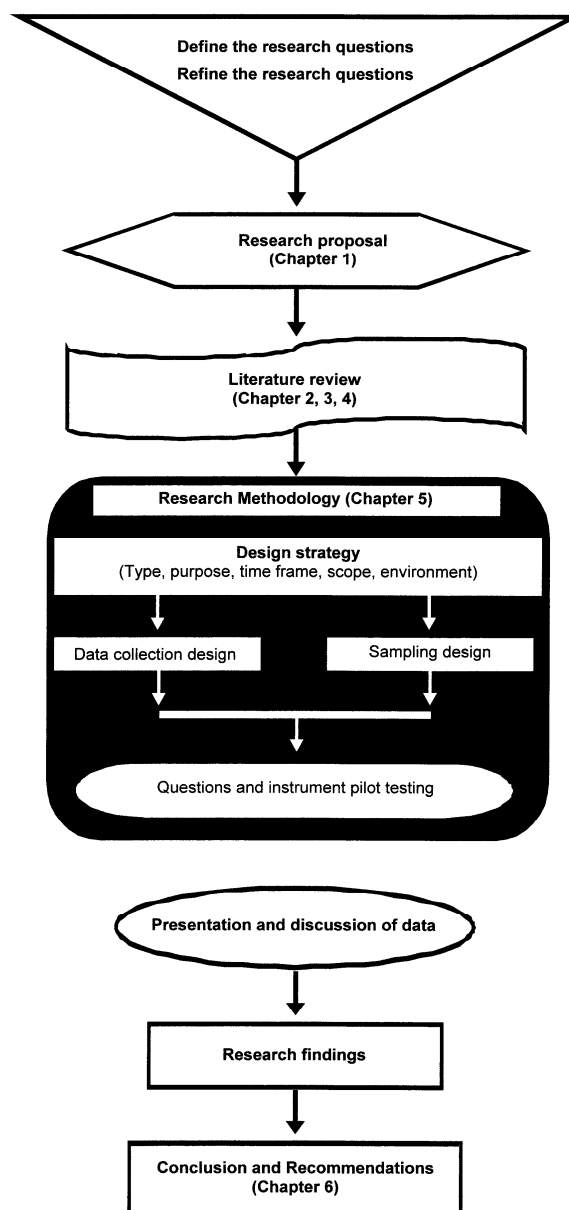
- Corporate entrepreneurship consists of two main antecedents. One pertains to the internal business and the other to the external environment of the business (Lotz, 2009:13). The study is limited to the internal business environment.
- The study only focuses on the agricultural environment within one business operating in five provinces in South Africa, and could therefore not be applicable to any other country, industry or agricultural business.
- The sampling method used to determine the agri-businesses study population was non-probability sample. The findings can therefore not be considered to be representative of all agri-businesses in South Africa. Care should be exercised in the interpretation and the utilisation of the results and findings of the study and cannot be generalised.
- The small sample size might not be representative of the situation in the entire agri-businesses due to lack of generalisation.
- Respondents will know that research is being done, and the true situation in division of the business might not be reflected.
- The limited time to conduct the study might have excluded some managers and staff from the study.
- Limited information is available on corporate entrepreneurship and retail in Senwes.
- The list of determinants of corporate entrepreneurship and retail is admittedly incomplete, as new determinants are continually being added. The study only

assessed some of the corporate entrepreneurial and retail determinants. More comprehensive research is still needed to enhance our understanding of these determinants.

## 1.7 OUTLINE OF THE STUDY

A brief description of the main elements and focus of the study is set out below. A schematic representation of the chapter outlay is shown in figure 1.2.

**FIGURE 1.2: The research process of the study**



## **Chapter 2: An overview of corporate entrepreneurship**

This chapter will provide a broad literature review on corporate entrepreneurship. The chapter begins with an explanation of the nature of corporate entrepreneurship and includes a definition of corporate entrepreneurship, the necessity of corporate entrepreneurship is explained, and a framework of corporate entrepreneurship is described. A discussion will proceed on determinants of corporate entrepreneurship and this chapter will be concluded with the final link in this section to integrate corporate entrepreneurship with strategy.

## **Chapter 3: Overview of co-operatives to agri-business**

The chapter will introduce the agricultural industry in South Africa as well as the changes, challenges that the industry currently face. The evolution from co-operative to the deregulation of the sector, to the forming of agri-businesses will be discussed. An overview of Senwes Limited, as agri-businesses in South Africa will then be discussed with specific focus on the retail division, called Senwes Village, Retail division.

Senwes Village, Retail division focus specific on the retail activities of the agri-businesses and must compete in this changing and competitive retail industry.

## **Chapter 4: Nature of retail**

This chapter will provide a broad literature review on retail. The chapter begins with an explanation of the nature of retail and includes a definition of retail, why retail is changing, types of retailers are explained. Next, key retail success factors of the twenty first century are outlined in the chapter. The chapter will be concluded by focussing on new trends in the business of retail.

## **Chapter 5: Results and discussion of the empirical study**

In this chapter the research methodology introduced in chapter one will be discussed in more detail. The research problem, purpose of the study, objectives are

discussed. A detailed explanation will be given on the questionnaire used to obtain empirical data. The section will be divided into two parts namely the gathering of data, as well as the discussion and interpretation of results.

Finally, the data processing and analysis is explained by means of statically techniques used.

## **Chapter 6: Conclusions and recommendations**

Chapter six summarises the major purpose and findings of the research study. A conclusion and recommendation of the study are presented.

The research objectives are revised. Finally, limitations of the study, contributions to the field and recommendations are presented. A sustained corporate entrepreneurial and retail framework is further proposed to foster a corporate entrepreneurial and retail culture within the specific agricultural business environment. The chapter concludes with an indication of the achievement of the objectives and the suggestions for future research.

# **CHAPTER 2**

## **AN OVERVIEW OF CORPORATE ENTREPRENEURSHIP**

### **2.1 INTRODUCTION**

Morris *et al.* (2008:3) state that business must continually, adjust, adapt or redefine themselves as this is a fundamental principle in a free market economy. In this global entrepreneurial revolution, the rate which business must transform is accelerating. Burns (2008:4) as obtained from John Naisbatt (1994) confirmed this view point that big business will find it increasingly difficult to compete with and in general will perform more poorly than smaller speedier, more innovative business. Ramachandian, Devarajan and Ray (2006:85) support this view point and add that business need to adopt an entrepreneurial strategy, seeking competitive advantage through continuous innovation to effectively exploit identified opportunities in order to sustain and grow under such circumstances.

Ireland *et al.* (2006:10) state that business increasingly rely on corporate entrepreneurship to develop and picture today's and tomorrow's competitive advantages that are grounded in innovation.

Taking into consideration the above mentioned in chapter 1 and the viewpoints of these researchers, corporate entrepreneurship is considered as a source of competitive advantage to move a traditional hierarchical business to a point where sustainable entrepreneurship becomes a meaningful and an important component of business.

In this chapter various aspects concerning corporate entrepreneurship will be researched and investigated. This will lead to a broad literature review that will be conducted to clarify the definition and overview of corporate entrepreneurship. Secondly, the necessity of corporate entrepreneurship for business sustainability will be highlighted followed by the discussion of a conceptual framework being used and applied in the field of corporate entrepreneurship. The framework on which this research is based will also be indicated with the determinants of corporate entrepreneurship discussed. Next the aspects to foster, develop and implement

corporate entrepreneurship in a business are reviewed. Lastly, corporate entrepreneurship as a strategy will be discussed.

## 2.2 DEFINITION AND OVERVIEW OF CORPORATE ENTREPRENEURSHIP

Morris *et al.* (2008:11) indicated that corporate entrepreneurship is a term used to describe entrepreneurial behaviour inside established mid-sized and large businesses. Ireland *et al.* (2006:10) confirmed this view by stating that corporate entrepreneurship is a process through which individuals in established businesses pursue entrepreneurial opportunities to innovate without regard to the level and nature of current resources. Therefore entrepreneurial opportunities are situations in which new products (goods and services) can be sold at a price exceeding their cost of development, distribution and support. Srivastava and Agrawal (2010:164) argued that corporate entrepreneurship is **not** a new concept and that Schumpeter (1934) defined entrepreneurship as an individual act, indicated that everyone is an entrepreneur when combinations of innovations are carried out.

Groenewald (2010:55) states that the concept of corporate entrepreneurship was formally defined and both theoretically and empirically developed in the works of Burgelman and Miller (1983). Corporate entrepreneurship became a separate research topic when Pinchott's (1985) book on intrapreneuring in the mid 1980's was published. Christensen (2004:305) argues that corporate entrepreneurship is still a concept in search of a clear definition. This is confirmed by Groenewald (2010:55) that argued that the concept corporate entrepreneurship within existing business is known under many different labels, examples of these labels are: corporate entrepreneurship, internal corporate entrepreneurship, intrapreneurship, corporate venturing, entrepreneurial management, strategic renewal and strategic entrepreneurship.

Durkan (2005:6) concluded with a definition of corporate entrepreneurship within a business. "Corporate entrepreneurship can be defined as a process that goes on inside an existing business and that may lead to new business ventures, the development of new products, services or processes, and the renewal of strategies and competitive postures." In other words it could be seen as a **tool** in practice for

business development, revenue growth, profitability enhancement and the pioneering of the development of new processes, products and services.

### **2.3 NECESSITY OF CORPORATE ENTREPRENEURSHIP**

Kuratko (2007:6) states that the 21<sup>st</sup> century linked corporate entrepreneurship to business' efforts to establish sustainable competitive advantages as the foundation for profitable growth. Morris *et al.* (2008:81) further argued that corporate entrepreneurship could be manifested in business through corporate venturing or strategic entrepreneurship. Kuratko (2007:8) indicated that Tidd and Taurins (1999) concluded that there are two sets of motives that drive the practise of internal corporate venturing: leveraging; to exploit existing corporate competencies in new product or market arenas and learning to acquire new knowledge and skills that may be useful in existing product or market arenas. They argued when the overall motive is leveraging, there are some specific reasons for a business to engage in corporate venturing and this include (Kuratko, 2007:9):

- To exploit under-utilised resources and build a new business around internal capabilities that remains idle for prolonged periods.
- To extract value from existing resources and build a new business around corporate knowledge, capabilities or other resources that have value in product-market arenas not currently being served by the business.
- To introduce competitive pressures onto internal suppliers and build a new business that becomes an alternative supplier to existing supply resources.
- To spread the risk and cost of product development and build a new business whose target market promises to be larger than that for which the core product to be offered by the business initially developed.
- To divest non-core activities and build a new business to pursue business opportunities that the business is in a favourable position to exploit and the business has no strategic interest in.

Next, learning motives for corporate venturing will be discussed.

***Learning motives could be broken down in three major types (Kuratko, 2007:10):***

- To learn about the process of venturing as a laboratory in which the innovation process could be studied.
- To develop new competencies and build a new business as a basis for acquiring new knowledge and skills pertaining to technologies, products, or markets of strategic importance.
- To develop managers and build a new business as a training ground for the development of individuals with general management potential.

Antoncic and Hisrich (2004:539) indicated that corporate entrepreneurship tends to be a good direct predictor of the businesses wealth creation, profitability growth as well as the performance indicator of the business. Bhardwaj, Grawal and Momaya (2007:131) support this statement and indicated that corporate entrepreneurship is a **tool** that allows business **rejuvenate** and **revitalise** and **create new value** through innovation, business development and renewal. They state that new value-creation is possible through high levels of entrepreneurial activity.

Gaw and Liu (2004:5) indicated the following benefits of an intrapreneurial culture:

- The underlying culture will undergo profound changes as innovation becomes part of a business' values.
- Turnover of top talent will decrease as a result of employees realising the business' commitment to their ideas and work.
- New business units will take shape as innovation leads to new markets and opportunities.

- Increased autonomy and empowerment of employees will diminish the need for hierarchical business structures, leading to flatter and more innovation friendly environment.
- The result of this evolution for the business is sustained competitive advantage through a cycle of innovation and prepares the business to deal with industry changes and shocks.

Morris *et al.* (2008:7) indicated that remaining competitive is very different from achieving sustainable competitive advantage. The quest for competitive advantage requires that business and the managers continually reinvent themselves and could be derived from five key organisational capabilities that will be discussed in the next paragraph.

***Advantage derives from five key organisational capabilities (Morris et al., 2008:8):***

- **Adaptability** (ability to adjust on a timely basis to new technologies, customer needs, regulatory rules and other changes in conditions without losing focus or causing significant disruption of core operations and commitments).
- **Flexibility** (ability to design business strategies, processes and operational approaches that can simultaneously meet the diverse and evolving requirements of customers, suppliers, financiers, regulators and other key stakeholders).
- **Speed** (the ability to act quickly on emerging opportunities, to develop new products and services more rapidly, and to make critical operational decisions without lengthy deliberations).
- **Aggressiveness** (an intense, focussed and proactive approach to eliminating competitors, delighting customers and growing employees).
- **Innovativeness** (a continuous priority placed on developing and launching new products, services, processes, markets and technologies).

From the above literature review the necessity for corporate entrepreneurship for business can be summarised as follows (Groenewald, 2010:103):

- Businesses that instil corporate entrepreneurship can **gain and sustain competitive** advantage at all levels of business.
- **Rejuvenate and revitalise** existing business.
- **Develop** new products, services and processes.
- **Pursue** entrepreneurial opportunities.
- **Create** new business within existing business.
- **Foster** strategic renewal of existing operations.
- **Improve** growth and profitability.
- **Increase** financial performance and create value.

#### 2.4 FOSTERING ENTREPRENEURSHIP IN A BUSINESS

Hisrich, Peters and Shepherd (2008:68) define an entrepreneurially fostering environment as an environment that enhances organisational members' perceptions of entrepreneurial action as both feasible and desirable. Scheepers, Bloom and Hough (2008:2) as obtained from Levitt (1999) acknowledge above statement, commented that as energy is the basis of life itself and ideas the source of innovation, so is innovation the vital spark of all human change, improvement and progress. Therefore the capacity to innovate and act in entrepreneurial ways is vital to organisational change. Antoncic and Zorn (2004:7) argue that one important element that is beneficial to corporate entrepreneurship is business and management support for entrepreneurial activities.

Hayton (2005:24) argues that fostering corporate entrepreneurship, demands a more enlightened approach to management including decentralisation of authority, participation in decision making, cooperation, avoidance of bureaucracy and encouragement of Risk-taking and creativity.

Morris *et al.* (2008:43-46) identified **six** ways that entrepreneurship is fostered in established businesses.

- **Traditional research and development departments**

Morris *et al.* (2008:43) indicate that businesses have research and development departments that are staffed with people that are technically qualified, that work on improving existing products and developing new products. Therefore, the department make it easy for everyone in the business to escape the responsibility for innovation. Bhardwaj *et al.* (2009:195) agree with above statement that acquiring resources and capabilities, the division level executives lead organisations as a stand-alone business. Therefore the focus is to overcome technical obstacles through research.

Antoncic and Hisrich (2001:496) link the innovativeness dimension with technological leadership, supported by research and development (R&D), in developing new products, services and processes to differentiate the business from its competitors and thereby developing unique sets of competencies within the business.

- **Ad hoc venture teams**

Senior management commits them to an opportunity or respond to an immediate threat and put up a team of employees out of the corporate mainstream to come up with specific innovations and therefore will accomplish a specific task and mission, but will not produce sustained entrepreneurship (Morris *et al.*, 2008:44).

- **New venture divisions**

Some organisations took the venture team concept further by creating new venture divisions that are permanent units in a business established for breakthrough innovation and for creating entirely new markets (Morris *et al.*, 2008:44). Hitt *et al.* (1999:147) argue that when its members come from different functions and top management actively supports the team's efforts, the collective talent of the new venture team is found to be particularly effective and therefore the new venture teams should be drawn from the entire talent pool, which will ensure the best outcomes. Therefore, by separating these divisions from normal operations, will abandon traditional theoretical assumptions about the business's products,

customers, costs, technology and competitors (Tyreman & Spencer, 1983:516). The challenge of these divisions are that new market opportunities must have huge market potential that will be supported by the mainstream operating units (Morris *et al.*, 2008:44).

- ***Entrepreneurship from champions and the mainstream***

Entrepreneurship could originate from any level in the organisation where employees recognise opportunities, develop innovative concepts and try to sell it to business management. If the opportunity is rejected by management this employees as the champions will try to keep the idea alive and will try to adapt it into a form that management will accept it (Morris *et al.*, 2008:45).

- ***Acquisitions***

Morris *et al.* (2008:46) argue that the key here is strategic fit on making acquisitions that are related to core competencies of the business, or on acquiring skills, technologies and customers that complement the strategic direction of the business. The challenge with acquisitions is to instil the values and cultures of the business in each new acquisition. Thompson *et al.* (2012:388) argue that acquisitions aim at building a stronger portfolio of competencies and capabilities when a market opportunity can slip by faster than a needed capability can be created and when industry conditions, technology or competitors are moving at such a rapid clip that time is of essence.

- ***Outsourcing innovation***

Morris *et al.* (2008:46) state that a number of businesses are buying some of the intellectual capital of other business, individuals and in effect outsourcing innovation and state that this is a realistic path because of the significant infrastructure and personnel cost associated with having the necessary in-house capabilities. Saetre (2001:15) mentioned as adopted from Kanter's (1985, 1988) four points that are illustrated why innovation and intrapreneurship is at times difficult to achieve within the framework of existing businesses. Firstly, the uncertainty and ambiguity

associated with the innovation process contrary to the purpose of the organisation per se. Secondly, the intensity of the learning process and the rate with which changes and adaptations must be made are often impeded by sheer organisational inertia. Thirdly, the competition of resources, not only from other innovative efforts, but also from the everyday functions of the organisation itself, draws attention away from the innovation process. Fourthly, organisations are structured along functional lines in order to gain efficiency, while successful innovation processes are frequently dependent on interdisciplinary interaction.

To conclude it could be that all these approaches listed could be operating in a given business with different roles and performance standards established for each (Saetre, 2001:15).

Marcus and Zimmerer (2003:18) indicate that as corporate entrepreneurship programmes provide opportunities for success, increasing future research could provide an objective basis for determining the extent to which such programmes are feasible and have the potential to be incorporated into organisational structures. It is therefore important to focus on a framework identified in literature promoting sustainable corporate entrepreneurship.

Next paragraph, the framework for sustainable corporate entrepreneurship as developed by Ireland *et al.* (2006) will be discussed.

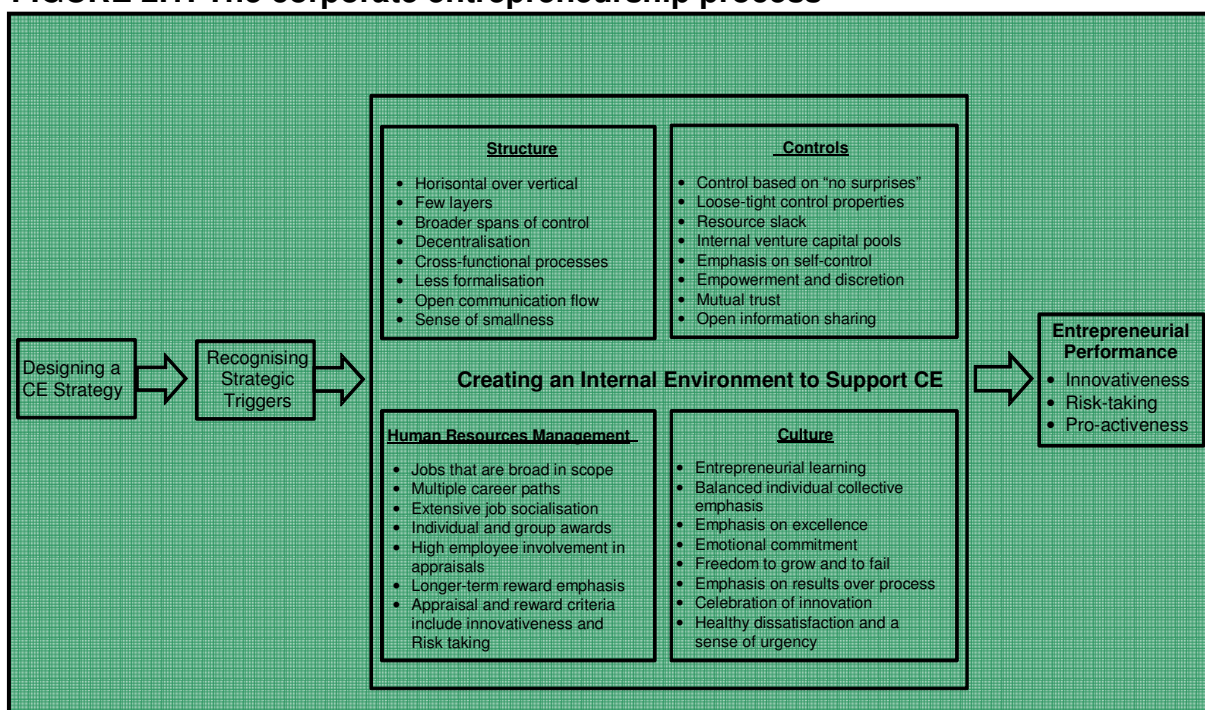
## **2.5 FRAMEWORK FOR SUSTAINABLE CORPORATE ENTREPRENEURSHIP**

The framework for sustainable corporate entrepreneurship as developed by Ireland *et al.* (2006:13) focus on how to create sustainable corporate entrepreneurship where attention is given to the characteristics of internal work environment that supports corporate entrepreneurship. These characteristics are triggers, structures, controls, human resource management systems and culture. Morris *et al.* (2008:75) made a very important observation that within business entrepreneurial orientation can be expected to differ significantly among various divisions, units and departments. Ireland *et al.* (2006:10) argue that a corporate entrepreneurial strategy is an important path for a business to make it possible for employees to engage in

entrepreneurial behaviour, using knowledge as the foundation for continuous and successful innovations. The results of a study conducted by Barringer and Bluedorn (1999) as cited by Groenewald (2010:94), states that in determining the relationship between strategic management and corporate entrepreneurship, a business' entrepreneurial orientation is influenced by nature of its strategic management practices. Scanning intensity is an important correlate of entrepreneurial behaviour. A strong relationship exists between planning, flexibility and corporate orientation.

For the purpose of this study, the corporate entrepreneurship framework developed by Ireland *et al.* (2006:10-17) is adopted for this research. In the following section the corporate entrepreneurship process will be discussed. The framework is illustrated in figure 2.1.

**FIGURE 2.1: The corporate entrepreneurship process**



Source: Ireland *et al.* (2006:14)

The following characteristics of an internal work environment that supports corporate entrepreneurship will be discussed.

### **2.5.1 Triggers of corporate entrepreneurship**

Ireland *et al.* (2006:13) argue that interactions among organisational characteristics, individual characteristics and some kind of participating event in the business's internal work environment and external work environment are the precursors of corporate entrepreneurship in organisations and are labelled as triggers. Triggers originate from inside or outside of organisations, but the greatest pressures for entrepreneurial behaviour come from the external environment. Hornsby, Kuratko and Zahra (2002:259) indicated that researchers have sought to identify some of the key variables that can affect the businesses pursuit of corporate entrepreneurship, including internal organisational factors such as: the company incentive and control systems (Sathe, 1985) culture (Kanter, 1985), organisational structure (Covin & Slevin, 1991) and managerial support (Stevenson & Slevin, 1991). Therefore according to Hornsby *et al.* (2002:259), individually and in combination, these factors are believed to be important antecedents of corporate entrepreneurship efforts, because they affect the internal environment, which determines in and support of entrepreneurial initiatives within an established company. Burgelman's (1983:1349) research confirmed that internal organisational factors influence the types of corporate activities a company pursue. Therefore factors inside the business also trigger entrepreneurial behaviour and could include the following examples: directives from top-level managers, employee rewards, slack resources, tension between competing sets of interests, or a major problem with quality or cost control (Ireland *et al.*, 2006:13).

External pressures could be diminishing opportunity streams, rapid changes in technology, labour shortages, aggressive competition moves, changes in industry or market structures and regulatory threats (Ireland *et al.*, 2006:13). Guth and Ginsberg (1990:7) confirmed with research the following:

- The impact of major environmental shifts, such as deregulation, can influences changes in strategy in a non-random way, with organisations moving away from one generic strategy towards other generic strategies.
- The more dynamic and hostile the environment, the more businesses will be entrepreneurial.
- Industry structure affects opportunities for successful new product development.

- Both opportunities and problems stem from potential of the business and its competitors in an industry to find new combinations of resources that lead to competitive advantage.

Ireland *et al.* (2006:13) concluded that quick recognition of these triggers help organisations to identify the need and value as well as the shape for the corporate entrepreneurial strategy.

### **2.5.2 Structure**

The framework (figure 2.1) indicates that corporate entrepreneurship flourishes when organisational structures have a relatively small number of layers (Ireland *et al.*, 2006:14). A restricted number of layers results in a broader span of control which in turn creates opportunities for employees to act entrepreneurially. With fewer managerial layers, authority and responsibility are decentralised, and horizontal or lateral interactions among employees are encouraged. Burns (2008:141) confirms that the underlying logic of a traditional business structure is geared towards a hierarchical process that directs work activities. Furthermore, according to Lotz (2009:61), many levels of approval in a traditional business have the potential to stifle innovations. Echols and Neck (1998:43) indicated that entrepreneurial structures should be new and separately organised from the old and existing ways of a business, with a specific focus for new projects stemming from executive authority, prestige and accountability. Morris *et al.* (2008:183) argued that corporate entrepreneurial efforts on the other hand are about creating new things and moving in new directions and is therefore almost always in conflict with traditional structures.

### **2.5.3 Organisational controls**

According to Ireland *et al.* (2006:15), controls create value when they simultaneously provide the stability business need to exploit current competitive advantages and the flexibility required for employees to behave entrepreneurially for the purpose of beginning to form competitive advantages. Burns (2008:183) agrees that most organisational control systems are aimed at eliminating risk and uncertainty and that this is something the entrepreneurial business must tolerate to promote efficiency and effectiveness, which can be at the expense of innovation. Kuratko *et al.*

(2002:278) argued that the core principle in developing entrepreneurial control requires that managers need to give up control to gain control. These authors believed that there must be a transparency of information and that there must be no surprises, communicate information timelessly for all who need to know. Burns (2008:184) agrees that above statement will encourage employees the way an **owner-manager will think** and is build round six principles:

- Free access to all **financial information** that is critical to tracking the business performance.
- Continuous and overt attempt to **present** this information to employees.
- **Training process** that encourages an understanding of this information.
- Employees learn that part of their job is to improve the **financial result** whatever way they can.
- People are **empowered** to make decisions in their job based on what they know.
- Employees have a **stake** in the organisation's success or failure.

Burns (2008:184) argues that the answer is a balance philosophy that successful business performance comes from a dispersed and high level of ownership and a commitment to, an agreed-upon objective. Ireland *et al.* (2006:15) agree that positive controls are linked to performance measures, allow significant directions and are focussed on generating and sharing of knowledge that allows employees and managers to identify problems before they surface.

#### **2.5.4 Human resource management systems**

Montoro-Sanchez and Soriano (2011:8) indicated that human resource management (HRM) and entrepreneurship areas have seldom been studied together, even though HRM plays a key role in entrepreneurial businesses as the shaker and mover in business development and growth. Hayton (2005:31) indicated that the traditional model of HRM encourage matching employee contributions to organisational needs and inducements, a more relevant perspective to corporate entrepreneurship would be to encourage the building of relationships among employees, between employees and the business and between employees and key organisational stakeholders. Therefore these inter-relationships are necessary because they represent essential

channels for the flow of knowledge and information, which are the building blocks of innovation and entrepreneurial opportunities. Ireland *et al.* (2006:15) state that with corporate entrepreneurship, the goals of effective human resource management are for employees to learn how to:

- **Embrace** creative and innovative behaviour.
- **Take reasonable** levels of risk.
- Use a **long-term orientation** to evaluate innovation-based possibilities.
- **Focus** on results.
- **Work cooperatively** with others.
- **Tolerate ambiguity.**
- Assume **responsibility** for change.

Dabic, Ortiz-De-Urbina-Criado and Romero-Martinez (2011:17) confirm that successful corporate entrepreneurship is promoted by entrepreneurially-friendly processes related to recruiting, selecting, training, developing and rewarding. Furthermore, they indicated that training should be continuous, less structured or standardised and focused on individualised knowledge required. These programs must develop trainee's tolerance for risk, embrace change as a source of individual and organisational growth and learn realities of organisational politics so that they are able to obtain sponsors for their innovation based projects.

Hayton (2005:31) argued that discretionary practises, such as incentive pay, employee suggestion schemes and formal employee participation programs are those practices which encourage employee commitment, cooperation, knowledge sharing and voluntary, extra role behaviours. Therefore rewards for entrepreneurial achievements must be emphasised in a form of financial gain and must be balanced with recognitions for effective teamwork. The reason for this is that long-term success is a function of individual's efforts and the work of people collaborating to synergistically use their knowledge to produce value-creating innovations.

### **2.5.5 Organisational culture**

According to Ireland *et al.* (2006:16), organisational culture is social energy that drives or fails to drive an organisation and is a complex phenomenon that is felt or experienced rather than described in words. Kirby (2003:301) indicated that the guiding principles in a traditional business is to not make a mistake, do not fail, do not take initiative but wait for instructions and protect your back. In an entrepreneurial culture the focus will be on the future rather than the past and the ability to develop and transfer knowledge and produce an output (Hisrich *et al.*, 2008:45). Ireland *et al.* (2006:16) agree that entrepreneurially-intense cultures also place high importance on being able to empower people in ways to allow them to act creatively and to fulfil their potential. Authority and responsibility are decentralised to employees that are the closest to the action to make decisions that are in the business best interest.

### **2.5.6 Conclusion**

“The process of combining entrepreneurial behaviours (opportunity-seeking ones) with strategic actions (opportunity-seeking within the context of a specific strategy) is vital in designing and successfully using a corporate entrepreneurship strategy. The ability for a firm to do these things results in a competitive advantage” (Ireland *et al.*, 2006:17).

## **2.6 DETERMINANTS FOR MEASURING SUSTAINABLE CORPORATE ENTREPRENEURSHIP INTENSITY INTERNALLY**

Corporate entrepreneurship (CE) and entrepreneurial intensity (EI) have been emphasised by academics and in popular literature as essential survival strategies for businesses in the new economy (Scheepers *et al.*, 2007:240). According to Birkinshaw (2003:3), corporate entrepreneurship refers to the development of new business ideas and opportunities within large, established businesses and should not be seen as a single event, but rather as part of the organisational culture of a business. Ireland *et al.* (2006:26) state that entrepreneurial intensity is concerned with the degree and frequency of entrepreneurship occurring within the business, as well as the diagnosing of the internal work environment. This means that business's

performance from the perspective of entrepreneurship at a point of time is shown by its intensity score. Determinants that could assess the degree of entrepreneurship are **Innovativeness**, **Risk-taking** and **Pro-activeness** and they added another dimension, namely frequency of entrepreneurship, and called this phenomenon entrepreneurial intensity (EI) (Morris & Sexton, 1996:6). Lumpkin and Dess (1996:139-140) added two other dimensions namely **Competitive aggressiveness** and **Autonomy**.

After understanding the business' entrepreneurial intensity, it is important to understand why the business has developed the current level of entrepreneurial intensity. The determinants that indicate antecedents to corporate entrepreneurship are: **Management support**, **Work discretion**; **Autonomy**, **Reinforcement**, **Time availability** and **Organisational boundaries** (Scheepers *et al.*, 2007:242). Hornsby *et al.* (2002:269) identified with their research five factors (**Management support**, **Work discretion/Autonomy**, **Rewards/Reinforcement**, **Time availability** and **Organisational boundaries**) that are a parsimonious description of the internal organisational factors that influence middle managers to foster entrepreneurial activity within established businesses. Therefore the five determinants will assess, evaluate and manage the business's internal work environment in ways that support entrepreneurial behaviour and the use of corporate entrepreneurial strategy.

### **2.6.1 Innovativeness**

In the corporate entrepreneurship (CE) literature, **Innovativeness** is a predisposition to engage in creativity and experimentation through the introduction of new products (Rauch *et al.*, 2009:763). Antoncic and Hisrich (2003:9) argue that the **Innovativeness** dimension is broader than new product and services. Therefore according to Jong, Parker, Wennekers and Wu (2011:5), **Innovativeness** also include process-related innovations to bring new or improved production or marketing methods or could apply to new kind of resources.

Mcfadezean, O' Loughlin and Shaw (2005:353) agree that **Innovativeness** reflects a business' tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new product and services. According to

Morris *et al.* (2008:53), business find that they must innovate more than the past due to external forces, including the emergence of new and improved technologies, the globalisation of markets (resulting in intensified competitive pressures), the fragmentation of markets (resulting in intensified customer pressures), government deregulation and dramatic social change.

According to Kuratko and Wesch (2001), adopted by Oosthuizen (2006:136), continuous innovation and an ability to compete effectively in international markets are among the skills that are expected to increasingly influence corporate performance in the twenty-first century’s global economy. Drejer (2006:143) stated that there is a growing recognition that innovation has become the only sustainable source of growth and competitive advantage. Morris *et al.* (2008:6) indicate that the challenge to managers is one of creating an internal marketplace for ideas within their businesses and encouraging employees to act on these ideas. The reality is that innovation poses a large number of dilemmas for corporate managers as indicated by Morris *et al.* (2008:58), as illustrated in table 2.1. Therefore it is important to note that there must be a focus on best practices to overcome these dilemmas.

**TABLE 2.1: SIXTEEN DILEMMAS OF INNOVATION**

1.	Not all entrepreneurs are innovators, and not all innovators are entrepreneurs, but successful entrepreneurship tends to involve continued innovation (in products, services, and process/methods).
2.	Innovation is about the unknown. Management is about control. How do you control the unknown?
3.	Innovation is often about breaking the rules. People who break rules don’t last long in organisations.
4.	Successful innovation tends to occur when there are constraints, routines, and deadlines. There is a need for both freedom and discipline, and the issue is one of balance.
5.	Failure is likely if the company does not innovate. But the more the company innovates, the more it fails.
6.	An innovation succeeds because it addresses customer needs. Yet when you ask customers about their needs, many do not know or cannot describe them to you except in very general terms.
7.	Innovating can be risky. Not innovating can be more risky.
8.	Innovation can be revolutionary or evolutionary. The costs, risks, and returns of both types differ, and both require different structures and management styles.
9.	A company that innovates is frequently making its own products obsolete when there was still profit potential in those products.
10.	Innovation requires supporting infrastructure to be successful, and the existing infrastructure is often inadequate. However, these infrastructure needs may not become apparent until after the innovation is developed.

11. While innovation is more technically complex and costly today, may breakthrough innovations do not come from large companies or corporate R&D labs with sizeable budgets, but from individual inventors and entrepreneurs.
12. People who design innovations typically seek to perfect their new product or service, making it the best possible. But the marketplace often wants it to be “good enough”, not perfect. The additional time and money necessary to make the innovation the “best possible” drive up prices beyond what the customer will pay, and result in missed opportunity.
13. Technology-driven innovation often leads to dramatic new products that prove to be “better mousetraps” nobody wants. Customer-driven innovation often leads to minor modifications to existing products or “me-too” products meeting a competitive brick wall.
14. While typically associated with genius or brilliance, innovation is more often a function of persistence.
15. While innovation is sometimes associated with breaking the rules of the game, it frequently entails playing an entirely different game.
16. Being first to market is not consistently associated with success, while being second or third is not consistently associated with failure.

**Source: Morris et al. (2008:58)**

### **2.6.2 Risk-taking**

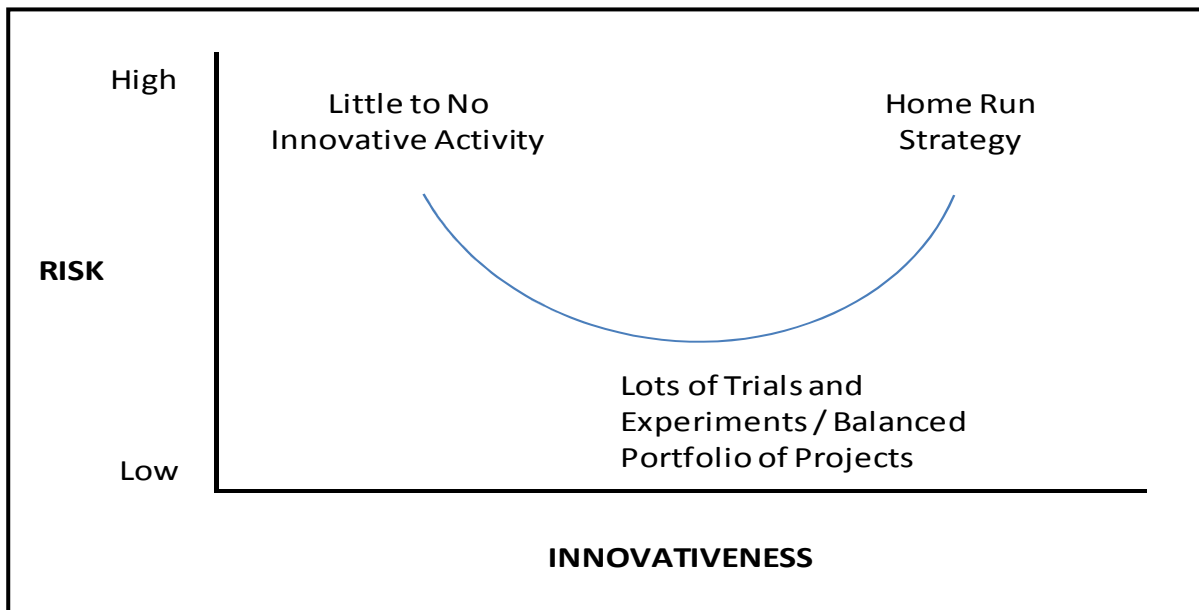
The second dimension of corporate entrepreneurial intensity is **Risk-taking**. Jong *et al.* (2011:7) state that Cantillon (1755) was among the first to define an entrepreneur as a person who bears risk of profit or loss, **Risk-taking** is considered a fundamental element of an entrepreneur. Lumpkin and Dess (2005:431) define **Risk-taking** as a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes and or borrowing heavily. Jong *et al.* (2011:7) argue that entrepreneurs prefer moderate rather than high risks, and try to manage or reduce risks as much as possible.

Burns (2005:16) agrees that **Risk-taking** involves a willingness to pursue opportunities that have reasonable likelihood of producing losses of significant performance discrepancies. The emphasis is not on extreme, uncontrollable risks, but instead of risks that are moderate and calculated.

Therefore, it could be seen that there are a direct correlation between **Innovation** and **Risk-taking** but in reality, it is a more complex relationship that are curvilinear, shown in figure 2.2 (Morris *et al.*, 2008:63).

Figure 2.2, indicated that risk is high when a business ignores new product and service opportunities and engage in no or little innovations. Risk is also high when business takes the opposite trait and come up with breakthrough innovations to create new markets. Morris *et al.* (2008:62) argued that risk is lower and more manageable when lots of trials and experiments are regularly pursued.

**FIGURE 2.2: Relating innovations to risk**



**Source: Morris *et al.* (2008:63)**

### **2.6.3 Pro-activeness**

In the CE literature, **Pro-activeness** is an opportunity-seeking, forward-looking perspective characterised by high awareness of external trends and events and acting in anticipation thereof (Rauch, Wiklund, Lumpkin & Frese, 2009:761). Jong *et al.* (2011:6) argue that **Pro-activeness** has been associated with pioneering behaviour and initiative taking to pursue new opportunities and refers to the extent in which organisations attempt to lead rather than follow in key business areas. Morris *et al.* (2008:64) state that Miller (1987) associates **Pro-activeness** with assertiveness as a dimension of strategy making and measures **Pro-activeness** in three items: following versus leading competitors in innovation, favouring the tried and true versus emphasising growth, innovation and development, and trying to cooperate with competitors.

Therefore **Pro-activeness** could be seen as taking responsibility to implement whatever is necessary to bring an entrepreneurial concept to fruition (Morris & Kuratko, 2002:44). Oosthuizen (2006:83) stated that **Pro-activeness** is especially effective at creating competitive advantages because it puts competitors in the position of having to respond to successful initiatives. This is called first mover advantage.

#### **2.6.4 Competitive aggressiveness**

Lumpkin and Dess (2001:433) state that **Competitive aggressiveness** refers to the intensity of a business efforts to outperform industry rivals by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a business defends its market position or aggressively enters a market that a rival identified. Barney (1991:99) argued that business create, acquire and leverage resources to achieve sustainable competitive advantage. Christensen (2004:302) agrees that the real challenge is to establish competitive advantage and the way to accomplish that is through differentiation and continuous innovation, whether it is related to the creation of new products and services, production, organisational processes or business models.

Dess and Lumpkin (2002:445) confirmed with research that a strong competitively aggressive stance gives a business the ability to be a decisive player in a field of rivals and to act forcefully to secure or improve its position.

#### **2.6.5 Autonomy**

Lotz (2009:47) mentioned that **Autonomy** refers to the independent actions of an individual or team in bringing forth an idea or a vision and carrying it through to completion. Therefore **Autonomy** is essential to the process of leveraging a business existing strengths, identifying opportunities and encouraging the development of new ventures or improved business practises. Ferreira (2002:7) argued that entrepreneurial participants, at the product or market level, will conceive new business opportunities, engage in project championing efforts to mobilise

corporate resources for new opportunities and perform strategic forcing efforts to create momentum for their development.

Burgelman (1983:1352) identified corporate entrepreneurship with autonomous strategic behaviour that takes shape outside the current structural context, yet, to be successful, it needs eventually to be accepted by the business and to be integrated into its concept of strategy.

### **2.6.6 Determinants measuring the internal work environment**

#### 2.6.6.1 Management support

Scheepers *et al.* (2007:242) state that **Management support** capture the encouragement and willingness of managers to facilitate and promote entrepreneurial behaviour; including the championing of innovative ideas and providing the resources people require to behave entrepreneurially. Kuratko, Montago and Hornsby (1990:56) argue that these factors both individually and in combination affect the organisational climate that moulds managers' and employee's attitudes towards and interest in corporate entrepreneurship efforts. Furthermore agreed support must derive from the highest level, be formulated into strategy and then communicated through the organisation (Turner, 2002:45). Gaw and Liu (2004:69) argue that direct support from senior management and middle managers will be necessary for the intrapreneur to be successfully championing an idea.

#### 2.6.6.2 Work discretion/autonomy

Ireland *et al.* (2006:27) state that **Work discretion** and **Autonomy** refers to top-level manager's commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight and are willing to delegate authority and responsibility to middle and lower level managers. According to Scheepers *et al.* (2007:243), **Autonomy** refers to employees' discretion and the extent to which they are empowered to make decisions on the performance of their own work in the way they believe is most effective.

Hornsby *et al.* (2002:257) state that middle managers lay the foundation for employees in business to be innovative and take risks. Middle managers do this by providing mostly (intrinsic rewards) that allow employees to experiment with and to explore the feasibility. Floyd and Woodridge (1992) as adopted by Ikavalko and Aalton (2001:2) argue that middle managers plays pivotal roles in championing strategic alternatives to make business structures less resistant to change thereby allowing corporate entrepreneurial strategies to flourish.

#### 2.6.6.3 Reinforcement/rewards

Ireland *et al.* (2006:27) state that **Reinforcement** involves developing and using systems that reinforce entrepreneurial behaviour, highlight significant achievements and encourage pursuit of challenging work. Thompson, Peteraf, Gamble and Strickland (2012:424) argue that financial incentives (combination of base-pay increase, performance bonus, profit sharing plans, stock rewards, company contribution to employee or retirement plans) generally head the list of motivating tools for gaining wholehearted employee commitment to good strategy execution and focusing attention on strategic priorities. Thompson *et al.* (2012: 424-425) state that there are also successful businesses that use non-monetary incentives to enhance motivation of employees and could include:

- Attractive perks and fringe benefits (College or tuition reimbursement, paid leave to care for family members, recreational facilities, casual dress days, on-site child care and flexitime).
- Give awards and other forms of public recognition to high performers and celebrate the achievement of business goals.
- Invite and act on ideas and suggestions of employees.
- Create a work atmosphere in which there is a genuine caring and mutual respect among workers and between management and employees.
- State the strategic vision in inspirational terms so that employees feel they are a part of something very worthwhile in a larger social sense.
- Share information with employees about financial performance, strategy, operational measures, and market conditions and competitors actions.
- Maintain attractive office space and facilities.

Turner (2002:184) agree with Thompson (2012) but add that the right people must be encourage to act in the right roles with an entrepreneurial attitude to create value and this must be founded in a reward system that is meaningful and motivating.

#### 2.6.6.4 Timely availability/resources

Ireland *et al.* (2006:28) state that **Time availability** suggests evaluating workloads to ensure that individuals and groups have the time needed to pursue innovations and that their jobs are structured in ways that support efforts to achieve short and long-term business goals. De Villiers-Scheepers (2012:410) agrees that time and resource availability influences employees' perceptions of the feasibility of entrepreneurial behaviour, more specifically resource availability for entrepreneurial activities. Therefore new and innovative ideas to thrive, individuals should have time to incubate their ideas (Covin & Slevin, 1991:20).

Hornsby *et al.* (2002:258) argue that businesses should be reasonable in assigning the workload of their employees and allow employees to cooperate on long-term problem-solving. The reality of increasing work and time pressures may expose this as a theoretical idea. Kuratko *et al.* (2005:704) agree that in entrepreneurial work environments, employees should be allowed to conduct creative, entrepreneurial experiments during a limited portion of their work time, the reality often falls short of the ideal.

#### 2.6.6.5 Organisational boundaries

Supportive business structure and **Organisational boundaries** provide administrative mechanisms by which ideas are evaluated, chosen and implemented (Hornsby *et al.*, 2002:270). De Villiers-Scheepers (2012:411) argued that a bureaucratic business structure leads to perceived boundaries, preventing employees from noticing problems outside their own area of responsibility. Therefore the business should be viewed from a holistic perspective as opportunities cut across several functions.

#### 2.6.6.6 Corporate entrepreneurial program

A corporate entrepreneurial program will assist staff in understanding corporate entrepreneurship and what is expected from them. The following elements must be included in the corporate entrepreneurial program: introduction to entrepreneurship, entrepreneurial breakthroughs, creative thinking, idea development, process, barriers, facilitators and triggers to entrepreneurial thinking, venturing planning (Ireland *et al.*, 2006:29).

### 2.7 CORPORATE ENTREPRENEURSHIP STRATEGY

Ireland *et al.* (2009:21) define corporate entrepreneurial strategy as a vision-directed, organisational-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity. Morris and Kuratko (2002:150) argued that the contemporary business environment is characterised by increasing risk, decreased ability to forecast, and fluid industry boundaries that need an entrepreneurial mind-set that must unlearn traditional management principles in order to minimise failure. The mind-set needs to create or help shape its own environment by creating a strategic and entrepreneurial alertness for it to survive the chaos, complexity and contradictions.

Sathe (2003:2) stated that strategic entrepreneurship is the integration of entrepreneurial (opportunity seeking actions) and strategic (advantage seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth.

Dhliwayo and Van Vuuren (2007:125) indicated that McGrath and MacMillan (2000) outlined some of the characteristics of an entrepreneurial mind-set:

- Passionate seeking new opportunities.
- Pursue opportunities with enormous discipline.
- Pursue only the best opportunities and tightly link their strategy with the choice of projects.

- Focus on execution, specifically adaptive execution when the best way to exploit archives.
- Engage the energies of everyone in their domain (internally and externally).

Ireland, Hitt, Camp and Sexton (2001:510) state that effective integration of entrepreneurial actions and strategic management actions facilitates a business's wealth-creating efforts. Groenewald (2010:115) argued that when entrepreneurship and strategic management processes are integrated it will create synergy that enhances the value of its outcomes.

### ***2.7.1 Critical aspects related to corporate entrepreneurship strategy***

According to Kuratko and Hodgetts (2007), as adopted by Groenewald (2010:119), the following aspects that are recommended to develop a corporate entrepreneurial strategy:

- Strategic vision must be clearly articulated by business leaders.
- Shared vision is critical for a strategy that seeks high achievement.
- Business must understand and develop innovation as the key element in their strategy.
- Encouraging innovation requires a willingness not only to tolerate failure but also learn from it.
- Structuring a corporate entrepreneurial climate by providing more information sharing activities.
- An environment needs to be developed that will help innovate-minded people reach their full potential.
- For business to promote innovation among their employees they must give careful attention melding of individuals attitudes, values and behaviours with the organisational factors, structures and rewards.
- Developing individual managers for corporate entrepreneurship through a corporate entrepreneurial training programme.
- Developing venture teams that are self-directed and self-managing of a new business.

## 2.8 SUMMARY

The aim of this chapter was to introduce corporate entrepreneurship. This issues addressed were the definitions and overview of corporate entrepreneurship, the necessity of corporate entrepreneurship for business sustainability, a discussion on the different conceptual frameworks applied in the field of corporate entrepreneurship. The chapter included a framework for sustainability, with the determinants indicated. The chapter was concluded with the final link namely corporate entrepreneurship as strategy.

The true value of the literature review was to give an insight to the concept to create sustainable competitive advantage through corporate entrepreneurship. Researches confirmed the necessity of sustainable corporate entrepreneurship in the 21th century due to the global entrepreneurial revolution in the free market economy.

Corporate entrepreneurship could be seen as a process that goes on the inside of an existing business and that may lead to new business ventures, the development of new products, services or processes and the renewal of strategies. It was also confirmed that corporate entrepreneurship was not a new concept and that it is known under different labels.

The quest for competitive advantage requires that business and managers continually reinvent themselves through five key organisational capabilities: **adaptability, flexibility, speed, aggressiveness and innovativeness.**

Entrepreneurship is fostered in seven ways in well-established business: through **research and development departments, ad hoc venture teams, new venture divisions, entrepreneurship from champions and the mainstream, acquisitions, outsourcing innovation.**

The focus of the chapter was on the framework for sustainable corporate entrepreneurship of Ireland et al. (2006) with specific focus on the determinants of the internal work environment that supports corporate entrepreneurship. The determinants that will lead to intensity of corporate entrepreneurship discussed were:

***Innovativeness, Risk-taking, Pro-activeness, Management support, Work discretion, Reinforcement, Time availability and Organisational boundaries.***

A corporate entrepreneurial program must be implemented in a business to integrate the sustainable corporate entrepreneurial framework with the determinants. Elements that will be covered in such a program is: **introduction to entrepreneurship, entrepreneurial breakthroughs, creative thinking, idea developing process, barriers, facilitators and triggers to entrepreneurial thinking as well as venture planning.**

The final link in this chapter was to confirm that corporate entrepreneurship must be converted into strategy as pre-requisite for the successful implementation of an integrated corporate entrepreneurial framework.

The next chapter will focus on the changing agricultural industry in South Africa, with a specific focus on Senwes Limited retail division.

# **CHAPTER 3**

## **OVERVIEW OF CO-OPERATIVES TO AGRI-BUSINESSES**

### **3.1 INTRODUCTION**

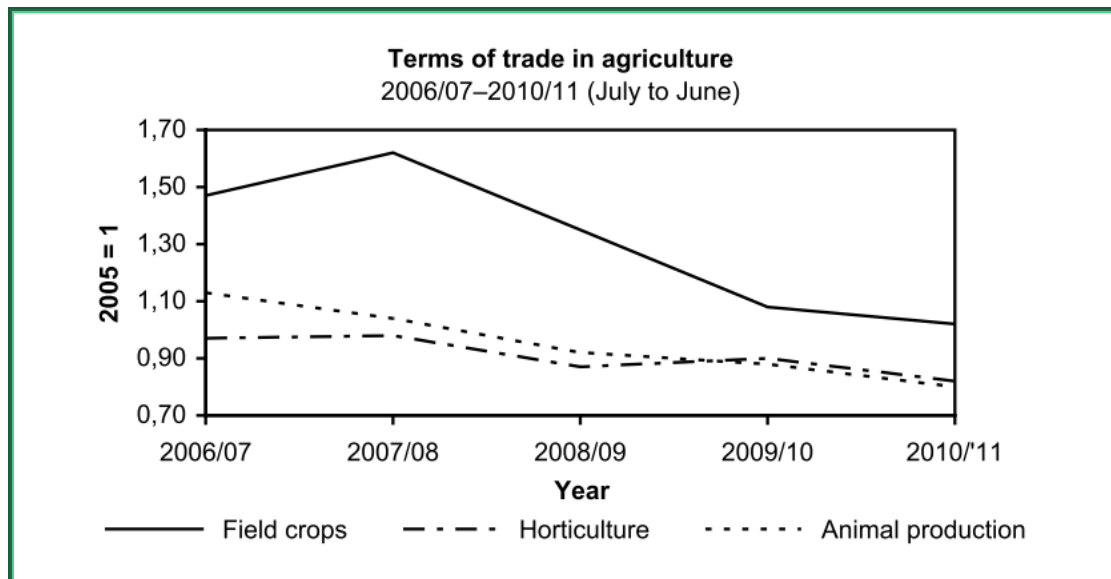
The evolution of South African agricultural co-operatives has to be viewed in the context of the evolution of South Africa's agricultural sector, the regulation and eventually the deregulation of agricultural marketing in South Africa. The purpose of this chapter is to provide such a historical context. Accordingly, this chapter will give an overview of the agricultural industry, factors influencing the agricultural industry will be discussed, and the focus will be on the overview of co-operative to agri-businesses. Finally, an overview of Senwes Limited will be given with specific focus on Senwes Village, Retail division.

### **3.2 OVERVIEW OF AGRICULTURAL INDUSTRY IN SOUTH AFRICA**

Lotz (2009:153) states that South Africa does not have ideal conditions for agriculture and this is confirmed by the fact that less than 12% of the land is arable of which only 22% can be regarded as high potential arable land. A critical factor is that South Africa's rainfall is spread unevenly throughout the country. Almost 1.5% of agricultural land (1.3 million hectares) is under irrigation.

Factors such as weather conditions, commodity prices, input cost, stock levels, consumption demand as well as exchange rates will continue as never before to influence agricultural production in the country (South Africa, 2010:10). This could influence the production of field crops to decrease further. South Africa (2011:1) confirms that field crops decreased in 2010/2011, but that agricultural production was in total more or less the same and is illustrated in figure 3.1.

**Figure 3.1: Volume of agricultural production**



**Source: South Africa (2011:1)**

The volume of field-crop production reflected a 4.5% decrease as a result of a decline in the production of summer grains. Maize production decreased by 2 million tons or 15% from the previous season, followed by wheat with 530 000 tons or 27%. Sugar cane, on the other hand, showed an increase of 3.3%. Horticultural production increased slightly by 0.2%, mainly because of increases in the production of vegetables and citrus fruit. The production of potatoes increased by 134 834 tons or 6.8% and that of onions by 71 214 tons or 14.6%. Citrus fruit, specifically grapefruit and lemons, increased by 31 744 tons or 5.9%. Animal production also increased slightly by 1.8% as a result of increases of 3.6% (24 698 tons) in cattle and calves slaughtered and 3.3% (47 000 tons) in poultry slaughtered.

According to BFAB (2012:9), the following production estimates are made for production of field crops until 2015:

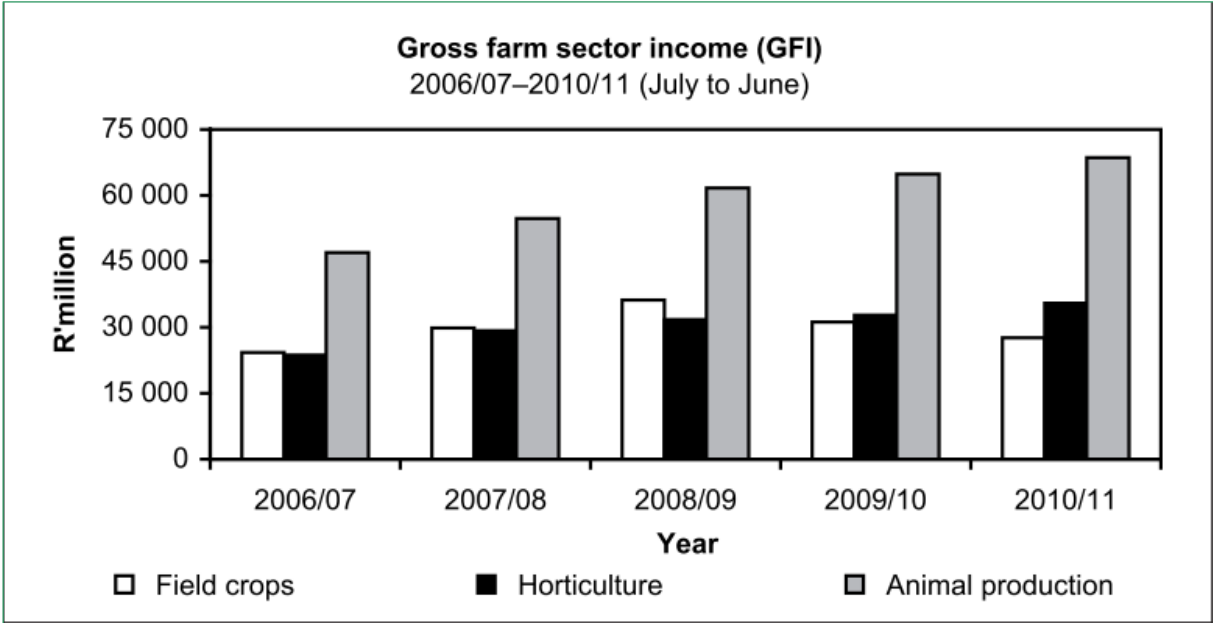
- **Maize:** The Crop Estimates Committee (CEC) indicated the higher current maize price increased the farmer's intent for the 2011/12 planting season with 9.2%. Weather conditions could still have a big influence. In the five years to 2014/15 maize production is predicted to expand by just 1.5%, while consumption will grow by 16%.
- **Poultry:** Production growth of 19.8% is envisaged through to 2014/15, while consumption will increase by over 23%.

- Wheat:** The CEC indicated 28.7% increase in wheat production in 2010/11. This follows a 27% fall in production in 2009/10. Positive growth of 35% is predicted through to 2014/15, although this reflects a low starting point.

BFAB (2012:10) confirms that the demand for food in general is expected to grow over the next decade mainly due to population growth, whilst in real terms world commodity prices are likely to remain fairly stagnant at higher plateau compared to the previous ten years from 2001 to 2011.

South Africa (2011:1) indicated further that the prices of producers of agricultural products decreased on average by 4.3% from 2009/2010 to 2010/2011. This resulted in a decrease in the gross income of producers for the year end 30 June 2011 to R131 699 million, compared with R132 199 million the previous year, a decrease of 0.4%. The decrease in income can be contributed to a combination of small increases in prices farmers received for their products, lower than expected production and slow deliveries of maize (South Africa, 2011:2). The gross income of field crops decreased by 12% to R27 610 million for the year ended 30 June 2011. The gross farmer sector income is illustrated in figure 3.2.

**Figure 3.2: Gross farmer sector income**



Source: South Africa (2011:2)

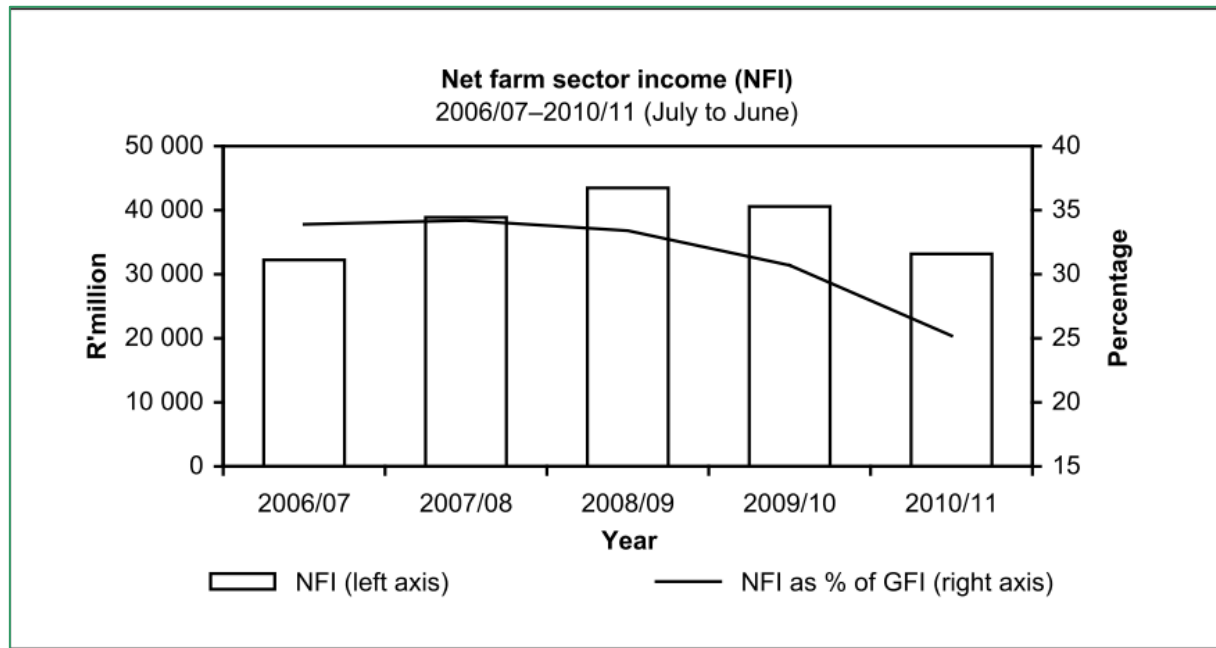
BFAB (2012:12) suggested that commodity prices in 2012 are expected to remain well above those of the previous year and this is due to the significant rise in world prices and the current United States draught conditions, and this will have an impact on local prices that will remain high in 2013. The real gross income is expected to increase by 6.3% in 2012 and further 13% in 2013 and beyond 2013 the growth rate are expected to be stagnant as local prices in real terms are expected to remain flat.

South Africa (2011:3) indicated further that the net farm income amounted to R33 161 million for the 12 months ended on 30 June 2011, which is 18.3% lower than the previous 12 months. The decline in net farming income is the result of the decrease of 0.4% in gross farming income and an increase of 10.4% in expenditure on intermediate production inputs and services, payments for salaries and wages represented 12.1% of the total farming costs and interest paid to financiers amounted to 4.9% of total farming costs. The net farm sector income is illustrated in figure 3.3.

BFAB (2012:14) indicated that real gross income is expected to increase by 6% in 2012, with a further increase of 7% expected in 2013. From 2014 it is projected that the annual growth rate will be 1.4% and in 2014 there will be an initial decline, followed by a recovery and gradual increase in real gross income till 2021.

PriceWaterhouseCoopers (PWC) (2011:2) indicated that farming in general remains unprofitable as a result of the poor competitive position in which local producers find themselves in relating to their overseas counterparts. Grain prices play an important role in producer's credit worthiness, with particular emphasis on repayment and management capacity.

**Figure 3.3: Net farm sector income (NFI)**



**Source: South Africa (2011:3)**

According to PWC (2011:4), agri-businesses will concentrate mainly on maintaining prosperity through cost and risk management and will also focus on retaining market share.

### **3.3 AGRI-BUSINESSES SECTOR IN SOUTH AFRICA**

An overview of the history of South African co-operatives will be viewed in context of the evolution of South Africa’s agricultural sector.

#### **3.3.1 Evolution of agri-businesses in South Africa**

According to the Competition Commission (2006:27), South Africa’s co-operative movement was born in 1900’s to provide commercial farmers with collective buying, marketing and organisational power. It specifically focused on input supplies and joint marketing of production. The co-operatives became very powerful, holding a monopoly in key agricultural sectors, backed by access to finance through the Land Bank (Bosman, 1927:301). The Marketing Boards regulated product prices (Marketing Act 26 of 1927) until 1994 and made use of co-operatives as the single marketing system of maize.

As a result of the regulating body and the single marketing system, the actual activities of co-operatives tended to span all functions necessary to produce the product, bring it to the market and included financing, storage, processing, packaging, distribution, sales and exports (Serfontein, 1970:3). Producers in the sub-sector had to be members of the co-operatives.

Furthermore, Ortmann and King (2007:42) confirmed the unique characteristics of co-operatives:

- Co-operatives are owned and democratically controlled by their members and not by outside investors.
- Co-operatives return surplus income to members in proportion to their use of the co-operative and not as a result of their investment or ownership share.
- Co-operatives are not motivated by profit, but by providing a service to satisfy members.
- Co-operatives exist solely to serve their members.
- Co-operatives pay taxes on income retained for investment and reserves.

Ortmann and King (2007:46) argued that the substantial cost of supporting commercial farmers in terms of subsidies, price support, tax concessions and the misallocations of resources caused by distorted prices were not sustainable. As a result of political changes happening, it led to a series of reforms in 1980, including the removal of subsidies and tax concessions and deregulation of agricultural financing and marketing. These actions reduced the role of agricultural co-operatives and made them less dependent on government support.

Therefore, according to Sexton and Iskow (1993:15), the Committee of Enquiry's recommendation into the Marketing Act of 1937 led to the Marketing of Agricultural Product Act, (No 47 of 1996) that ended the state control of agricultural commodities and resulted in the demise of the marketing boards (Philip, 2003:18). The implication of the act was a material effect on co-operatives. Co-operatives no longer have the privilege of being appointed as agents of various marketing boards thus losing their monopoly powers, and are no longer involved in distributing government subsidies, but they still provide short and medium credit to the farmers (Vink & Kirsten,

2000:13). Therefore, several co-operatives have converted to investor-oriented firms (IOF's) and some are listed on the Johannesburg Securities exchange (Piesse, Doyer, Thirtle & Vink, 2003:197).

### ***3.3.2 The effect of deregulation on the agricultural sector***

According to the Organisation for Economic Co-operation and Development (2008:3), the most important effects of the deregulation of the agricultural sector are:

- Opening of the agricultural sector increased exports with a result in growth of revenues.
- Shifts in production of grain to livestock in marginal production areas and an increase in intensive farming in high potential areas.
- Farmer involvement in risk management by means of storage, forward contracts and diversification.
- Strengthening role of organised markets and producer responsiveness to price signals.
- Establishment of new enterprises in agriculture and downstream food processing sectors.

### ***3.3.3 The effect of deregulation on agri-businesses***

Lotz (2009:164) indicated that many co-operatives change to IOF's after the deregulation of the agricultural sector. The advantage for the agri-businesses is an increase in external funds that could be used to expand business products and services. On the financial side it includes crop insurance, the ability to hedge input cost (such as diesel) and personal finance planning for the farmer. On the technical side, it included precision farming techniques and access to cutting edge feed, plant and seed technologies.

As result, the largest impact to the agri-businesses sector is that they now have to position themselves as business driven competitors in a less controlled free market and global trading environment (Van Rooyen, Esterhuizen & Doyer, 2000:12).

The next section (3.4) will give an overview of Senwes Limited that converted from a co-operative to an agri-business. The discussion will include a discussion on the trade side of the business, Senwes Village, Retail division.

### **3.4 SENWES LIMITED**

#### ***3.4.1 Establishment of co-operative***

The 15<sup>th</sup> of May 1909 marked the birth of Senwes when forty farmers met in Klerksdorp to assemble the “De Centraal Westelijke Co-operative Landbou Vereeniging”. Their initiative was to establish an Agricultural association that could focus on the handling, marketing and input provision of agricultural products (Serfontein, 1970:3).

#### ***3.4.2 Conversion from co-operative to business***

Apart from tiring years of drought in the eighties, the democratisation of South Africa in 1994 soon moved the focus to agriculture. According to Van Eeden (2009:85), land distribution and land issues and greater visibility of the population of the country in the agricultural sector were aspects that made agricultural business reconsider their position and future positioning in South Africa economy.

From 1995, agriculture was taken from a regulatory economy to a free market that was already operational worldwide.

Formulation of a business was confirmed on 10 April 1997 and this step leads to the transformation of virtually every department of Sentraalwes, which was known from then on as Senwes. Senwes entered the business world in a new jacket as Senwes public business that would compete in the free market system in the future.

By 1999, it was clear that it had become necessary to transform Senwes into more focused business units, although still customer-directed, in order to enhance the confidence of investors. The value of the traditional core businesses in Senwes was regarded as of particular importance. However, the demands that a diversified

structure made on the expenditure side, compounded by the unsatisfactory income performance of many subsidiaries, caused Senwes to move into a financial bind since there was no other alternative than to negotiate the immense losses for a considerable period of time (Van Eeden, 2009:126).

During the 2000 financial year, the industrial portfolio suffered great losses and the lack of management capabilities and resources led to a loss of focus on core businesses. The company experienced problems in performing within a free market environment which was gaining momentum in the country. Senwes was losing market share and the image of the company was tainted (Van Eeden, 2009:127).

During 2000, the value of Senwes' shares had dropped from R4.50 to only R0.07 due to significant losses made by various business units and subsidiaries which led to shareholder activism. This all came to head at a shareholders meeting in Kroonstad. The shareholders demanded the resignation of all the non-executive board members (Anon., 2000).

By March 2001, the commercial banks formed a consortium against Senwes and made several demands. Among others, it was demanded that Senwes' level of management had to be improved (as the Gemini Group had recommended in an earlier investigation). Furthermore, investigations had to be lodged in certain critical operational fields of the company and that business units had to be restructured and rationalised. Despite the worsening financial situation of Senwes, the Land Bank still supported the company. In April 2001, the company reported a loss of R468 million due to significant debt write-offs and losses realised by divisions and subsidiaries. Drastic steps had to be taken (Senwes, 2001).

The board appointed Johan Dique as CEO in August 2001 with the specific challenge of turning the company around and recovering lost shareholder value. In total, shareholder value of about R570 million was lost between 1998 and the financial year which ended on 30 April 2002. The focus was on strengthening the traditional core agricultural business and industrial optimisation rather than on managing the many existing, diversified industrial investments. Furthermore, the cash flow of the company also had to recover sufficiently to reduce the debt burden. A strategic plan,

called the *value-creation and development strategy*, was approved by the board and Senwes started executing it with great success (Van Eeden, 2009:132).

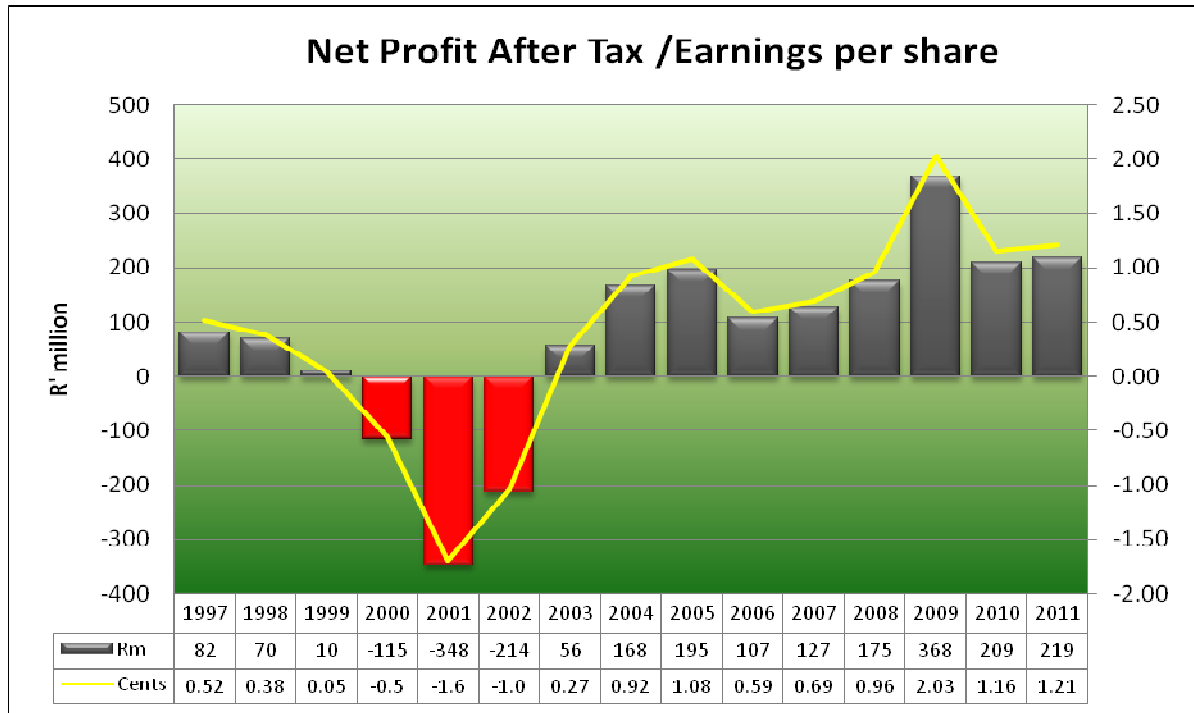
Senwes continued divesting from underperforming business activities and the focused turnaround and value creating efforts remained the primary drivers of the recovery process of returning to the core businesses of Senwes as agricultural company. The last two subsidiaries were sold only months later. By the end of the 2003 financial year, the total value lost amounted to about R1 billion (Van Eeden, 2009:133).

In May 2002 a group of business men and attorneys formed Landboulex and convinced a number of smaller shareholders to sign a mandate giving Landboulex the power to vote on their behalf at the Annual General Meeting. In reaction to this, Senwes' management held an extensive road show with shareholders during the spring of 2002 with Johan Dique as the main representative (Anon., 2002).

The program of transformation, the turnaround and value creating strategy and business plan were presented to the shareholders. Shareholders were requested to give the process, which they had approved in October 2000, a fair chance. In the midst of Landboulex's continued attempts to take Senwes over, the vast majority of Senwes' shareholders rejected the onslaught and voted in support of Senwes' Board and executive management in November 2002. In June 2003, Senwes instituted actions against its former auditors, PriceWaterhouseCoopers and some of Senwes' former executive directors due to negligence concerning investment decisions and losses realised in the past (Van Eeden, 2009:129).

On 23 January 2004, after the turnaround process had been completed (refer to figure 3.4), a five year strategy was approved to reposition the Senwes group in addressing the increasing demands of the changing socio-political milieu and highly competitive economic and agricultural environment.

**Figure 3.4: Successful completion of the turnaround strategy**



**Source: Van Eeden (2009:186)**

The *value development strategy*, which was actively implemented from 2004, was initially accompanied by uncertainty and instability due to external pressure of especially investors. For the sake of optimising the industry, some members of the personnel corps of Senwes were retrenched to reduce the personnel corps to 1,091. During the turnaround phase of Senwes, about 25% of the departments were restructured, of which about half were again built up after 2004 in order to enhance growth in support of achieving the strategic goals of value-creation (Van Eeden, 2009:134).

Prominent focus was afforded to the value-creation objectives to benefit both the shareholders and customers of the company as well as to improve the image of the company, internally and in the public arena. These strategic objectives were:

- Developing of values for shareholders of the Senwes group.
- The negotiation of a black economic empowerment transaction (BEE).
- Alliances with strategic partners.
- More effective and more continuous application of corporate management.
- Attention to the development of business confidence and business success.

- Continued seriousness regarding the key role Senwes must fulfil among its producers in the agricultural industry.
- The pursuance of long-term profitability to the benefit of all interested parties. Among others, it includes growth in the share price and a focus on a constant stream of dividends.

Senwes management focused on the continued development and growth of the existing core businesses. The strategy was implemented in different phases over a period of four financial years, from 2003 to 2006. Management launched the Senwes Business Alignment Project in an effort to boost the morale of employees after the rationalisation phase completed during the turnaround. The first traces of the Senwes Business Alignment Project were already visible in 2003 and by 2006 it was refined and applied further. An important aim of the project was to inform the young management team and the personnel corps about the *value development strategy* in such a manner that they could actively support and promote the strategy. The introduction of the Senwes Intranet was aimed at using this communications tool to support the alignment project. Amongst others, the business alignment project also entailed that the skills of employees had to be improved (Van Eeden, 2009:137).

Senwes also required a viable strategy to transform Senwes and to accommodate a more representative black group of employees in adherence to black economic empowerment and employment equity regulations. At the stage, Senwes also assumed a leadership role in the Agricultural Business Chamber (ABC) in formulating a black economic empowerment (BEE) charter for the agricultural sector, referred to as AgriBEE (Anon., 2004).

In December 2005, Senwes succeeded in negotiating and facilitating a BEE deal with a consortium, consisting of the Royal Bafokeng Nation and Treacle Private Equity, whereby the consortium acquired a 27.14% share in Senwes Ltd. By July 2008, the BEE interest Senwes enlarged when Treacle Private Equity acquired a further 5.8% of the shares issued. This implied that black shareholders owned 34.7% of the shares of Senwes and it was said that Senwes had advanced furthest with regard to black economic empowerment in the country (Van Eeden, 2009:139).

In 2006, Senwes was already on its way to rebuilding the company's image from that of a doomed organisation to one of a respected industry role player. The company's shares were sold at levels of about R3.00. Due to the turnaround process (2001-2003) and followed by the value development process for shareholders (2004-2009), the share price of Senwes increased from R0.30 in 2001 to constant levels above R5.00 with a climax of R6.50 by 2008 (Van Eeden, 2009:190). By late 2008, Senwes qualified for listing in all respects, namely financial achievement, systems, quality of management and compliance with corporate management.

Large investments were made in intellectual capital with regard to grain marketing to develop it in such a way that it would deliver the same profitability as the grain storage function. There was a lack of such expertise in South Africa, but through product innovation Senwes ensured that it was able to market the maximum grain that entered its silos. A market share of over 80% was achieved in 2007. On 2 October 2008, the Trade Department became Senwes Village and the division established two retail shops under the sub-brand Senwes Village and Village Grocer (Van Eeden, 2009:140).

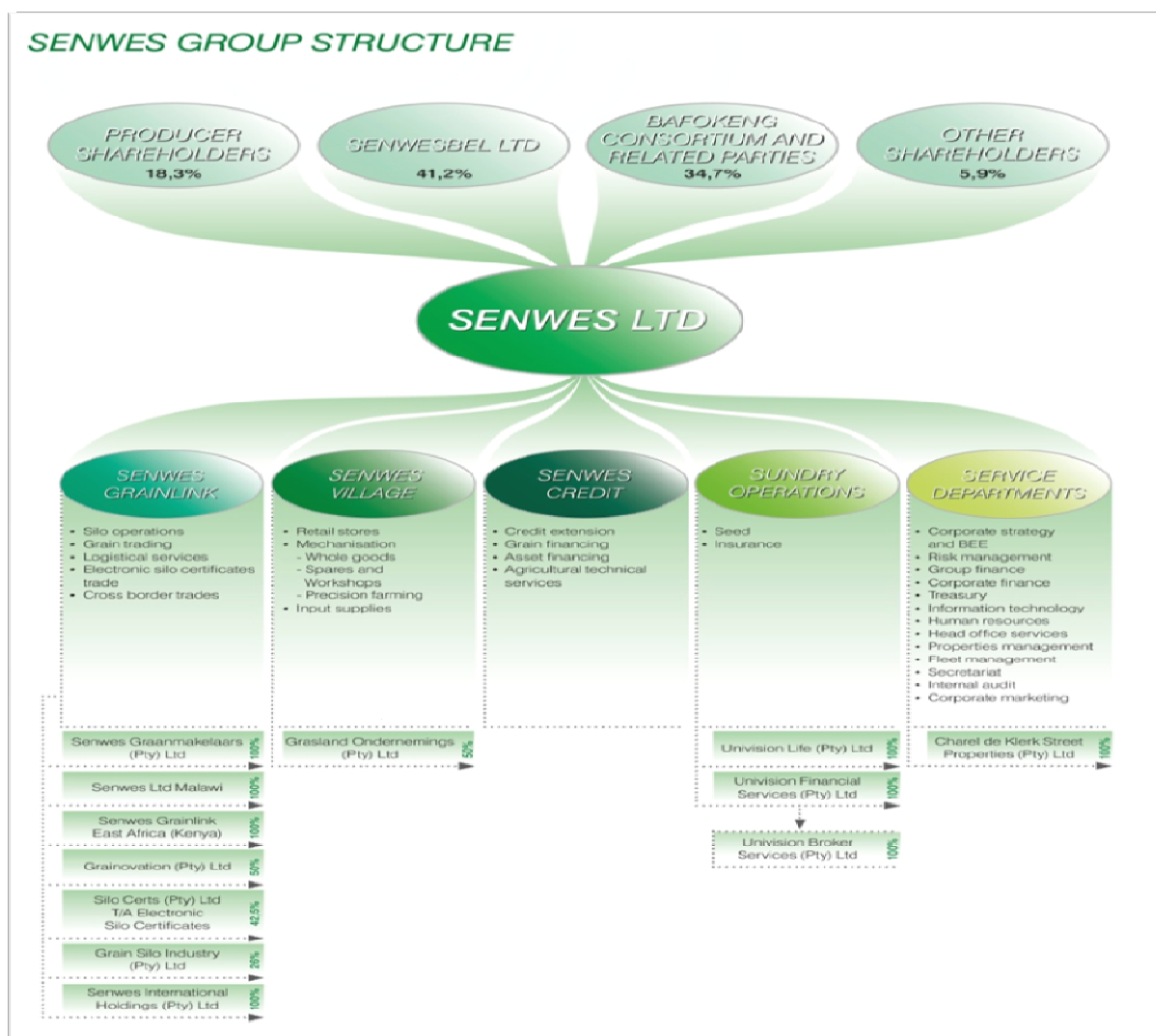
Since the beginning of 2007, Senwes have grown to be one of the leading role players in the South African agricultural sector, with a grain storage infrastructure of 70 silos. The company had a storage capacity for 4.6 million tons of grain, which made about 30% of the total national capacity (Senwes, 2011:28). Roughly 32% of the grain and oil seeds of the country were produced in the geographical region of Senwes. Retail stores were deployed in rural towns across the service area which supported input distribution to producers throughout the region.

The year 2010 was earmarked by the resignation of the CEO, Johan Dique, as well as Steven Alberts, the financial director. Both of them pursued new opportunities after their successful terms as executive directors of Senwes. There were no significant changes in the group structure during the 2010 financial year.

### 3.4.3 Senwes Limited current status

Francois Strydom was appointed CEO with Corné Kruger appointed as the new financial director during the 2011 financial year. During the year, the Board constituted a new investment committee, under the leadership of Steve Booysen, former CEO of ABSA. There were no other significant changes in the group structure of Senwes during 2011. Senwes group structure is illustrated in figure 3.5.

**FIGURE 3.5: Senwes group structure**



Sources: Senwes (2011:27)

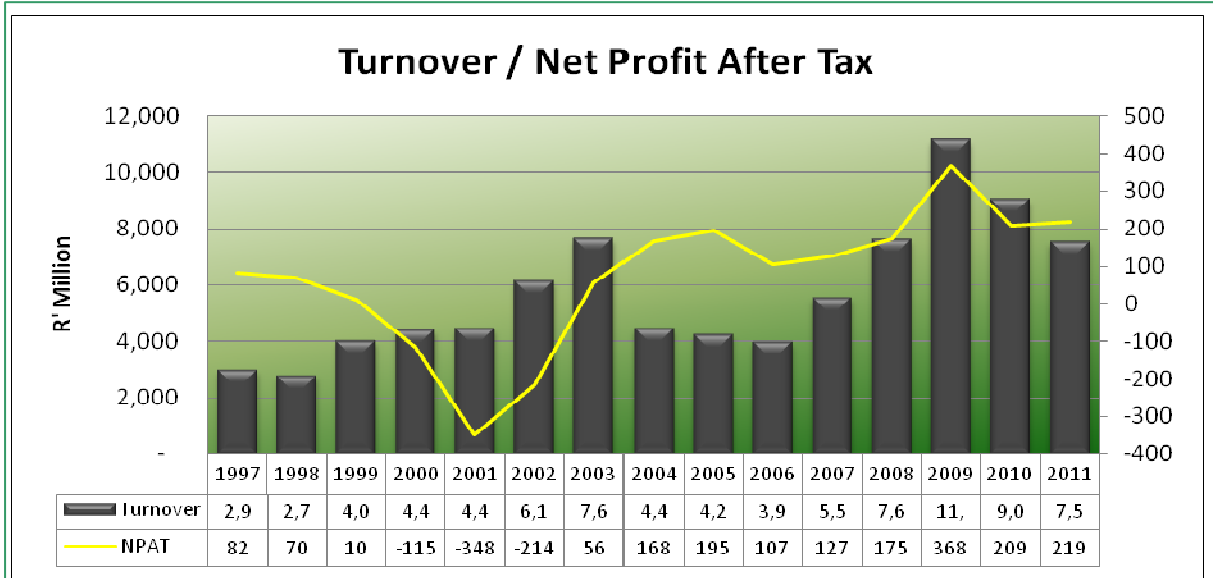
In June 2011, the holding company SenwesBel, bought back the Senwes shares held by the Royal Bafokeng consortium to increase its majority shareholding in Senwes to 59%. Treacle, which is part of the Royal Bafokeng consortium, sued SenwesBel and Senwes on ground that they contravened the Company Act (71 of

2008) in the acquisition of the Senwes shares. The case was dismissed by the Northern Gauteng High Court in February 2012 and Treacle was ordered to pay all legal fees of both the parties (Anon., 2012).

The 2011 financial period was challenging in terms of the environment, business and the global economy and in which Senwes and its producers experienced both the best and the worst of agriculture. Senwes’ performance during the first six months was significantly lower than the previous year, but exceptional recovery was demonstrated during the second semester in the wake of improved agricultural conditions (Senwes, 2011).

Senwes’ 2011 financial performance reflected a net profit of R219 million, which was an increase from 2010 in spite of a substantial decrease in turnover. Despite the relatively poor input provision year, Senwes maintained its business base with an EBITDA result of R471 million (2010: R455 million). The share price reached an all-time high with a closing price of R10.20 at year-end. Senwes’ share price has increased by R7.70 over the past 5 years while dividends of R3.14 per share were distributed, thus creating shareholder wealth of R1,96 billion since 2007 (Senwes, 2011).

**Figure 3.6: Turnover and net profit since becoming a public company**



**Sources: Adapted from information contained in Senwes’ annual reports**

The core business of the Group, Senwes Grainlink, follows a dual growth strategy, namely coupling with a large international grain trading partner and expansion of the African footprint. Good progress was made in this regard during the year by the establishment of a joint venture with the European operational arm of Bunge and the establishment of a regional structure in Southern Africa.

Senwes today is one of the leading agricultural businesses in South Africa, focusing on the provision of inputs for agricultural production, as well as market access to grain produce (Senwes, 2011:32). This also strategically coupled with provision of value added service, which include financing, agricultural technical services, logistics and insurance.

Senwes business activities are predominantly in the North-West, Free State, Gauteng and Northern Cape provinces of South Africa, with limited operations in Western Cape. Senwes has established a presence in Malawi as part of its Africa expansion strategy, with the focus in grain trading activities.

The market access side of the business provide storage and handling through a well deployed silo infrastructure, which has a capacity of 4,6 million tonnes and constitutes more than 25% of the total South African commercial storage capacity. Senwes Grainlink is responsible for market access.

The input side provides all production inputs, mechanisation, production and asset finance, through competitive value and service packages. Senwes Village division is responsible for the input side of the business. Senwes Village division have a strategic partner in the form of Senwes Credit that is responsible for the finance activities. The operations overview could be schematic viewed in table 3.1

**Table 3.1: Senwes operations overview**

	CREDIT EXTENSION	INPUT SUPPLY	MARKET ACCESS
	<i>SENWES CREDIT</i>	<i>SENWES VILLAGE, RETAIL DIVISION</i>	<i>SENWES GRAINLINK</i>
<b>FOCUS</b>	<b>AGRICULTUALLY FOCUSED SERVICES</b>		
<b>NATURE OF BUSINESS</b>	<ul style="list-style-type: none"> <li>• Financing of agriculturally oriented inputs</li> <li>• Financing of medium- and long-term assets for farming purposes</li> <li>• Financing of marketed grain through various financing products</li> </ul>	<ul style="list-style-type: none"> <li>• Supply production inputs to the agricultural producer</li> <li>• Supply mechanisation equipment, spare parts and maintenance services to the agricultural producer</li> <li>• Supply a variety of hardware and convenience products</li> </ul>	<ul style="list-style-type: none"> <li>• Create market access for the grain producer</li> <li>• Procurement and marketing of grain</li> <li>• Handling and storage of grain</li> <li>• Logistical services for the procurement and distribution of grain</li> </ul>

Sources: Senwes: 2009:4

**3.4.4 Senwes Village**

3.4.4.1 Nature of business

Senwes Village have two core business activities, retail and mechanisation. On the retail and mechanisation side of the business the business structures are aimed at providing agricultural producers with exclusive and competitive value and service packages. The extension of relevant input cost financing also results in added-value for producers. Mechanisation supply mechanisation and maintenance services to the agricultural producer with regard to agricultural equipment. Retail supplies a variety hardware and consumer products to the agricultural producers and general public.

3.4.4.2 Positioning

Deployed infra and - marketing structures and product ranges to service the producer in respect of production inputs and mechanisation requisites through twenty six retail stores, twelve mechanisation workshops, four fuel stations and four convenience stores.

#### 3.4.4.3 Strategic objective

Senwes Village strategic objective is to fulfil the role of preferred supplier of production inputs and mechanisation to the agricultural producers with distinction.

#### 3.4.4.4 Village - Operational profit after interest before tax

During the 2011/2012 financial year, the supply input division contributed to 18% (R65m) of the organisation's profit before tax (Senwes, 2011:23).

#### 3.4.4.5 Future focus, prospects and expectations of Senwes Village (Senwes 2009:16)

Senwes Village will focus on the following strategic objectives:

- Successful roll-out of Senwes Village value proposition.
- Upgrading of strategic retail outlets.
- Improving service offering and value adding.
- Expanding the product range and improving the quality.
- Focusing on after sales service.
- Expanding market share.
- Expanding total product and service offering.
- Establishing new outlets in strategically important areas.
- Optimising stock levels and product ranges.
- Increasing risk management practices.
- Focusing on qualitative aspects of the business.

### 3.5 SUMMARY

An overview was given of the evolution of the South African co-operatives in the context of the evolution of the South African agricultural sector, the regulation, eventually the deregulation of the agricultural marketing in South Africa.

The overview of the agricultural industry in South Africa highlighted, that we do not have ideal conditions for agriculture and that less than 12% of the land is arable of which only 22% can be regarded as high potential arable land. Factors such as weather conditions, commodity prices, input cost, stock levels, consumption demand as well as exchange rates will continue as never before influences agricultural production in the country.

South Africa's co-operative movement was born in 1900's to provide commercial farmers with collective buying, marketing and organisational powers. They specifically focused on input supplies and joint marketing of production. Co-operatives became very powerful and they held a monopoly in key agricultural sectors.

Agricultural Product Act (No 47 of 1996) ended the state control of agricultural commodities and resulted in the demise of the marketing boards. The implication of the act was a material effect on co-operatives. Co-operatives no longer have the privilege of being appointed as agents of various marketing boards thus losing their monopoly powers, and are no longer involved in distributing government subsidies. They still provide short and medium credit to the farmers. Several co-operatives have converted to IFO's and some are listed on the Johannesburg Securities exchange.

The deregulation had the following effects on the agricultural sector: Opening of the agricultural sector, increased exports with a result in growth of revenues; shifts in production of grain to livestock in marginal production areas and an increase in intensive farming in high potential areas; farmer involvement in risk management by means of storage, forward contracts and diversification; strengthening role of organised markets and producer responsiveness to price signals; establishment of new enterprises in agriculture and downstream food processing sectors.

The largest impact of the deregulation on the agri-business sector is that they now have to position themselves as business driven competitors in a less controlled free market global trading environment.

Senwes today is one of the leading agricultural businesses in South Africa, focusing on the provision of inputs for agricultural production, as well as market access to grain produce. This also strategically coupled with provision of value added service, which include financing, agricultural technical services, logistics and insurance.

Senwes business activities are predominantly in the North-West, Free State, Gauteng and Northern Cape provinces of South Africa, with limited operations in Western Cape. Senwes has established a presence in Malawi as part of its Africa expansion strategy, with the focus in grain trading activities.

Senwes Village have two core business activities, retail and mechanisation. On the retail and mechanisation side of the business the business structures are aimed at providing agricultural producers with exclusive and competitive value and service packages. The extension of relevant input cost financing also results in added-value for producers. Mechanisation supply mechanisation and maintenance services to the agricultural producer with regard to agricultural equipment. Retail supplies a variety hardware and consumer products to the agricultural producers and general public.

Senwes Village strategic objective is to fulfil the role of preferred supplier of production inputs and mechanisation to the agricultural producers with distinction. The tool that the researcher suggests to obtain the future prospects and strategic objectives is through corporate entrepreneurship, specific the sustainable corporate entrepreneurial framework of Ireland *et al.* (2006). It is further important to measure the Senwes Village department managers and first line supervisors against the determinants for corporate entrepreneurship in sections 2.7 and 2.8. The result obtained will determine the readiness for corporate entrepreneurship.

The next section is of utmost importance for the Senwes Village division. The focus will be on key retail success factors needed to be successful in the changing retail environment for the 21st century, with a further focus on new retail trends.

# **CHAPTER 4**

## **NATURE OF RETAIL**

### **4.1 INTRODUCTION**

Krafft and Mantrala (2006:13) indicated that the global business environment has not been kind to retailers since 9/11 and a number of factors add to their challenges: deflation, high unemployment, lower consumer confidence, accounting irregularities, ethnic violence and higher oil prices. Retailers are rising to these challenges in different ways and entrepreneurially launching new formats, while others are remaining competitive by driving costs down by using sophisticated communication and information systems to manage their business (Dunne, Lusch & Griffith, 2002:9). Soni (2010:4) stated that if retailers do not respond quickly and in appropriate ways, they will find themselves floundering and being forced to take a deep hard look at their business. In order to remain viable they must understand the key drivers for retail success.

In order to understand the changing environment of retail, a broad overview of the nature of retail will be discussed, followed by an indication of the key retail success factors that retailers must consider to adapt to the changing environment to stay competitive and unlock value for their customers.

### **4.2 DEFINITION OF RETAIL**

Berman and Evans (2010:4) define retail as the business activities involved in selling goods and services to customers for their personal, family or household use and include every sale to the final consumer. Retail is the final stage of the distribution process. Kotler and Armstrong (2010: 394) agree that retailing includes all activities involved in the selling of products or services directly to the final consumer for their personal, non-business use. Kerin, Hartley and Rudelius (2007:310) argue that retailing is an important marketing activity, where producers and consumers meet through retailing actions, but also creates customer value and has a significant impact on the economy.

Retailing's economic value is represented by the people employed in retailing as well as by the total amount of money exchanged in retail sales. Hammond (2007:16) concludes that the world's best retailers do things 'simple' and brilliantly: they communicate simple ideas clearly, quickly and meet straightforward needs in simple straightforward ways.

### **4.3 CHANGES IN RETAIL**

Morganosky (1997: 269) states that retailing are constantly changing due to the fact that customers are continually seeking new outlets and demanding more from retailers they choose to patronise. Kim, Niehm and Jeong (2010: 133) agree that a growing number of customers are looking for more than quality products at a low price. They desire products that express their unique, personal identity.

Therefore, Sit, Merrilees and Birch (2003:2) indicated in their research that customers crave innovation in all aspects of their lives that includes recreational sport, restaurant environments, shopping environments and marketing campaigns. Jack Morton Worldwide (2006:1) agrees that retailers and marketing units are allocating more resources towards experiential strategies, which entail amplifying brand's experience into a set of tangible, physical and interactive experience. Ruvio and Shoham (2007:704) argue that the customer want an interactive experience with the different brands. Kim *et al.* (2010:134) agree that customers seek to have an interactive environment where they could communicate with knowledgeable brand representatives not only to gather information but also share their perspectives.

Engelland, Hopkins and Larson (2001:15) confirmed with their research that customers have been shown not only to demonstrate a need for novelty and uniqueness, but they also derive enjoyment from evaluating information, discovering facts and examining functional product attributes in their decision making process. Kim *et al.* (2010:140) confirm in their research that enjoyment is a major component of recreational shopping and one of the key antecedents of attitude towards the shopping channel.

Cox, Cox and Anderson (2003 251) indicated in their research findings the following shopping pleasures indicated by customers that could change the retail environment:

- Customers want to mingle with other shoppers to stimulate their social interaction.
- Customers want to stimulate emotional responses through bargain hunting and feel that they achieved a certain goal.
- They want to browse through retailers merchandise to gain information about products without buying.
- Some shoppers may derive pleasure from the sensory aspects of the retail environment, its sights, sounds and smells.
- Some shoppers just enjoy the status and authority of being pampered by retail and sale staff.

Therefore according to Krafft and Mantrala (2006:49), the reasons for structural adjustments of retail can be presented as a process linking changes in the micro and macro environment to the response by retail managers.

#### **4.4 TYPES OF RETAILERS**

Kotler and Armstrong (2010:395) indicated that retailers can be classified in terms of several characteristics, including the amount of service they offer, the breadth and depth of their product lines, relative prices they charge, and how they are organised.

The most important types of retail stores will be presented in table 4.1. Berman and Evans (2010:131-132) indicated aspects of strategy mixes of 14 store based retail institutions, divided into food-orientated and general merchandise groups with specific reason why they have customer support.

**Table 4.1: Selected aspects of store-based retail strategy mixes**

TYPE OF RETAILER	LOCATION	MERCHANDISE	PRICES	ATMOSPHERE AND SERVICES	PROMOTION
<b>FOOD ORIENTED</b>					
Convenience store	Neighborhood	Medium width and low depth of assortment; average quality	Average to above average	Average	Moderate
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Availability of fill-in items when a customer does not want to travel to a shop or supermarket.			Areas saturated with stores traditional market shrank.		
Conventional supermarket	Neighborhood	Extensive width and depth of assortment; average quality; manufacturer, private, and generic brands	Competitive	Average	Heavy use of new papers, flyers, and coupons; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Offer greater customer convenience with more product lines and a greater variety, with better prices.			Intense competition from food stores, with low profit margins.		
Food-based superstore	Community shopping center or isolated site	Full assortment of supermarket items, plus health and beauty aids and general merchandise	Competitive	Average	Heavy use of new papers and flyers; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Caters for complete grocery needs, along with fill-in general merchandise.			They have expanded remodeled existing supermarkets and build numerous new stores.		
Combination store	Community shopping center or isolates site	Full selection of supermarket and drugstore items or supermarket and general merchandise; average quality	Competitive	Average	Heavy use of new papers and flyers; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Customers like one-stop shopping and will travel to get there. Impulse sales are high.			Quite popular with shoppers		
Box (limited-line) store	Neighborhood	Low width and depth of assortment; few perishables; few national brands	Very low	Low	Little or none
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Low-priced private label brands, with prices 20-30% lower than supermarkets.			Growth of these store has not been anticipated, sales has fallen in recent years.		
Warehouse store	Secondary site, often in industrial area	Moderate width and low depth; emphasis on manufacturer brands bought at discounts	Very low	Low	Little or none
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Customers shop at warehouse stores for bulk buying at very low prices.			Customers do not like to shop in warehouse settings. Brands may be temporarily or permanently out of stock.		

TYPE OF RETAILER	LOCATION	MERCHANDISE	PRICES	ATMOSPHERE AND SERVICES	PROMOTION
<b>GENERAL MERCHANDISE</b>					
Specialty store	Business district or shopping center	Very narrow width and extensive depth of assortment; average to good quality	Competitive to above average	Average to excellent	Heavy use of displays; extensive sales force
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Customer shop at speciality stores as a result of know ledgeable sales staff, variety w ithin a give category, service policies, intimate store size and atmosphere, lack of crow ds, absence of aisles.			Fail to attract customers w ho are interested in one stop shopping for multiple product categories.		
<b>GENERAL MERCHANDISE</b>					
Traditional department store	Business district, shopping center, or isolated store	Extensive width and depth of assortment; average to good quality	Average to above average	Good to excellent	Heavy ad and catalog use, direct mail; personal selling
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
<b>Department stores:</b> Sells w ide range of products (such as apparel, furniture, appliances) w ith no merchandise pre-dominating.					
<b>Traditional department stores:</b> Emphasis on customer service and know ledgable sales staff.			Must clarify their niche in the market place.		
<b>GENERAL MERCHANDISE</b>					
Full-line discount store	Business district, shopping center, or isolated store	Extensive width and depth of assortment; average to good quality	Competitive	Slightly below average to average	Heavy use of new spapers; price-oriented; moderate sales force
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Feature popular brands of average to good quality merchandise at competitive prices.			Competition from other retailers too rapid expansion of some businesses, saturation of prime locations, number of consolidations bankruptcies and liquidations.		
<b>GENERAL MERCHANDISE</b>					
Variety store	Business district, shopping center, or isolated store	Good width and some depth of assortment; below -average to average quality	Average	Below average	Use of new spapers; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Inexpensive and popular priced goods and services.			Heavy competition from speciality stores and discounters, older facilities, items low profit margin.		

TYPE OF RETAILER	LOCATION	MERCHANDISE	PRICES	ATMOSPHERE AND SERVICES	PROMOTION
Off-price chain	business district, suburban shopping strip, or isolated store	Moderate width but poor depth of assortment; average to good quality; lower continuity	Low	Below average	Use of newspapers; brands not advertised; limited sales force
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Reduced prices by 40-50%, also a promise of new merchandise on regular base.			Discontinuity of merchandise, poor management of companies, insufficient customer service, shake out of underfinanced business.		
Factory outlet	Out-of-the-way site or discount mall	Moderate width but poor depth of assortment; some irregular merchandise; lower continuity	Very low	Very low	Little; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Store selling close-outs, discontinued merchandise, irregulars, first quality merchandise at low prices.			Evaluate retail expertise, investment cost, impact of existing retailers that buy from them, response of customers.		
Membership club	Isolated store or secondary site (industrial park)	Moderate width but poor depth of assortment; lower continuity	Very low	Very low	Little; some direct mail; limited sales force
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Price-conscious customers, who must be a member to shop there.			Allocation of company efforts between business and final consumer accounts, lacking of customers interest buying at warehouse type of store, potential saturation of market.		
Flea market	Isolated site, racetrack, or arena	Extensive width but poor depth of assortment; variable quality; lower continuity	Very low	Very low	Limited; self-service
<b>REASON FOR CUSTOMER SUPPORT</b>			<b>INDUSTRY PROBLEMS</b>		
Shoppers touch and sample items and they like to haggle over prices.			Market shift towards online auction sales.		

Sources: Berman and Evans (2010:131-132)

Table 4.1 illustrated the fourteen types of retail stores and gave an overview of each type according to its location, merchandise, prices, and atmosphere and service it offers with its focus on promotions. The table focuses on the reason why customers support a specific retail type of store, as well as current industry problems it faces. With this in mind, the table will give a retailer a holistic overview of types of retail stores.

## 4.5 RETAIL MARKETING DECISIONS

Kotler and Armstrong (2010:402) argue that retailers are searching for new market strategies to attract and hold customers as a result of service and assortments that are looking more and more alike. Therefore service and product differentiation have eroded amongst retailers and customers have become smarter and more price sensitive, as they see no reason to pay more for identical brands, especially when service differences are shrinking (Kerin *et al.*, 2007:311).

Berman and Evans (2010:77) argue that retailers are now rethinking their market strategies with specific focus on segmenting and targeting, store differentiation and retail marketing mix.

### 4.5.1 Segmentation

Dunne *et al.* (2002:228) define segmentation as a method that retailers use to examine, or break down heterogeneous consumer populations in smaller, more heterogeneous groups based on their characteristics. Kotler and Armstrong (2010:402) agree with this view point that retailers must first segment and define their target markets and then decide how they will differentiate themselves in these markets and until retailers define and profile their markets, retailers cannot make consistent decisions about product assortment, services, pricing, advertising, and store décor.

Kotler and Armstrong (2010:225) argue that effective segmentation require five basic elements to be successful.

- The size, purchasing power and profiles of the segment must be **measurable**.
- Market segments are **accessible** and therefore can be reached and served.
- They are **large or profitable** enough to serve.
- Therefore, they are **differentiable, conceptually, distinguishable** and **respond differently** to different marketing mix elements and programs.
- Finally, they must be actionable whereby effective programs can be designed for attracting and serving these segments.

#### **4.5.2 Target market**

According to Kotler and Armstrong (2010:225), a target market consists of a set of buyers who share common needs or characteristics that a company decide to serve. Therefore a target market is that segment of the market that the retailer decides to pursue through its marketing efforts (Dunne *et al.*, 2002:228). In this view target market is customarily interpreted as a mechanism that allows businesses to take advantage of customers (Anderson & Simester, 2001:316). Sawhney (1998:54) emphasises that customers are becoming very sophisticated and are demanding customised products and services to match their individual preferences and tastes. Hunt and Arnett (2004:10) agree that the existence of product and service variety could be a result of customers seeking variety in their own consumption and/or different customers' wanting different variants because tastes differ. Therefore retailers in the same line of retail trade often pursue different target markets to gain competitive advantage and make it important for retailers to identify there target markets before they decide how best to reach the target market (Berman & Evans, 2010:71).

Dunne *et al.* (2002:228) argue that there are three criteria that exist if a target market will be successfully reached:

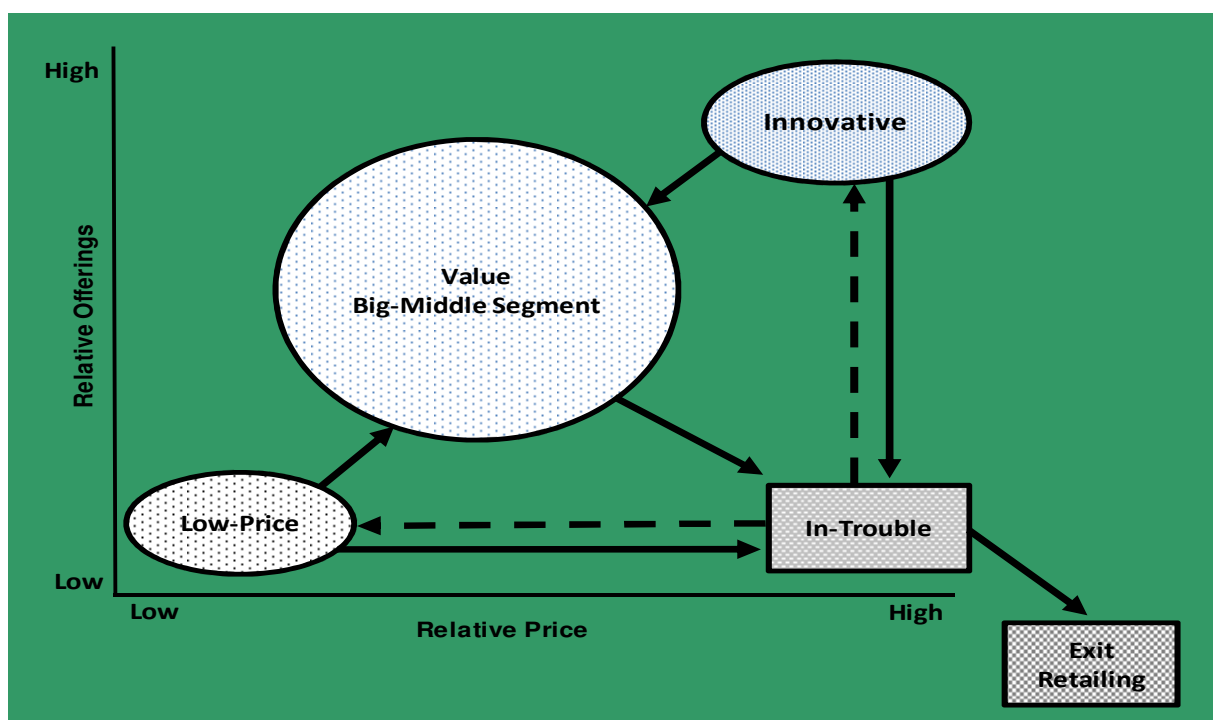
- Firstly, the selected market segment should be measurable or able to be described or able to be described using objective measures on which data are available, such as age, gender, income, education, ethnic group or culture.
- Secondly, is the accessibility or degree to which the retailer can target its promotional or distribution efforts to a particular segment? The key issues are through what media the specific target could be reached?
- Finally, successful target market requires that the segment be substantial enough to be profitable for the retailer.

“Retailers that select markets that are measurable, accessible and substantial will be able to generate higher profit results” (Dunne *et al.*, 2002:229).

## 4.6 STRATEGIC MODEL

Levy, Grewal, Peterson and Connelly (2005:84) argued that retailing is a dynamic enterprise and they propose a framework for investigating factors that motivate the structure and evolution of retailing. They named the framework the **Big-Middle** and were depicted in figure 4.1, and were defined as the market place in which the largest retailers compete in the long run, for the reason that the largest number of potential customers reside (Brown, Dant, Igene & Kaufmann, 2005:89). According to Sheth and Sisodia (2002:10), retailers do not have to be in the **Big-Middle** to be successful in the short run, those that become the largest, and by implication, the most successful are drawn there overtime in their search for scale of economies, increased revenues and incremental profits.

**Figure 4.1: Retail Landscape**



Source: Levy *et al.* (2005:85)

The model describes the evolution of the retail strategy based on two dimensions: relative price, which depicted on the horizontal axis and relative offerings on the vertical axis (Levy *et al.*, 2005:85).

According to Krafft and Mantrala (2006:14) retailers fall into one of four segments: **Innovative, Big-Middle, Low-Price and In-Trouble**. Therefore retailers occupying

the innovative segment direct their strategies towards quality-conscious markets seeking premium offerings. **Low-Price** retailers appeal to the price-conscious-segment. Big retailers thrive because of their value offerings and **In-Trouble** retailers are those who are unable to deliver high levels of value relative to their competitors. The **Big-Middle** concept will be discussed in the next paragraph that will indicate factors that create the structure and motivate the evolution of retailing.

#### **4.6.1 Big-Middle segment**

This **Big-Middle segment** focus on the largest segment potential base of customers in the long-term by providing an innovative offering or low price or it could be both, thus providing superior value to customers (Levy *et al.*, 2005:85).

Large retailers have succeeded in leveraging their innovative-low price position to transform their niche appeal to the mass market and they occupy an entirely different position in the market place, achieved by offering innovative merchandise that are broader and deeper and at reasonable prices (Krafft & Mantrala, 2006:17). Sheth and Sisodia (2002:11) argue that these businesses become volume-driven and their initial customer base simply cannot generate sufficient revenue to support their desired growth and they become generalists.

Therefore these businesses successfully transformed themselves by transforming their image by simply offering either innovative merchandise or low prices to an image as a retailer that provide great value over a broader array of merchandise (Brown *et al.*, 2005:97). Gorton, Sauer and Supatponkul (2011: 1624) indicated that Wal-Mart and Target is examples of businesses in the **Big-Middle segment**.

Brown *et al.* (2005:100-101) as sighted by different authors suggested early and current elements that will lead to the success in the **Big-Middle**.

#### **Early elements that lead to the success in the Big-Middle segment**

- **Basic merchandise** - Wingate and Brisco (1946) distinguished between mass distribution of merchandise for which an active demand already exists and launching new products which have to be sold to the ultimate consumer in order

that an active demand may come into being. Launching new products is the innovative segment and not the big middle.

- **Product standardisation** - Baxter (1931) argued that by generating buying economies and higher inventory turnover, retailers can obtain lower prices, more sales.
- **Frequently purchased goods** - Baxter (1931) stated that this approach leads to scale economies in purchase and high turnover at low margins.
- **Focused inventory** - Brown *et al.* (2005:100) indicated that focusing inventory on products that are widely acceptable, but that do not appeal to customers in the tails of a normal distribution of tastes, inventory turnover can be kept at a high level; indeed an attempt to meet the requirements of the last 15% of customers, will usually prove very costly.
- **Direct purchases** - Savitt (1999) stated to ensure inventory availability across the entire system, early chain retailers purchased direct from producers.
- **Skilled buyers** - Beckmann and Nolen (1938) stated that due to the enormous purchases compared, with non-chain retailers, chains developed training programs to teach negotiating skills.

Brown *et al.* (2005:100) argue that logistics was earlier regarded as important, but inventory management was perceived paramount. Therefore, currently modern discounters like Wal-Mart, is trying the method to match inventory supply with consumer demand by combining demand effectiveness with cost efficiency (Brown *et al.*, 2005:101).

Levy *et al.* (2005:87) confirm that above will be achieved through a high sophisticated supply chain management system, innovation in technology and operations whereby businesses realise their idealised goal of a seamless integration with suppliers, manufactures, warehouses and stores.

Levy *et al.* (2005:87) conclude that businesses in the current situation will transform to the **Big-Middle segment** through five primary value levers:

- **Innovative merchandise.**
- **Technology.**
- **Supply chain management.**

- **Price optimisation.**
- **Store name/image.**

#### **4.7 STRATEGIC DRIVERS FOR RETAIL SUCCESS THROUGH VALUE**

Levy *et al.* (2005:86) argued that retailers who successfully compete in the **Big-Middle** provide a compelling value proposition to their customers and are able to respond quickly to market changes and as a result customers in return become loyal to the **Big-Middle** retailers partially because these retailers provide them with what they need, what they are accustomed to, good service and excellent relationship management programs.

Therefore retailers realise that being flexible and being able to adapt quickly to changes in the marketplace are the key to survival (Brown *et al.*, 2005:103). Central to the ability to capitalise on new opportunities is the recognition of the importance of managing elements of the offering that influences customer's perceptions of value (Thompson *et al.*, 2012:195).

Berman and Evans (2010:28) argued that from the perspective of the manufacturer, wholesaler and retailer, value is embodied by a series of activities and processes, a value chain that provides a certain value for the customer. Therefore it is the totality of tangible and intangible products and consumer attributes offered to customers (Thompson *et al.*, 2012:146). Berman and Evans (2010:28) state that value from customer's perspective is the perception of all the benefits from a purchase formed by the total retail experience and therefore value is based on perceived benefits versus price paid.

##### **4.7.1 Value as meaningful concept for retailers**

Berman and Evans (2010:29) state the following reasons why value is such a meaningful concept for retailers:

- Customers must always believe that they get their money's worth.
- A strong retail effort is required so that customers perceive the level of value provided in the manner the business intends.

- Value is desired by all customers, but it means different things to different customers.
- Customer comparisons for shopping prices are easy through ads and World Wide Web. Thus, prices have moved closer together for different types of retailers.
- Retail differentiation is essential so that a business is not perceived as a “me too” retailer.
- A specific value / price level must be set.

In the next section a discussion on the key success factors for retail will be noted.

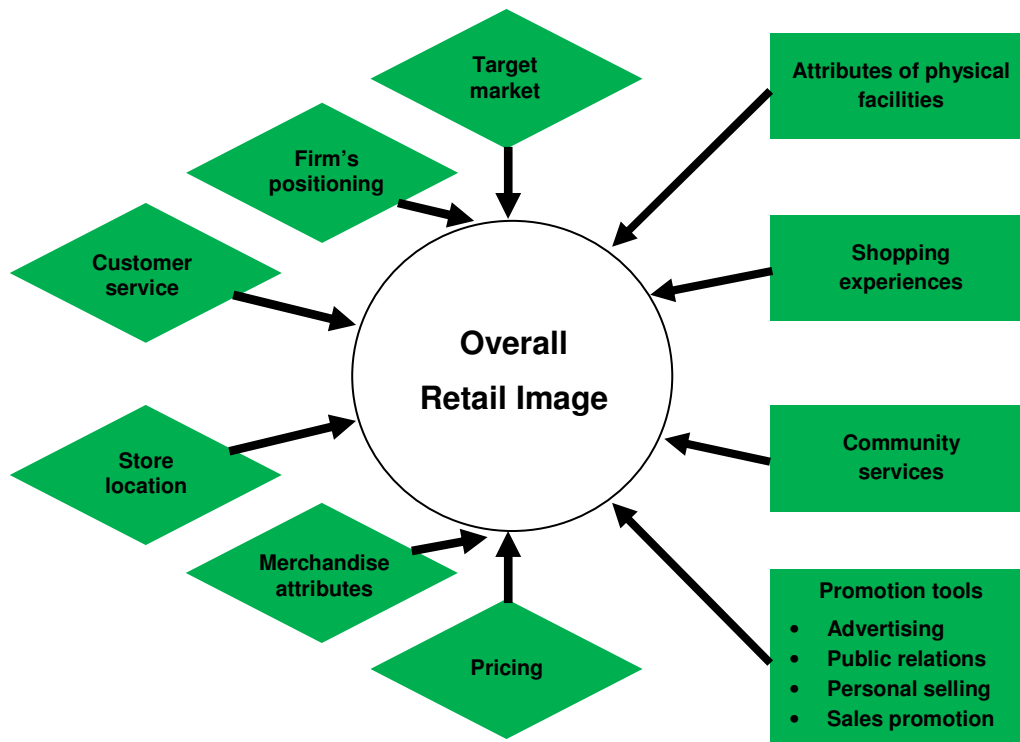
#### 4.8 KEY RETAIL SUCCESS FACTORS

Jacobs (2007:11) argues that some authors or retail specialist place more importance on certain key retail success factors than others, but in general all of them agree upon a few basic factors which need to be in place to survive in the harsh world of retailing. Gauri, Trivedi and Grewal (2008:257) agree that the key retail success factors may help determine customer choice and shopping behaviour. Baker, Parasuraman, Grewal and Voss (2002:120) confirmed in their research that retail environments and atmospherics builds on environmental psychology and that design, social setting and ambience influence customer service quality perceptions and shopping behaviour.

Lal and Rao (1997:60) also demonstrated the importance of the characteristics of the trading area, such as the population density, income, distance from the store for the appropriate choice of a format and pricing strategy for a retailer.

Although there are many key retail success factors that affect customer’s perception of value, major success factors will be discussed: **store factors, service factors-process, merchandise/product, price, promotion, supply chain management** and **technology, financial performance**, employee experience, and **customer service**. Berman and Evans (2010:506) agree that these factors contribute to a retailer’s image and it is the totality that forms the overall image. Figure 4.2 is a schematic representation of the elements of the retail image.

**Figure 4.2: The elements of the retail image**



**Source: Berman and Evans (2010:506)**

#### **4.8.1 Store factors**

Krafft and Mantrala (2006:18) state that a key value driver at store level is developing the right combination of format and retail environmental factors. Kotler and Armstrong (2010:404) argue that the store's atmosphere is an important element in the retailer's product arsenal and the aim is to create a unique store experience, one that suits the target market and moves customers to buy. Berman and Evans (2010:506) agree that creating and maintaining a retail image is a complex, multi-step on-going process and the aim must be that a customer must be able to determine the following about a store in three seconds, its name, its line of trade its claim to fame, its price position and its personality.

Therefore, according to Backstrom and Johansson (2006: 419), to conceptualise the different aspects that may influence in-store experiences and store behaviour it have been referred to as general dimensions such as atmospherics, design and social dimensions. Kotler and Armstrong (2010:404) argue that atmospherics has been the area that received the most attention and can be described as relating to factors in the store environment that can be designed or manipulated in order to create certain

emotional and behavioural responses from the customer. Hoffman and Turley (2002:3) indicate that atmospherics are composed of both tangible elements (the building, carpeting, fixtures, point of purchase decorations) and intangible elements (colour, music, temperature, scents) that comprise of service experiences.

Backstrom and Johansson (2006:419) argue that positive store experience is crucial in order to offer experiences rather than just product and services and they suggest that atmosphere is of great importance specifically in a service context due to its nature. Foxall and Greenly (2000:39) agree that by consistently seeking to control and to add substance to the atmosphere of retail stores, retailers may influence customers when they are evaluating what type of service and what type of products they offer. Backstrom and Johansson (2006:417) as adopted from Spies, Hesse and Loesch (1997) indicated that a positive atmosphere can lead to approach behaviours, which implies that customers stay longer in the store and spends more money or that the propensity of impulse buying increases.

Therefore, Kotler and Armstrong (2010:405) state that successful retailers orchestrate every aspect of the customer's store experience and that it confirms that retail stores are more than simply assortment of goods. Store atmosphere offer a powerful tool by which retailers can differentiate their stores from other competitors (Backstrom & Johansson, 2006:420).

Gottdiener (1998:29) argues that while atmospherics is commonly used to describe the rather intangible aspects of the store environment, store design is normally applied to signify the more tangible elements present in the interior store environment and may be used to reinforce the values associated with a specific brand name.

Design relates to store layout and display (Backstrom & Johansson, 2006:420). Buttle (1984:104) described display as the design of the way in which articles are presented in the store to facilitate and stimulate customer purchasing behaviour. Kotler and Armstrong (2010:255) argued that the role of retail designers has progressed from plain shoplifting to the provision of entertainment and inspiration to customers.

The social dimension consists of all interactions (physical and emotional) customers have with other members of society and with staff of the retailer (Backstrom & Johansson, 2006:417).

Kelly and Hoffman (1997:408) argue that the mood or credibility of salespersons seems to be important for good service encounters to occur and have also shown to have a profound effect on customer's loyalty to the store. Therefore, Kelly and Hoffman (1997:423) state from a managerial perspective that it is extremely important to manage the positive affect of service providers and this could be accomplished through the recruitment and selection of employees who are more likely to experience positive affect while on the job. Bitner, Booms and Mohr (1994:95) suggested another viable means of managing employee and customer affect is through the physical surroundings of the service organisation through a service culture that will contribute to the establishment of a work environment that is conducive to positive affect.

#### **4.8.2 Service factors**

Krafft and Mantrala (2006:19) indicate that given the time and effort that is invested by retailers in attempts to attract customers into their stores, it is amazing that so many retailers pay little attention to customer service. They state that it is common to visit retail stores and see half-filled shopping carts abandoned by shoppers that got tired of waiting for their turn at the checkout, or to see shoppers looking for a particular item they want to purchase but have not because they can't find a service provider to assist or provide them with information (Krafft & Mantrala, 2006:20).

Fullerton (2005:100) argues that under a relationship marketing paradigm, customer commitment, rather than service quality, is the prime driver of customer loyalty to the service provider. Morgan and Hunt (1994:10) state that commitment is a complex construct and is a psychological force that links the customer to the organisation with which the customer does business. Allen and Meyer (1990:2) agree that the two major components of commitment are affective commitment and continuous commitment.

Therefore, according to Gundlach and Mentzer (1995:78), affective commitment in the marketing relationship has been defined as a complex mixture of attitudinal loyalty, involvement and attachment. Fullerton (2005:101) argues that the development of social bonds between the customer and the organisation with which the customer does business is an important stage in the development of commitment in marketing relationships. Achrol (1997:56) argues that people develop affective commitment for businesses to which they feel they belong. Therefore, Fullerton (2005:101) agrees that if the marketing relationship is built on affective commitment, customers maintain a relationship because they identify with and like the business with which they do business.

The following elements are main drivers of good customer service and will establish affective commitment (Levy *et al.*, 2002:20):

- Level of convenience a particular store provides.
- Retailers must ensure that their store personnel are well trained to provide five source of convenience:
  - **decision convenience**, to provide customers with appropriate information so that they can make informed buying decisions;
  - **access convenience**, making sure that they know where merchandise is and will assist the customer in finding it;
  - **transaction convenience**, involving training to facilitate transactions such as checkouts and returns;
  - **benefits convenience**, helping customers to understand the benefits of the product and services that will result in a more enjoyable experience and of;
  - **post benefit convenience**, providing the training and empowerment to rectify post purchase problems.

Levy *et al.* (2002:20) conclude that retailers that attend to aspects of customer's service can contribute to customer perception of value, resulting in a strong competitive position.

### **4.8.3 Merchandise**

Berman and Evans (2012:384) state that merchandising consists of the activities involved in acquiring particular goods and/or services and making them available at the place, time, prices and quantity that enable a retailer to reach its goals.

Olson (2007:1) stated that times have changed and customers will not be dictated to any more due to the fact that customer tastes are more complex than ever before and profitable life-cycles have shortened, requiring all-time quick turnarounds. Jacobs (2007:32) agrees that retailers know that to stand out, they must offer unique merchandise, a constant changing mix of unique and interesting merchandise should be displayed in creative ways.

Retailers who excel in merchandise management do it in one of two ways (Grewal, Krishnam, Levy & Munger, 2007:25):

- Firstly, they concentrate in finding unique merchandise that appeal to their target customers.
- Secondly, they can be certain that enough merchandise is where the customer wants it.

Grewal *et al.* (2007:25) conclude that more product variety could lead to higher sales levels, but retailers do not have the luxury of simply adding more inventories, where productivity in merchandise management is essential to long-term viability.

### **4.8.4 Price**

Grewal, Roggeveen, Compeau and Levy (2012:1) argue that in the face of radical changes in the global market place (a worldwide recession, significant technological turbulence) customers are not only changing their shopping behaviours but also their value perceptions. Therefore retailers must respond appropriately by monitoring the environment to identify changes, both expected and unexpected with the following results (Grewal *et al.*, 2012:1):

- Remain more in touch with customer preferences.

- Take advantage of opportunities created by new customer's preferences.
- Enhance the value they offer to the customer.

Therefore, Levy *et al.* (2007:1) argue that most retailers do not use price as a basis for achieving sustainable competitive advantage, because it is too easy for competitors to copy a low-price strategy. Therefore retail managers have to consider key factors, such as the customers, competition and government regulations and then develop, implement and evaluate the appropriate pricing strategy and tactics.

Grewal, Ailawadi, Gauri, Hall, Kopalle and Robertson (2011:546) state that recently retailers have employed sophisticated dynamic pricing models that use data from internet purchases or company enterprise resources planning systems to set prices. Nagle, Hogan, and Zale (2010: 9) agree that sophisticated dynamic pricing models update prices frequently, based on changing supply or demand characteristics. Kopalle (2010:117) argues that retailers must consider several factors when developing an optimal dynamic retail pricing and promotional schedule namely: inter and intra-category optimisation, market expansion and contraction effects, modelling frameworks, model performance, the psychological aspects of pricing, objective functions, optimisation, parameter estimation, product relationship and scalability.

#### 4.8.4.1 Traditional retail pricing techniques

Levy *et al.* (2004:15) argue that retailers make pricing decisions on time-honoured rules and in many situations apply fixed percentage onto their cost and this will also apply for markdowns. Stores (2002) confirms that another rule-based approach that is followed is to price merchandise above, below or at parity with the competition's pricing. Levy *et al.* (2004:15) state that retailers use a rule-based approach because it is easy to calculate and implement, particular in multi-store chains.

##### (a) Weaknesses of retail based pricing

Levy *et al.* (2004:15) acknowledged the following weaknesses of retail based pricing:

- Most fundamental weakness is that none have anything to do with what represents the optimal price or markdown. Price is based on what has happened in the past, previous year or past week.
- The second problem with the way retailer's price and markdown merchandise is the system wide character of their decisions. Markdown could be implemented through the whole chain of retail, but in certain region the demand could be higher due to seasonal trends. The decision should be that there must not be a markdown in that region.
- Most retailers do not find it prudent to use different prices in the same trade area, because customers could become confused or worse disillusioned with integrity of the retailer. Yet differential pricing in diverse trade areas particularly if they are geographically isolated, can provide opportunities for increased gross profit margins and more precise inventory control.
- Customers learn from past experience when merchandise will be placed on sale. Such sale-savvy play havoc with retailers gross margins due to the fact that customers wait for a sale.

The next paragraph will explain how retailers could maximise their profits through retail pricing:

#### 4.8.4.2 Critical components to be incorporated into retail pricing

Retailers are interested in maximising their profits and that is why they need to understand how to price their merchandise optimally (Berman & Evans, 2010:481).

Next a discussion will follow on the other six factors that must be taken into account to determine optimal prices.

##### 4.8.4.2.1 Price sensitivity effects

At basic level, to determine an optimal initial or markdown price, the retailer must assess it's own-price elasticity to measure how sensitive demand is to price for a

given item over a period of time (Levy *et al.*, 2004:16). Dodds, Monroe and Grewal (1991:307) confirmed in their research that although price elasticity's have a negative sign, to suggest that an increase in price usually results in a decrease in demand, in some situations, a decrease in price can lead to the perception of lower quality, which decrease demand. Price-quality inferences are well documented in behavioural pricing research and indicate that quality signals such as warranties, store reputation, brand image must be incorporated (Srivastava & Lurie, 2004:117). Furthermore, Sethuraman and Tellis (2002:55) argue that joint effects of advertising and price promotions on price sensitivity and demand must be incorporated explicitly.

#### 4.8.4.2.2 Substitution effects

Substitution effects, cross-price elasticity or cross-price effects of a brand refer to the effect of a change in price of a stock keeping unit (SKU) on the demand for a competing SKU (Besanko, Dube & Gupta, 2005:1). Bell, Chaing and Padmanabhan (1999) note that almost 75% of customer response to promotions is due to brand switching. Therefore, Levy *et al.* (2004:16) argue that if an SKU can steal market share from a competing SKU, the retailer should evaluate the relative margins of the two SKU's before lowering the price of the target SKU. Hall *et al.* (2004:179) suggest that retailers should adopt a category management approach to develop a pricing strategy.

#### 4.8.4.2.3 Dynamic effects of price promotions

Retailers often assume that sales (there is no promotion and when there is a promotion offered) for a given SKU are independent of past pricing activity, but according to Levy *et al.* (2004:17), evidence suggests that sales may be affected by prior discounting activities. Winer (1986:250) research confirmed that consumer behaviour demonstrated that customers evaluate retail prices for items relative to certain internal benchmarks or reference prices. This is a result of retailers supplied information that plays a prominent role in affecting these internal reference prices and retail-supplied reference prices (Lichtenstein & Bearden, 1998:55). Kalwani, Yim, Rinnie and Sugita (1990:251) argue that customer's internal references prices also can be influenced by past prices, brand promotion frequency and the type of

store. Therefore, according to Levy *et al.* (2004:16), price promotions are likely to affect customer reference prices or price expectations.

Anderson and Simester (2004:4) indicated that deeper price discounts in the current period increased future purchases by first time customers (a positive long run effect) but reduce future purchase by established customers (a negative long run effect).

#### 4.8.4.2.4 Segment-based pricing effects

Binkley and Bejnarowicz (2003:27) argue that customers in different markets behave differently with regard to their own and cross-price elasticity's as well as how they react to price changes. Therefore, by taking these differential factors into consideration retailers can implement different price and promotion plans across various markets (Levy *et al.*, 2004:17).

Inman, Mcalister and Hoyer (1990:339) argue that in some categories, retailers may be wasting profits by over discounting their merchandise in an effort to appeal to a deal-prone segment, for which a small discount might be sufficient.

#### 4.8.4.2.5 Cross-category effects

Good price and promotion optimisation software should be able to take into consideration the effect of one category's price level on another, particularly with regard to substitute and complementary items (Walters, 1991:17). Therefore considering a complete basket of goods simultaneously, a retailer may be in a better position to optimise its price and promotion levels (Levy *et al.*, 2004:17).

#### 4.8.4.3 Implementing retail pricing

In developing and implementing effective pricing strategy several factors must be taken into account.

a) Market factors

Levy *et al.* (2004:18) indicated that retailers must consider market factors other than profit maximisation such as minimum sales and margin requirements, as well as price image. Berman and Evans (2010:481) agree that this is a significant improvement over traditional pricing techniques, because price image explicitly incorporates the relationship between actual price, perceived price, as well as external competitive factors.

b) Grouping items

According to Dhar, Hoch and Kumar (2001:165), retailers, particularly those involved with fast consumer goods, often realign their merchandising strategy to maximise sales and profits of a category and they confirm that this process is known as category management.

c) Continual learning

One of the problems with traditional methods is that retailers set prices on the basis of what has happened in the past and do not plan on what is likely to be in the preceding weeks (Levy *et al.*, 2004:18).

d) Psychological price thresholds and reference effects

Anderson and Simester (2003:97) state that shoppers in a grocery store do not notice the last digit of a price, so retailers are free to round their price up to the nearest nine or by example to R2, 99. Therefore, Levy, Chen, Ray and Bergen (2004:791) agree that this tactic could increase sales by 3% with almost no increase in cost.

Kopallo, Rao and Assuncoa (1996:60) research suggests that dynamic pricing is optimal when the positive impact of a gain on sales outweighs the negative impact of a corresponding loss.

e) Price change cost

Levy, Bergen, Dutta and Venable (1997:791) indicate that it is expensive for retailers to change prices and therefore a price change cost must be built into any optimisation model. They argue that if the cost of the changing price is greater than the additional revenue projected from the price change, it makes more sense to leave the price alone.

#### **4.8.5 Supply chain**

Krafft and Mantrala (2006:21) state that in time of slow or no sales growth, rising expenses, management acumen in supply chain management can generate significant profits straight to the bottom line. Therefore, according to Brown *et al.* (2005:101), this involves efficient and effective integration of suppliers, manufacturers, warehouses, retailers and transport intermediaries in to a seamless value chain, so that merchandise are distributed in the right quantities, to the right locations, at the right time, to minimize system wide costs, while satisfying the service levels required by its customers.

#### **4.8.6 Technology**

Grewal *et al.* (2012:3) acknowledge that the economic environment is not the only macro-level factor that defines consumer behaviour and that technological changes associated with social and mobile localisation and personalisation have resulted in vast disruptions in retailer marketing practices as well customer shopping practices.

Sorescu, Frambach, Singh, Rangaswamy and Bridges (2011:3) state that many changes are driven by an increasing presence of the internet in every minute, corner of customer's lives and that the ambiguity of Wi-Fi and 3G networks, as well as the number of devices available to access these networks, ensures that customers can quickly and easily access the internet, regardless of space, time or location. Therefore, technology allows retailers to enhance customer perceptions of value by leveraging opportunities through the integration of online, social, mobile, localisation and personalisation technology (Grewal *et al.*, 2012:5).

Brown *et al.* (2005:97) state that retailers that excel in the Big-Middle use technology that goes hand in hand with superior supply chain management and that these retailers use technology throughout their supply chain. Kraft and Mantrala (2006:22) indicated that most of the retailers collect sales data from the point of sale, but it is what is done with the data collected that separates superior retailers from the rest. There are retailers that use sales data to work closely with suppliers to plan production and inventory replenishment.

Tajima (2006: 261) states that Wall-Mart use radio frequency identification technology (RFID) to tag merchandise that will give them the following benefits:

- To locate mislaid products.
- To deter theft.
- To offer customer personalised sales pitches through displays mounted in dressing rooms.
- Ultimately tags and readers could replace barcodes and checkout labour.
- Total labour warehouse cost could be cut by 3% through more efficient receiving, shipping and exception handling.

Ko, Kim, Kim and Woo (2007:65) state that customer relationship management (CRM) is a business philosophy and set of strategies, programs and systems that focuses on identifying and building loyalty with retailers and most valued customers and that purchase data is also the basis for advanced customer relationship management programs (CRM). Reinartz and Kumar (2002:86) identified a number of advantages of CRM:

- Increased profits.
- More customer relationships.
- More repurchase.
- Accurate customer information collected.
- Enhanced customer loyalty.
- Improved inefficiency customer management.
- Reduced cost of new customer acquisition.
- Greater ease in developing new products.

- Increased sales by additional purchases.
- Reduced cost of direct marketing.
- Increased brand loyalty.
- Increased customer life time value.

#### **4.8.7 Promotion**

Grewal *et al.* (2011:45) indicate that retailers use past purchase history data to customise promotions for individual customers, not just for customer segments and they confirm that customised promotions are growing steadily in all retail channels. Nelsin and Shankar (2009:70) state that the challenge is to access real-time promotional effectiveness data that could help a business to tailor their offers and to integrate customer and competitor responses immediately into their promotional campaign designs.

Sales promotions are a marketing tool for retailers to increase sales to customers and include a wide assortment of tools namely: coupons, contests, cent-off deals, premiums, all of which has many unique quantities (Kotler & Armstrong, 2010:441). Kraft and Mantrala (2006:345) agree that sales promotions play an important role in marketing programs of retailers. Alvarez and Casielles (2005:57) argue that the objective of a sales promotion will be reached to greater extent when it's done sporadically, when the customer does not expect it.

Ailawadi, Lehmann and Nelsin (2001) as adopted by Krafft and Mantrala (2006:346) indicate that promotions in the 21st century are facing new opportunities and challenges as technology plays an increasing part in retailing and include technologies such as loyalty cards, electronic media at the point of sale, and electronic shopping assistants are likely to have an impact on how retailers use promotions.

#### **4.8.8 Location**

Kotler and Armstrong (2010:406) argue that retailers point to three critical factors in retail success: location, location and location!! It is very important that retailers select locations that are accessible to their target market and are consistent with the

retailers positioning (Lin & Liu, 2012:591). Brown (1993:185) state that Huff (1963) proposed that the probability that a customer patronise a certain shopping area, is directly related to its size, inversely related to its distance from the customer, and inversely related to the utility of competing shopping areas.

Li and Liu (2012:597) state that most stores today cluster together to increase their customer pulling power and to give consumers the convenience of one-stop shopping out of the central business district to suburbs due to consumer behaviour.

#### **4.9 THE FUTURE OF RETAILING**

Retailers operate in a harsh and fast changing environment, which offers threats and opportunities, and a major challenge for retailers in emerging markets is the absence of a well-developed and functioning retailing distribution network, mass media, transportation and storage infrastructure (Goldman, Ramaswami & Krider, 2002:281). Verhoef, Reinartz and Kraft (2010:247) agree that consumer's demographics, lifestyles and shopping patterns are changing rapidly and so are retail technologies, and for retailers to be successful, retailers need to choose target segments carefully and position themselves strongly by involving customers in developing innovations.

Dawar and Chattopadhyay (2002:457) state that the average customer in the emerging markets tends to be price sensitive; however, the economic growth in emerging markets is also creating a growing relatively wealthy middle class. Futhermore, Reinartz *et al.* (2011:60) commented that the result of the up coming middle class are creating attractive retail markets, which have lured major international retailers such as Wal-Mart into these regions.

Burgess (2003:157) indicated that given the greater price sensitivity coupled with the wide income disparity among individuals and households in emerging markets, retailers are faced with the challenge of effective targeting different costumer groups within these national markets. This will result in businesses to focus on the income pyramid.

As a result of the growth in emerging markets the focus is high on technology innovativeness, as a consequence of skipping one or more generations of technology, and the associated sunk infrastructure cost (Reinartz, 2011:60).

Retailers in emerging markets have to take the following retailing developments in to consideration in their planning and executing of their competitive strategies to be sustainable (Kotler & Armstrong, 2010:408-412):

- New retail forms emerge to meet new situations and customer needs, but the life cycle of new retail forms is getting shorter.
- Growth of non-store retailing have abroad array of alternatives, including mail, television, and phone and online shopping are increasingly as a result of customers avoiding the hassles and crowds at malls by doing more of their shopping by phone or computer.
- Retail convergence as a result of retailers that are increasingly selling the same products at the same prices to the same consumers in competition with a wider variety of other retailers. This will result in merging of customers, products, prices.
- Competition between chain super-stores and smaller independent stores has become particularly heated and the arrival of super-stores can quickly force independents out of business.
- Global expansion of major retailers with unique formats and strong brand position are increasingly moving into other countries. (Many are expanding to escape mature and saturated home markets.)
- Retail stores as “communities” or “hangouts” as a result of the rise of number of people living alone, working at home, or living in isolated sprawling suburbs, there has been establishment, regardless of the service or product that they offer, also provide a place for people to get together.

#### **4.10 SUMMARY**

Retail can be defined as business activities involved in selling goods and services to customers, for their personal, family or household use and include every sale to the final consumer. Retail is the final stage of the retail process.

Retail can be presented as a process linking changes in the environment to the response by retail managers.

Retailers can be classified in terms of several characteristics, amount of service they offer, the breadth and depth of their product lines, relative to prices they charge and how they are organised. The most important types of retail stores are: speciality stores, department stores, supermarkets, convenience stores, discount stores, off-price retailers and super-stores.

Retailers are searching for new market strategies to attract and hold consumers. This is due to the fact that service and assortments are looking more and more alike. Service and product differentiation eroded amongst retailers.

Customers have become smarter and more price sensitive. They see no reason to pay more for identical brands especially when service differences are shrinking.

Retailers are now rethinking their market strategies with specific focus on segmenting, targeting, store differentiation and retail marketing mix.

Retailers who compete successfully in the **Big-Middle** provides a compelling value proposition to their customers and are able to respond quickly to market changes.

Customers in return become loyal to **Big-Middle** retailers partially because these retailers provide them with what they need, what they accustomed to, goods and service and excellent management programs.

From the perspective of the retailer value is embodied by a series of activities and processes that provides a certain value for customers. Value from the customer perspective is the perception of all the benefits from a purchase formed by the total retail experience. This value is based on perceived benefits versus price paid.

Retailers place more importance on certain key success factors than others, but in general agree upon few basic factors which need to be in place to survive in the harsh world of retailing.

Eight key success factors are mentioned in this document which is common in the retail environment.

Firstly, the key value driver at store level is the developing, the right combination of format and retail and retail environment factors. The goal of retailers is to create a unique store experience, one that sends the target market and move customers to buy.

Secondly, the focus of retailers must be on the service factors to attract and retain customers.

Thirdly, retailers who excel in merchandise management do it in two ways:

- they find the merchandise that appeal to their target market;
- secondly they try to be certain that there is enough merchandise where the customer wants it.

Fourthly, retailers must understand the price key success factor and principles as a strategy to achieve sustainable competitive advantage.

In time of slow or no sales growth, rising expenses, management acumen in supply chain management can generate significant profits straight to the bottom line.

The six factors are sales promotions that are a marketing tool for retailers to increase sales to customers. Typical examples of retailer's promotions are temporary price reductions, features and displays. Advertising is becoming less effective, communication through promotions reaches the customer at the place where most purchase decisions are made.

The seventh key success factors point to three critical factors: location, location and location!! It is very important that retailers select locations that are accessible to their target markets and are consistent with the retailers positioning.

Retailers operate in harsh and fast changing environment, which offers threats and opportunities. Consumer's demographics, lifestyles and shopping patterns are

changing rapidly and so are retail technologies. To be successful, retailers need to choose their target segments carefully and position them strongly.

# CHAPTER 5

## RESULTS AND DISCUSSION OF THE EMPIRICAL STUDY

### 5.1 INTRODUCTION

The primary objective of this study is to assess the current corporate entrepreneurial climate, as well as the compliance to key retail success factors within Senwes Village, Retail division and to suggest a corporate entrepreneurial and retail framework for the business. This chapter merges the literature study from **chapter two (corporate entrepreneurship)** with the background of the **agricultural environment** and the **organisation** in **chapter three**, with the literature review on **retail** in **chapter four**. This is achieved by the empirical research conducted. The assessment was done through the entrepreneurial climate questionnaire, constructed by Lotz (2009), the entrepreneurial health audit of Ireland *et al.* (2006) as well as the retail questionnaire and the questionnaire on perceived success of the business (Lotz, 2009) (Annexure A). This chapter will cover the data gathering process, survey responses, status of the entrepreneurial climate and perceived success, as well as the compliance with key retail success factors in Senwes Village, Retail division. A detail discussion will follow on the correlation between the constructs and the demographical data.

### 5.2 GATHERING OF DATA

The electronic questionnaire was sent out by email, with a link to Monkey Survey and the hard copies were sent by the internal mail system, with specific instructions on how to complete and return it. The sampling method that was used for the study was non-probability; subsequent sections below discuss the data gathering process in detail.

#### ***5.2.1 Study population***

The target population for this study was middle management, first line supervisors and staff of Senwes Village, Retail division. A database of the study population was obtained from the Senwes internal data system. The database consisted of 120

employees at the specified division with specific knowledge of retail. The entire population was targeted for the study.

Permission was obtained from Senwes Village, Retail division management to distribute the questionnaires to the target population. Further permission was obtained from the Assistant General Manager Information Technology, Mr Martin van Zyl to electronically distribute the questionnaire via the email system to the specific target sample, by using the Monkey Survey software.

### **5.2.2 Questionnaire used in this study**

As mentioned above, the survey instrument used in this study was a standard questionnaire developed by Ireland *et al.* (2006) and Lotz (2009). The retail section of the questionnaire was developed by the researcher from the literature review. The purpose of the questionnaire was to determine the entrepreneurial climate, assessment of the business against the perceived success variables, as well as the compliance to key retail success factors.

The questionnaire uses a five-point Likert scale as measurement tool and respondents have to indicate the degree of agreement or disagreement with a specific statement. The following scale was used to measure the respondents' agreement or disagreement with the statement under study: 1 = Strongly disagree, 2 = Slightly disagree, 3 = Neither agree nor disagree, 4 = Slightly agree and 5 = Strongly agree.

#### **The questionnaire was divided into five sections:**

**Section A:** Corporate entrepreneurial orientation consists of five constructs that measure the business entrepreneurial orientation. Section A of the questionnaire covers the five constructs included ***Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness.***

**Section B:** Corporate entrepreneurial climate consists of six constructs that measure the entrepreneurial climate of the internal business environment in order to determine

the readiness of the culture for entrepreneurship internally. The six constructs included are: **Management support, Work discretion, Rewards/Reinforcement, Time availability, Organisational boundaries** and **Specific climate variables**.

**Section C:** Key retail success factors consist of nine constructs that measure the business compliance to these key retail success factors. The nine constructs that are included are: **Segmentation/Target market, Store factors, Service factors - process, Merchandise/Product, Price, Supply chain, Technology, Promotions** and **Location**.

**Section D:** Perceived success determinants of the business consist of four constructs that measure the perceived elements of success. The four constructs that are included are: **Financial measures, Process measures, People development,** and **Future success (long-term)**.

The questionnaire concludes with **Section E** that records the respondents demographical information. Here respondents have to indicate their **Age group, Gender, Race, Highest academic qualification** and **Management level** in the organisation.

### **5.2.3 Confidentiality**

Confidentiality of all respondents were assured, by submitting the questionnaires anonymous. This resulted in that no respondent could be identified.

### **5.2.4 Statistical analysis of data**

The Statistical Consultancy Services of the North-West University: Potchefstroom Campus was approached for assistance in the analysis of the collected data. The data was analysed using Statistica 10 (Statsoft, 2011). The analysis used both descriptive and inferential statistics. The validity of the questionnaire was assessed by calculating the Cronbach alpha coefficients.

**5.3 RESPONSES TO THE SURVEY**

The survey was distributed via email and the internal mail system to the target population. Table 5.1 illustrates the response rate.

**Table 5.1: Rating of survey.**

<b>Details</b>	<b>Number</b>	<b>Percentage</b>
Questionnaires distributed	120	100%
Questionnaires received	78	65%
Questionnaires analysed	78	65%

Reminders were sent by email to the target population to remind them of the due date for completion of the questionnaire. A total of 78 questionnaires were received over a period of 30 days. This represented a response of 65 percent of these, 12 respondents did not complete the demographical section (In the tables this data will be noted as missing). Four questionnaires were received after the deadline and were not analysed. The final rating of questionnaires that were analysed were 65%.

**5.4 DEMOGRAPHIC INFORMATION OF RESPONDENTS**

Section E of the questionnaire captured the demographic information of the respondents. Recorded were the age group, gender, race, highest academic qualification and management level in the division.

**5.4.1 Age group classification of respondents**

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

**Table 5.2: Age distribution**

Age group	Number	Percentage
≤ 29	6	7%
30 - 39	21	26.9%
40 - 49	16	20.5%
50 - 59	22	28.20%
60+	1	1%
Missing	12	15.3%
<b>TOTAL</b>	<b>78</b>	<b>100%</b>

The age of the respondents presented above indicated that 7% of the respondents are younger than 29 years, and only 1% of the total grouping being older than 60 years. The majority of the respondents (75.6%) fall within the 30 to 59 years age group. A total of 12 (15.3%) respondents did not indicate their age group.

#### **5.4.2 Gender of respondents**

Table 5.3 depicts the results of the gender of participants in this study.

**Table 5.3: Gender information**

Gender	Number	Percentage
Male	47	60.3%
Female	19	24.4%
Missing	12	15.4%
<b>TOTAL</b>	<b>78</b>	<b>100.0%</b>

From the 78 respondents that participate in the study, 47 (60.3%) are male and 19 (24.4%) are female. A total of 12 (15.4%) respondents did not indicate their gender. Males thus outnumber their female colleagues.

#### **5.4.3 Racial group classification of respondents**

Respondents were requested to indicate their racial group. Table 5.4 depicts the race distribution of the respondents.

**Table 5.4: Race distribution**

Race group	Number	Percentage
Black	9	11.5%
White	50	64.1%
Coloured	7	9.0%
Indian	0	0%
Missing	12	15.4%
<b>TOTAL</b>	<b>78</b>	<b>100%</b>

The majority of the respondents 50 (64.1%) were white, while 16 (20.5%) were non-whites. A total of 12 (15.4%) respondents did not indicate their race group.

#### **5.4.4 Highest academic qualification achieved by respondents**

Respondents were requested to indicate their highest academic qualification. Table 5.5 illustrates the highest academic qualification of the respondents.

**Table 5.5: Highest academic qualification achieved**

Qualification	Number	Percentage
Lower than grade 12	6	7.7%
Grade 12	31	39.7%
National Certificate	13	16.7%
National Diploma	6	7.7%
3 Year degree	4	5.1%
Post graduate qualification	6	7.7%
Missing	12	15.4%
<b>TOTAL</b>	<b>78</b>	<b>100%</b>

Table 5.5 indicates the largest group of respondents 31 (39.7%) are represented by people with a grade 12 qualification. A total of 6 (7.7%) respondents have not grade 12 qualifications. If diplomas, degrees and post graduates are grouped together, then 29 (37.2%) of the respondents have attained a tertiary academic qualification. A total of 12 (15.4%) respondents did not indicate their qualification.

#### 5.4.5 Distribution of management / staff level

The objective of this question was to determine the distribution of the management / staff level of respondents. The information will be used to correlate the relationship between the level of management / staff and corporate entrepreneur's behaviours and compliance to key retail success factors. Table 5.6 presents the management / staff level of the respondents in this study.

**Table 5.6: Management / Staff level**

Level	Number	Percentage
Snr Middle Management	5	6.4%
Middle Management	32	41%
First line Supervisor	15	19.2%
Staff	14	17.9%
Missing	12	15.4%
<b>TOTAL</b>	<b>78</b>	<b>100%</b>

Table 5.6 indicates that the majority of respondents in this study (32; 41%) were derived from middle management level. Five (6.4%) respondents were derived from senior middle management level. Fifteen (19.2%) respondents were derived from first line supervisory level, with 14 (17.9%) from staff level. A total of 12 (15.4%) respondents did not indicate their management level.

### 5.5 RELIABILITY OF THE QUESTIONNAIRE

Welman *et al.* (2010:9) state that quantitative researchers focus more on reliability, that is, consistent and stable measurement of data as well as replicability. Raimond (1993:55) agrees that reliability is concerned with the findings of the research and relates to credibility of the findings.

Morse, Barette, Mayan, Alson and Spiers (2002:15) state that reliability could be determine by using the internally consistency method. Therefore, the Cronbach coefficient alpha is a measuring instrument of internally consistency (Welman *et al.*, 2010:147). Cortina (1003:103) states that if a construct yields a large alpha

coefficient, then it can be concluded that a large portion of the variance in the test results for the construct is attribute to general and group factors. Kent (2007:142) agrees that the coefficient varies between 0, for no reliability, to 1 for maximum reliability and that value of 0.6 is acceptable, although 0.7 is preferred to indicate a higher level of reliability.

Table 5.7 indicates the Cronbach alpha coefficients of the constructs measuring *Entrepreneurial orientation*, *Entrepreneurial climate*, *Retail* and *Perceived success of the business*.

**Table 5.7: Cronbach alpha coefficients per construct**

<b>Section A: Corporate entrepreneurial orientation constructs</b>		<b>Cronbach alpha</b>
1.	Autonomy	0.718
2.	Innovativeness	0.865
3.	Risk-taking	0.673
4.	Pro-activeness	0.800
5.	Competitive Aggressiveness	0.627
<b>Section B: Corporate entrepreneurial climate constructs</b>		
1.	Management support	0.875
2.	Work discretion	0.862
3.	Rewards/Reinforcement	0.731
4.	Specific climate variables	0.757
<b>Section C: Key retail success factor constructs</b>		
1.	Segmentation/Target market	0.814
3.	Service factors - process	0.909
4.	Merchandise/Product	0.767
5.	Price	0.693
<b>Section D: Perceived success constructs</b>		
1.	Financial measures	0.794
2.	Process measures	0.852
3.	People development	0.814

The results of Section A of the questionnaire, as indicated in table 5.7, suggest that the instrument used in this study to assess entrepreneurial orientation within Senwes Village, Retail division has acceptable reliability, as only two constructs had a lower alpha coefficient than 0.7. The constructs of **Risk-taking** and **Competitive aggressiveness** will however not be discarded based on research of Kent (2007:142).

Section B of the questionnaire results obtained from the study indicated in table 5.7 that the instrument used in this study to assess the entrepreneurial climate within Senwes Village, Retail division, has acceptable reliability, as the two constructs had lower alpha coefficients than 0.7.

As indicated in table 5.7, the results of Section C of the questionnaire, suggest that the instrument used in this study to assess the compliance to key retail success factors within Senwes Village, Retail division, has not acceptable reliability as six of the nine constructs had lower alpha coefficients of 0.7.

The results of Section D of the questionnaire, as indicated in table 5.7, suggest that instrument used in this study to assess perceived success within the business, has acceptable reliability, as only one construct had a lower alpha coefficient than 0.7.

## **5.6 ASSESSMENT OF THE QUESTIONNAIRE**

The detail assessment of the questionnaire will be discussed in this section.

### **5.6.1 Variables measuring corporate entrepreneurial orientation**

The results of the empirical research can now be scrutinised as the reliability of the questionnaire has been verified. Lotz (2009) identified five constructs that assess the entrepreneurial orientation in an organisation. Using the Likert scale, five items for **Autonomy**, nine items for **Innovativeness**, five items for **Risk-taking**, four items for **Pro-activeness**, and four items for **Competitive aggressiveness** were put to respondents, resulting in a total of twenty seven statements.

Respondents had to indicate their degree of agreement or disagreement with each statement (1 = Strongly disagree, 2 = Slightly disagree, 3 = Neither agree nor

disagree, 4 = Slightly agree, 5 = Strongly agree). Thus a higher number representing agreement with the statement suggests that the statement perceived to be true. Likewise, a low number representing disagreement with the statement, suggest that the statement is perceived to be untrue.

Levine, Stephan, Krehbiel and Berenson (2008:219) state that the normal distribution is the most common continuous distribution used in statistics. They indicate further that the normal distribution has several important theoretical properties:

- It is bell shaped in its appearance.
- Its measures of central tendency (mean, medium and mode) are equal.
- Its interquartile range is equal to 1.33 standard deviation. (It means that the middle 50% of the values are contained within an interval of two thirds of a standard deviation below the mean and two-thirds of standard deviation above the mean) and has an infinite range ( $-\infty < \bar{x} < \infty$ ).

The findings of the survey are ranked from highest to lowest mean value and are shown in table 5.8 below.

**Table 5.8: Results of corporate entrepreneurial orientation**

NO	CONSTRUCT	n	$\bar{x}$	s
2	Innovativeness	78	4.010	0.673
4	Pro-activeness	72	3.833	0.862
5	Competitive aggressiveness	71	3.538	0.759
1	Autonomy	78	3.476	0.758
3	Risk-taking	72	3.277	0.716
	<b>TOTAL</b>	<b>74</b>	<b>3.626</b>	<b>0.753</b>

Table 5.8 indicates that an average mean of 3.626 was recorded considering all five constructs measuring entrepreneurial orientation and an average standard deviation of 0.753. The constructs which scored the highest agreement to the presence thereof in Senwes Village, Retail division are **Innovativeness** ( $\bar{x} = 4.010$ ), **Pro-activeness** ( $\bar{x} = 3.833$ ) and **Competitive aggressiveness** ( $\bar{x} = 3.538$ ).

The constructs that scored the lowest and indicated a relative negative sentiment were **Autonomy** ( $\bar{x} = 3.476$ ) and **Risk-taking** ( $\bar{x} = 3.277$ ). The number of respondent's feedback differs from construct due to the fact that respondents did not complete all the statements and this resulted in excluding data from this study and could be depicted in table 5.8 labelled under n.

Table 5.8 indicated the mean values across the constructs ranked from the highest to the lowest. As there are no norms in interpreting a Likert scale, for the purpose of this study, it is assumed that a score greater than three out of five is an indication of a positive inclination towards the statement.

From this assumption it is evident that the middle management, first line supervisors and staff had a positive sentiment to all the constructs measuring entrepreneurial orientation, i.e. these were **Innovativeness, Pro-activeness, Competitive aggressiveness, Autonomy and Risk-taking.**

#### **5.6.2 Variables measuring corporate entrepreneurial climate**

Ireland *et al.* (2006) identified six constructs that assessed the entrepreneurial climate in the organisation. Using the Likert scale, 19 items for **Management support**, 10 items for **Work discretion**, six items for **Rewards/Reinforcement**, six items for **Time availability**, seven items for **Organisational boundaries** and 30 items for **Specific climate variables**. The constructs **Time availability** and **Organisational boundaries** were excluded for statistical analysis due to very low Cronbach alpha coefficients of (0.294) and (0.481) respectively, as discussed in section 5.5.

Table 5.9 presents the results of the mean analysis of the constructs determining entrepreneurial climate in the business.

**Table 5.9: Results of corporate entrepreneurial climate**

NO	CONSTRUCT	n	$\bar{x}$	s
3	Rewards/Reinforcement	69	3.679	0.726
6	Specific climate variable	68	3.442	0.388
2	Work discretion	69	3.175	0.828
1	Management support	69	2.916	0.615
	<b>TOTAL</b>	<b>69</b>	<b>3.303</b>	<b>0.639</b>

Table 5.9 indicates an average mean of 3.303 was recorded and an average standard deviation of 0.639. The constructs which scored the highest (strongest agreement to the preference thereof in Senwes Village, Retail division) are **Rewards/Reinforcement** ( $\bar{x} = 3.679$ ), **Specific climate variable** ( $\bar{x} = 3.442$ ) and **Work discretion** ( $\bar{x} = 3.175$ ).

The construct that scored the lowest and indicated a neutral sentiment was **Management support** ( $\bar{x} = 2.916$ ). Table 5.9 indicated the mean values across the constructs ranked from the highest to the lowest. As there are no norms interpreting a Likert scale, it is assumed that a score greater than three out of five is an indication of a positive inclination towards the statement.

From this assumption it is evident that the middle management, first line supervisors and staff had a positive sentiment towards **Rewards/Reinforcement**, **Specific climate variable** and **Work discretion**.

### **5.6.3 Variables measuring key retail success factors**

A total of nine constructs were identified that assessed the compliance to key retail success factors.

**Table 5.10: Results of key retail success factors**

NO	CONSTRUCT	n	$\bar{x}$	s
3	Service factor	67	3.646	0.991
4	Merchandise/Product	67	3.493	0.804
5	Price	67	3.333	0.553
1	Segmentation/Target market	67	3.216	0.925
	<b>TOTAL</b>	<b>67</b>	<b>3.422</b>	<b>0.818</b>

Table 5.10 indicates an average mean of 3.422 was recorded and an average standard deviation of 0.818. The constructs with the highest agreement are **Service factor** ( $\bar{x} = 3.646$ ), **Merchandise/Product** ( $\bar{x} = 3.493$ ), **Price** ( $\bar{x} = 3.333$ ) and **Segmentation/Target market** ( $\bar{x} = 3.216$ ). From this assumption it is evident that middle management, first line supervisors and staff had a positive sentiment towards **Service factor, Merchandise/Product, Price, Segmentation/Target market.**

#### 5.6.4 Variables measuring perceived success in business

Lotz (2009) identified four constructs that assessed perceived success in the business. Using the Likert scale, 3 items for **Financial measures**, 3 items for **Process measures** and 3 items for **People development** were used in this research.

Table 5.11 presents the results of the mean analysis of the constructs determining perceived success of the business.

**Table 5.11: Results for perceived success of the business**

NO	CONSTRUCT	n	$\bar{x}$	s
1	Financial measures	66	4.409	0.688
2	Process measures	66	4.111	0.845
3	People development	66	3.575	1.032

Table 5.11 presents the result of the analysis on perceived success of the business from highest to lowest mean scores.

**Financial measures** ( $\bar{x} = 4.409$ ) and **Process measures** ( $\bar{x} = 4.111$ ) obtained the highest mean results. **People development** ( $\bar{x} = 3.575$ ) obtained the weakest mean.

**Financial measures** with a mean of ( $\bar{x} = 4.409$ ) is interpreted that Village respondents perceive positive financial growth and performance within the business.

The construct with the lowest score was **People development** ( $\bar{x} = 3.575$ ) and that indicated that Village respondents perceive employees committed to the business.

## **5.7 RELATIONSHIP BETWEEN CORPORATE ENTREPRENEURIAL ORIENTATION CONSTRUCTS AND DEMOGRAPHIC VARIABLES**

An empirical analysis was done to determine the effect of demographical variables on the entrepreneurial orientation constructs measured by the questionnaire. Therefore, quantitative tests need to be performed to verify whether any observed influence of demographic variables is significant enough to be discussed further. In order to test for statistical significance, the two sample t-test was used. The results of the t-test are p-values and d-values.

Simple conservative approach was used for the study by applying the t-test. According to Levine *et al.* (2008:337), a p-value is the probability of getting a test statistical equal or more extreme than the sample result, given that the null hypothesis is true. Therefore, they state that a small p-value indicates a low probability of equal means and therefore indicates statistical significance.

Levine (2008:539) argues that a smaller p-value than 0.05 is considered as sufficient evidence of a statistically difference.

According to Govender (2010:88), in order to overcome the effect of the sample size on the p-value, the d-value was also calculated. The d-value is employed to test the practical significance of a standardised difference between the means. The effect sizes which held to signify practical significance are presented in Table 5.12.

**Table 5.12: Classification of d-value**

d-value	Interpretation
> 0.8	Large effect
0.5 to 0.8	Medium effect
0.2 to 0.5	Small effect

Source: Govender (2010:88)

### ***5.7.1 Relationship between corporate entrepreneurial orientation constructs and the gender of respondents***

Demographical information was captured in section E of the questionnaire and is analysed in this section. The analysis was done to determine if there is a significant difference between the evaluations based on the mean scores of male and female respondents with regard to a specific construct. Table 5.13 below indicates the relationship between the five constructs measuring entrepreneurial orientation and the demographic variable gender, with mean ( $\bar{x}$ ) standard deviation (s), t-test (p) and effect sizes (d).

**Table 5.13: The relationship between gender and the constructs**

NO	CONSTRUCT	MALE			FEMALE			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Autonomy	47	3.434	0.768	19	3.484	0.806	0.818	0.06
2	Innovativeness	47	4.044	0.709	19	3.953	0.692	0.632	0.13
3	Risk-taking	47	3.191	0.774	19	3.494	0.567	0.085	0.39
4	Pro-activeness	47	3.787	0.881	19	4.039	0.596	0.185	0.29
5	Competitive aggressiveness	47	3.489	0.753	19	3.570	0.763	0.216	0.34

Table 5.13 above indicates that there are no significant statistical differences ( $p < 0.05$ ) between gender of respondents for the constructs used in this study to measure entrepreneurial orientation.

### 5.7.2 Relationship between corporate entrepreneurial orientation constructs and the management level of respondents

This analysis determines if there is a significant difference between the evaluations based on the combined mean scores of the middle management and first line supervisors and staff. Table 5.14 below illustrates the results of the t-test and effect size analysis.

**Table 5.14: The relationship between management levels and the corporate entrepreneurial orientation constructs**

NO	CONSTRUCT	MIDDLE MANAGEMENT			FIRST LINE SUPERVISOR / STAFF			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Autonomy	37	3.502	0.680	29	3.379	0.885	0.538	0.14
2	Innovativeness	37	4.177	0.609	29	3.816	0.764	0.043	0.47
3	Risk-taking	37	3.313	0.772	29	3.234	0.682	0.666	0.10
4	Pro-activeness	37	3.945	0.760	29	3.750	0.873	0.344	0.22
5	Competitive aggressiveness	37	3.547	0.772	29	3.586	0.756	0.838	0.05

As indicated in table 5.14, there are statistical significant ( $p < 0.05$ ) differences in the evaluation between middle management and first line supervisors/staff with regard to the **Innovativeness** ( $p = 0.043$ ) construct measuring entrepreneurial orientation.

Table 5.14 shows that with regard to the calculation of effective sizes, the result can be summarised as follows. The variable management level of the respondents has a medium effect ( $d < 0.50$ ) on **Innovativeness** ( $d=0.47$ ).

The result indicates practically significant difference (with a medium effect) between the perception of middle management and first line supervisors/staff regarding **Innovativeness**. The result also indicates that first line supervisors/staff are practically significant more positive about **Innovativeness**, in comparison with middle management.

### 5.7.3 Relationship between corporate entrepreneurial orientation constructs and highest academic qualification level of the respondents

The analysis determines if there is a significant difference between the evaluations based on the combined mean scores of staff with a grade 12 and lower academic qualification and tertiary academic qualification. Table 5.15 below illustrates the results of the t-test and effect size analysis.

**Table 5.15: The relationship between highest academic qualification levels and the entrepreneurial orientation constructs**

NO	CONSTRUCT	GRADE 12 AND LOWER			TERTIARY ACADEMIC QUALIFICATION			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Autonomy	37	3.378	0.752	29	3.537	0.803	0.414	0.20
2	Innovativeness	37	4.063	0.667	29	3.961	0.747	0.569	0.14
3	Risk-taking	37	3.432	0.620	29	3.082	0.818	0.062	0.43
4	Pro-activeness	37	3.932	0.789	29	3.767	0.847	0.421	0.19
5	Competitive aggressiveness	37	3.756	0.695	29	3.319	0.778	0.021	0.56

As indicated in table 5.15, there are statistical significant ( $p < 0.05$ ) differences in the evaluation between staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification with regard to the **Competitive aggressiveness** construct ( $p = 0.021$ ).

Table 5.15 shows that with regard to the calculation of effective sizes, the result can be summarised as follows. The variable qualification of the respondents has a medium to large effect ( $d > 0.50$ ) on **Competitive aggressiveness** ( $d=0.56$ ).

The result indicates practically significant differences (with a medium effect) between the perception of staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification regarding **Competitive aggressiveness**. The result also indicates that staff with a grade 12 and lower academic qualification are

practically significant more positive about **Competitive aggressiveness**, in comparison with staff with a tertiary academic qualification.

## 5.8 RELATIONSHIP BETWEEN CORPORATE ENTREPRENEURIAL CLIMATE AND DEMOGRAPHIC VARIABLES

An empirical analysis was done to determine the effect of demographical variables on corporate entrepreneurial climate, as measured by section B in the questionnaire. The statistical significance as discussed in section 5.7 was used for the assessment of corporate entrepreneurial climate of the business.

### 5.8.1 Relationship between corporate entrepreneurial climate and the gender of respondents

Table 5.16 indicates the relationship between the factors measuring the corporate entrepreneurial climate of the business and gender of the respondents, with the mean ( $\bar{x}$ ) standard deviation (s), t-test (p) and effect sizes.

**Table 5.16: The relationship between gender and the corporate entrepreneurial climate of the business**

NO	CONSTRUCT	MALE			FEMALE			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Management support	47	2.869	0.633	19	3.016	0.618	0.389	0.23
2	Work discretion	47	3.196	0.719	19	3.052	1.093	0.609	0.13
3	Rewards/Reinforcement	47	3.712	0.730	19	3.622	0.781	0.669	0.12
4	Specific climate variables	47	3.451	0.413	19	3.433	0.343	0.860	0.04

The results in table 5.16 indicated no statistical significant difference ( $p < 0.05$ ) in the mean values between the perceptions of male and female middle managers and first line supervisors and staff. Female respondents rated two of the four variables more positive than the male respondents.

### 5.8.2 Relationship between corporate entrepreneurial climate and the management level of respondents

Table 5.17 indicates the relationship between the factors measuring organisational climate of the business and the management level of respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

As indicated in table 5.17, there are statistical significant ( $p < 0.05$ ) differences in the evaluation between middle management and first line supervisor/staff with regard to the **Work discretion** ( $p = 0.041$ ).

**Table 5.17: The relationship between management level and the corporate entrepreneurial climate of the business**

NO	CONSTRUCT	MIDDLE MANAGEMENT			FIRST LINE SUPERVISORS/ STAFF			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Management support	37	2.891	0.684	29	2.936	0.557	0.772	0.07
2	Work discretion	37	3.348	0.648	29	2.903	0.986	0.041	0.45
3	Rewards/Reinforcement	37	3.738	0.708	29	3.620	0.786	0.530	0.15
4	Specific climate variables	37	3.495	0.426	29	3.382	0.343	0.239	0.26

Table 5.17 shows that with regard to the calculation of effective sizes, the result can be summarised as follows. The variable management level of the respondents has a medium effect ( $d < 0.50$ ) on **Work discretion** ( $d=0.45$ ).

The result indicates practically significant difference between the perception middle management and first line supervisors/staff regarding **Work discretion**. The result also indicates that first line supervisors/staff are practically significant more positive about **Work discretion**, in comparison to middle management.

### 5.8.3 Relationship between corporate entrepreneurial climate and the highest academic qualification level of respondents

Table 5.18 indicates the relationship between the factors measuring organisational climate of the business and the qualification level of the respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

As indicated in table 5.18, there are statistical significant ( $p < 0.05$ ) differences in the evaluation between staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification with regard to the **Specific climate variables** ( $p = 0.010$ ).

Table 5.18 shows that with regard to the calculation of effective sizes, the result can be summarised as follows. The variable qualification of the respondents has a medium to large effect ( $p > 0.50$ ) on **Specific climate variables** (0.59).

**Table 5.18: The relationship between highest academic qualification levels and the corporate, entrepreneurial climate of the business**

NO	CONSTRUCT	GRADE 12 AND LOWER			TERTIARY ACADEMIC QUALIFICATION			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Management support	37	3.007	0.609	29	2.789	0.640	0.167	0.34
2	Work discretion	37	3.191	0.835	29	3.103	0.852	0.675	0.10
3	Rewards/Reinforcement	37	3.680	0.791	29	3.695	0.682	0.934	0.02
4	Specific climate variables	37	3.552	0.409	29	3.310	0.331	0.010	0.59

The result indicates practically significant difference between the perception of staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification regarding **Specific climate variables**. The result also indicates that staff with a grade 12 and lower academic qualification are practically significant more positive about **Specific climate variables**, in comparison with staff with a tertiary academic qualification.

## 5.9 RELATIONSHIP BETWEEN KEY RETAIL SUCCESS FACTORS AND DEMOGRAPHICS

An empirical analysis was done to determine the effect of demographical variables on key retail success factors as measured by section C in the questionnaire. The statistical significance as discussed in section 5.7 was used for the assessment of key retail success factors.

### 5.9.1 Relationship between key retail success factors and the gender of respondents

Table 5.19 indicates the relationship between the factors measuring the compliance to key retail success factors of the business and gender of the respondents, with the mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and the effect sizes.

**Table 5.19: The relationship between gender and key retail success factors**

NO	CONSTRUCT	MALE			FEMALE			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
3	Service factor	47	3.683	0.881	19	3.572	1.022	0.681	0.11
4	Merchandise/Product	47	3.191	0.783	19	3.431	0.874	0.707	0.10
5	Price	47	3.666	0.566	19	3.251	0.526	0.434	0.20
7	Technology	47	3.680	0.467	19	3.807	0.396	0.274	0.27

The result indicated no statistical significant difference ( $p < 0.05$ ) in the mean values, between the perceptions of male and female respondents. Female respondents were on average more positive towards the variables.

### 5.9.2 Relationships between key retail success factors and the management level of respondents

Table 5.20 indicates the relationship between the factors assessing compliance to the key retail success factors of the business and the management level of respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d). The result indicated no statistical significant difference ( $p < 0.05$ ) in the mean values

between the perceptions of middle management and first line supervisor / staff respondents.

**Table 5.20: The relationship between management level and the key retail success factors**

NO	CONSTRUCT	MIDDLE MANAGEMENT			FIRST LINE SUPERVISOR / STAFF			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
3	Service factor	37	3.736	0.973	29	3.543	0.844	0.391	0.20
4	Merchandise/Product	37	3.567	0.799	29	3.400	0.815	0.407	0.21
5	Price	37	3.407	0.578	29	3.238	0.514	0.215	0.29
7	Technology	37	3.788	0.384	29	3.626	0.511	0.162	0.32

### ***5.9.3 Relationship between key retail success factors and the highest academic qualification level of respondents***

Table 5.21 indicates the relationship between the factors measuring compliance to key retail success factors and the highest academic qualification level of the respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

**Table 5.21: The relationship between highest academic qualification levels and compliance to key retail success factors**

NO	CONSTRUCT	GRADE 12 AND LOWER			TERTIARY ACADEMIC QUALIFICATION			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
2	Service factor	37	3.773	0.822	29	3.495	1.019	0.237	0.27
4	Merchandise/Product	37	3.474	0.770	29	3.517	0.859	0.839	0.05
5	Price	37	3.397	0.510	29	3.252	0.603	0.305	0.24
7	Technology	37	3.695	0.521	29	3.744	0.340	0.652	0.09

The results in table 5.21 indicated no statistical significant difference ( $p < 0.05$ ) in the mean values between the perceptions of respondents with a grade 12 and lower academic qualification and respondent with a tertiary academic qualification.

## 5.10 RELATIONSHIP BETWEEN PERCEIVED SUCCESS AND DEMOGRAPHIC VARIABLES

An empirical analysis was done to determine the effect of demographical variables on the perceived success of the business, as measured by section E in the questionnaire. The same test of statistical significance discussed in section 5.7 was used for the perceived success of the business.

### *5.10.1 Relationship between perceived success factors and the gender of respondents*

Table 5.22 indicates the relationship between the factors measuring perceived success of the business and gender of the respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

**Table 5.22: The relationship between gender and the perceived success of the business**

NO	CONSTRUCT	MALE			FEMALE			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Financial measures	47	4.383	0.742	19	4.473	0.547	0.587	0.12
2	Process measures	47	4.092	0.850	19	4.157	0.856	0.779	0.08
3	People Development	47	3.567	0.965	19	3.596	1.209	0.926	0.02

The result indicated no statistical significant difference ( $p < 0.05$ ) in the mean values between the perception of males and females. Female respondents were on average more positive towards the variable.

### *5.10.2 Relationship between perceived success factors and the management level of respondents*

Table 5.23 indicates the relationship between the factors measuring the perceived success of the business and the management level of respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

**Table 5.23: The relationship between management level and perceived success of the business**

NO	CONSTRUCT	MIDDLE MANAGEMENT			FIRST LINE SUPERVISOR/STAFF			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Financial measures	37	4.540	0.573	29	4.241	0.791	0.093	0.38
2	Process measures	37	4.288	0.703	29	3.885	0.964	0.054	0.42
3	People Development	37	3.693	1.004	29	3.425	1.064	0.302	0.25

As indicated in table 5.23, there are no statistical significant ( $p < 0.05$ ) differences in the evaluation between middle management and first line supervisor/staff.

### ***5.10.3 Relationship between the perceived success of a business and the highest academic qualification level of respondents.***

Table 5.24 indicates the relationship between factors of perceived success and the qualification level of the respondents, with mean ( $\bar{x}$ ), standard deviation (s), t-test (p) and effect sizes (d).

**Table 5.24: The relationship between highest academic qualification levels and perceived success of a business**

NO	CONSTRUCT	GRADE 12 AND LOWER			TERTIARY ACADEMIC QUALIFICATION			p	d
		n	$\bar{x}$	s	n	$\bar{x}$	s		
1	Financial measures	47	4.342	0.775	29	4.494	0.560	0.360	0.20
2	Process measures	37	4.0901	0.859	29	4.137	0.842	0.821	0.06
3	People measures	37	3.648	0.971	29	3.482	1.114	0.528	0.15

The result indicated no statistical significant difference ( $p < 0.05$ ) in the mean values of respondents with a grade 12 and lower academic qualification and respondents with a tertiary academic qualification. Respondents with a grade 12 and lower academic qualification were on average more positive towards the constructs.

## 5.11 SUMMARY

The empirical research done in this chapter was of a quantitative nature, as it consisted of a survey questionnaire. The questionnaire was used to measure the **Corporate entrepreneurial orientation** (five constructs), **Entrepreneurial climate** (six constructs), **Key retail success factors** (9 constructs), and **Perceived success** (four constructs) at Senwes Village, Retail division. The constructs were based on the discussion in the literature review chapter 2 and 4. The data gathering process response to the survey and demographical information of the respondents was discussed.

Cronbach's alpha coefficient values were used to determine the internal consistency among items in the questionnaire. Two constructs of entrepreneurial orientation alpha values were less than 0.70 and were not discarded from this study due to (Kent, 2007:142) that indicated a result of 0.6 as acceptable. This indicates a relatively high level of internal reliability of the research instrument. Two constructs of corporate entrepreneurial climate alpha values were less than 0.70 and were discarded from this study due to the fact that their results were below 0.6. This indicates a high level of internal reliability of the research instrument. Five constructs of the key retail success factor alpha's value were less than 0.7 and were discarded from this study. This indicated low level of research reliability of the instrument. Only one of the constructs of perceived success of the business obtained a Cronbach alpha values were less than 0.7 and was discarded from this study, indicating a relatively high level of internal reliability of the research instrument.

It was conducted that corporate entrepreneurial orientation and corporate climate are prevalent in Senwes Village, Retail division as the average mean was 3.626 and 3.303 respectively. From perceived success of the business assessment, it was determined that **Financial measures**, **Processes measure**, and **People development** are relatively strong in the business, **Future success** is the weakest.

The p-value and effect size (d-value) were used to determine statistical significance and practical significance respectively of the constructs and demographical properties.

In the following chapter conclusions will be drawn from the findings discussed in this chapter and recommendations will be made on how to foster a corporate entrepreneurial framework that will be prevalence for compliance of key retail success factors and perceived success of the business.

# CHAPTER 6

## CONCLUSIONS AND RECOMMENDATIONS

### 6.1 INTRODUCTION

The Senwes 2020 strategy is based on building a company that creates value for all of its stakeholders on a sustainable basis. The company vision is to be an admired agri-business and achieve the status of:

- Preferred investment.
- Preferred employer.
- Preferred supplier.
- Preferred partner.
- Preferred citizen.

Senwes 2020 vision is driven by the need to grow as well as the mitigation of risk, given the maturity of the business and the market in which it operates. The strategic direction is targeted at diversification across the agricultural value chain (Senwes, 2012:20).

Strydom (2012) stated that in the food-value chain active consolidation on the primary production level is taking place at a rapid rate and on the other hand a strong component of international competitiveness is becoming a reality, with multi-national role players positioning them globally (Senwes, 2012:21). The consumer also requires a shorter, simpler and cheaper supply chain and wants to participate in deliberations regarding the end product.

In order for Senwes to be successfully positioned as an intermediary, it is evident that change is essential and unavoidable. Therefore, Senwes business platform has to be enlarged, scale of volume must be added, geography and trade mark has to be addressed.

Therefore to address the need for a changing business environment recommendations will be made and illustrated in a proposed integrated corporate entrepreneurial framework (refer to section 6.3).

The final chapter on the assessment of corporate entrepreneurship, perceived success and retail within Senwes Village, Retail division comprises of two main sections. In the first section of this chapter, conclusions will be drawn on the results of the literature study and findings of the empirical study. The section will begin with establishing reliability of the instruments used in examining the Cronbach alpha coefficients. Thereafter, conclusions will be drawn on the demographical information of the respondents, assessment of corporate orientation and climate, compliance to key retail success factors and perceived success of the business.

The second section of the chapter will be to indicate recommendations on a corporate entrepreneurial framework within Senwes Village, Retail division. This section will conclude with an evaluation of the achievement of objectives and to indicate suggestions for further research.

## **6.2 CONCLUSIONS**

Conclusions will follow the basic structure of the questionnaire, by firstly assessing the reliability of the survey by evaluating the Cronbach alpha coefficients, thereafter the basic demographic information will be addressed, after which the five constructs measuring corporate orientation will be evaluated. This will be followed by evaluating the six constructs measuring corporate climate. Next, the nine constructs measuring the compliance to key retail success factors will be evaluated. Finally, the four constructs measuring perceived success of the business will then be evaluated.

### ***6.2.1 Reliability of the corporate entrepreneurial climate and retail questionnaire***

Welman *et al.* (2010:9) state that quantitative research focus more on reliability that is, consistent and stable measurement of data as well as reliability. Morse *et al.* (2002:15) indicated that reliability could be determined by using the internally

consistency method. Welman *et al.* (2010:147) confirmed that the Cronbach alpha coefficient is a measuring instrument of internal consistency.

Kent (2007:142) indicated that the Cronbach alpha coefficient varies between 0, for no reliability to 1 for maximum reliability and that the value of 0.6 is acceptable, although 0.7 is preferred to indicate a higher level of reliability.

Following the results of the survey two constructs measuring entrepreneurial orientation, **Risk-taking** (0.673) and **Competitive aggressiveness** (0.627), obtained a Cronbach alpha coefficient below 0.7. Based on the criteria of Kent (2007:142) all five constructs can therefore be regarded as being reliable, and the results could be statistically analysed.

Two variables from section B of the questionnaire, measuring corporate entrepreneurial climate, obtained a Cronbach alpha coefficient well below 0.7. For the purpose of this study the variables **Time availability** and **Organisational boundaries** with Cronbach alpha coefficients of (0.294) and (0.481) respectively, were excluded from the analysis due to the criteria of Kent (2007:142).

Five variables from section C of the questionnaire, measuring key retail success factors obtained a Cronbach alpha coefficient well below 0.7. For the purpose of this study the variables **Store factors** (0.511), **Price** (0.693), **Technology** (0.584), **Supply chain** (0.093), **Promotions** (0.435) and **Location** (0.133) will be excluded for the purpose of this study.

Based on the criteria of Kent (2007:142) four of the nine constructs could be regarded as reliable and the results of these constructs in section C could be statistically analysed.

Only one variable from section D of the questionnaire, measuring perceived success of the business, obtained a Cronbach alpha coefficient below 0.7. For the purpose of this study the variable **Future success** (long term) which obtained a coefficient of (0.372) was discarded from the analysis. A lower score might be attributed to respondent lack of understanding the questions.

Owing to the fact that the Cronbach alpha coefficient values exceeding 0.7 were recorded on three of the constructs measuring corporate entrepreneurial orientation, four constructs measuring corporate entrepreneurial climate, three constructs measuring key retail success factors and three constructs measuring perceived success of the business, it is concluded that the research instrument used in this study to assess corporate entrepreneurial climate and retail within Senwes Village, Retail division has acceptable reliability.

### **6.2.2 Demographical information**

Demographical information of respondents was obtained regarding age, gender, race, highest academic qualification and management level. From the demographical data received, 12 out of 78 respondents did not complete their demographical data. This data were excluded from the study. The following general conclusions are drawn regarding demographic information.

- The majority of middle management and first line supervisors/staff are between the ages of 50 to 59 years. As obtained (21; 26.9%) of the respondents are between the age of 20 to 39 years, and the respondents between the age of 40 to 49 years are (16; 20.5%). The finding indicated that the majority of middle management and first line supervisors/staff are younger than 49 years of age.
- The normal retiring age according to Senwes company policy is 60 years and this is a concern due to the fact that the middle management and first line supervisors/staff in the 50 to 60 age range are 23 (29.20%) respondents. This finding suggests that the business must focus on succession planning to fill the gap of knowledgeable resources that will be lost when their retirement start.
- Middle management and first line supervisors/staff, who responded to the item on race, were white 50 (64.1%). This indicates that transformation is needed to comply with the demographic status of the region.

- The largest group of 40 (47.4%) of the respondents have a grade 12 and lower academic qualification, where as 29 (37.18%) of the respondents have a tertiary academic qualification. This could indicate a lack of knowledge needed to understand the changing business environment and the actions needed to respond to change and this could have a negative impact on corporate entrepreneurship and retail.

Detailed conclusions on the relationship between selected demographic variables and corporate orientation and climate, key retail success factors and perceived success of the business are presented in section 6.3.

### **6.2.3 Conclusions on corporate entrepreneurial orientation**

A rating of three on the five point Likert scale is regarded, for the purpose of this study, as an average rating. The average mean of all the constructs measuring the entrepreneurial orientation at Senwes Village, Retail division was 3.422 which could be regarded as a just above average response. For the purpose of this study, mean responses of  $\bar{x} < 3$  are interpreted that the construct has a lower prevalence in the business and needs development.

A mean response of  $\bar{x} > 3$  is interpreted as being evident in the business and must be maintained and sustained in corporate entrepreneurial orientation. Based on the results in chapter 5, it indicate that the constructs for corporate entrepreneurial orientation has a strong presence in Senwes Village.

Conclusion for each individual construct is:

#### 6.2.3.1 Innovativeness

Mcfadzean *et al.* (2005:353) indicated that innovativeness reflects a business tendency to engage in and support of new ideas, novelties, experimentation and creative processes that may result in new product and services. The construct, **Innovativeness** received the highest rating with a mean of 4.010 meaning that the

participating respondents in general slightly agree with the statements measuring the construct.

It seems that respondents feel that Senwes Village, Retail division place a strong emphasis on innovation with a continuous result of new innovative products, services and processes. Respondents have the belief that Senwes Village, Retail division belief that innovation is a necessity for the business future, with the focus on continuous innovation.

#### 6.2.3.2 Pro-activeness

Rauch *et al.* (2009:761) state that in the corporate entrepreneurial literature, **Pro-activeness** is an opportunity seeking, forward looking perspective characterised by a high awareness of external trends and events and acting in anticipating thereof.

The construct, **Pro-activeness**, obtained a rating of an average mean of 3.833 implying that the respondents slightly agree with the statements of the construct. This implies that respondents agree that Senwes Village, Retail division continuous monitor market trends and identify future needs for customers by often introducing first new products, services and processes.

#### 6.2.3.3 Competitive aggressiveness

Lumpkin and Dess (2001:433) state that **Competitive aggressiveness** refers to the intensity of business efforts to outperform industry rivals by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a business defends its market position or aggressively enters a market that a rival identified.

The construct, **Competitive aggressiveness**, obtained the third lowest rating ( $\bar{x} = 3.538$ ). This suggest that respondents slightly agree that Senwes Village, Retail division is very aggressive and intensely competitive, to combat industry trends that may threaten the survival of the business or competitive position.

#### 6.2.3.4 Autonomy

Lotz (2009:47) states that **Autonomy** refers to the independent actions of an individual or team in bringing forth an idea or a vision and carrying it through to completion.

The construct, **Autonomy**, obtained a rating with a mean of 3.476. This implies that respondents slightly agree that they have **Autonomy** in their work. They imply that they have the authority to be creative; they are allowed to make decisions and have the flexibility to resolve problems.

#### 6.2.3.5 Risk-taking

Lumpkin and Dess (2005:431) define **Risk-taking** as a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes and or borrowing heavily. Jong *et al.* (2011:7) argue that entrepreneurs prefer moderate rather than high risks, and try to manage or reduce risks as much as possible.

The construct, **Risk-taking**, obtained a rating with a mean of 3.277. This implies that respondents were neutral and did not agree or disagree with the statements regarding **Risk-taking**. This imply that the business do not favour **Risk-taking**, even if it is calculated risks. This could be as a result of negative outcomes of investments in the history of the business, as well as regulatory factors such as corporate governance. The respondents also felt that the term "risk taker" is not considered a positive attribute for employees of this business. Taking this response rates into consideration Senwes Village, Retail division will have to develop an action plan to enhance the tolerance for risks.

### **6.2.4 Conclusions on corporate entrepreneurial climate**

The five point Likert scale was also used to assess how middle management and first line supervisors/staff perceived the corporate entrepreneurial climate within Senwes Village, Retail division. Initially, six constructs of corporate entrepreneurial climate

were tested, where of, the constructs **Time availability** and **Organisational boundaries** were excluded from this study due to very low Cronbach alpha coefficients of (0.294) and (0.481) respectively, as discussed in section 5.5.

The average mean score of the four remaining constructs included in this study are 3.303. The average mean of all the constructs measuring entrepreneurial climate within Senwes Village, Retail division can be regarded as a just above average score. This implies that the remaining constructs of corporate entrepreneurial climate are present in Senwes Village, Retail division but needs development to be sustainable in the business.

Conclusions for each individual construct are:

#### 6.2.4.1 Rewards/Reinforcement

Ireland *et al.* (2006:27) state that **Reinforcement** involves developing and using systems that reinforce entrepreneurial behaviour, highlight significant achievements and encourage pursuit of challenging work. The construct, **Rewards/Reinforcement**, obtained the highest mean score, with a mean value of 3.679. This mean value suggest that respondents slightly agree with the statements regarding **Rewards/Reinforcement**.

The respondents suggest that they are getting recognition from their superiors for work well done. They also imply that there is a lot of challenge in their work.

#### 6.2.4.2 Specific climate variables

The construct, **Specific climate variables**, obtained the second highest rating with a mean value of 3.442. This suggest that the respondents was neutral and that they did not agree or nor disagree with the statements regarding the construct.

The respondents indicated with the rating of the construct that they are uncertain that the business created a culture, climate, process and structure to promote

innovativeness. This construct is important for developing and sustaining corporate entrepreneurship in the business. The suggestion would be to determine role and responsibility and authority of each job level regarding corporate entrepreneurship to develop a program rectifying this gap. This is also an important aspect that the steering committee on excellence must take into consideration if they need creative and responsive suggestions on improving the internal work environment. This will have a further impact on the implementation of intervention in the business.

#### 6.2.4.3 Work discretion

Ireland *et al.* (2006:27) state that work discretion and autonomy refers to top-level managers commitment to tolerate failure and to provide decision making latitude and freedom from excessive oversight and are willing to delegate authority and responsibility to middle and lower level managers.

The construct, **Work discretion**, obtain an average mean value of 3.175. This indicates a neutral rating, suggesting that they do not have the autonomy in their own work place. This implies work by rule. This could hamper a culture of innovativeness for improving work environment. Senwes Village, Retail division operates within rigid policies and procedures and does not easily tolerate rule bending.

#### 6.2.4.4 Management Support

Scheepers *et al.* (2007:242) state that **Management support** capture the encouragement and willingness of managers to facilitate and promote entrepreneurial behaviours including the championing of innovative ideas and providing the resources people require to behave entrepreneurially.

The construct, **Management support**, obtained the lowest rating with an average mean of 2.916. This implies a low or neutral rating to the statements of the construct. Furthermore, this implies that the respondents indicated that management do not encourage innovativeness by not creating a support structure.

### **6.2.5 Assessment of compliance to key retail success factors**

Nine constructs were identified in assessing the compliance to key retail success factors. The constructs with very low Cronbach alpha coefficients were discarded: **Supply Chain, Promotions and Location, Store factor, Technology.**

The five point Likert scale were also used. The constructs that were included in this study was **Service factor, Merchandise/Product, Price** and **Segmentation/Target market.**

Key retail success factors obtained on average mean of 3.422, that imply that it is prevalent in Senwes Village, Retail division.

#### 6.2.5.1 Store factor

Kraft and Mantrala (2006:18) state that a key value driver at store level is developing the right combination of format and retail environmental factors. Kotler and Armstrong (2010:404) argue that store atmosphere is an important element in the retailer's product arsenal and the aim is to create a unique store experience, one that suits the target market and moves the customers to buy.

The construct, **Store factor** obtained the highest rating with an average mean of 3.901. This imply that respondents indicated that the construct is important for retail in Senwes Village, Retail division and indicated that Senwes Village, Retail division comply to this construct. This could be as a result that Senwes upgraded some of the branches, with other branches that was renovated by the Corporate service department. The branches were also merchandised to better the flow of the customer shopping experience.

#### 6.2.5.2 Technology

Grewal *et al.* (2012:3) argue that the economic environment is not the only macro - level factor that defines consumer behaviour and that the technological changes associated with social and mobile localisation and personalisation have resulted in

vast disruptions in retailer marketing practices as well as customer shopping practices.

The construct, **Technology**, obtained the second highest average score with an average mean of 3.717. Respondents indicated that they slightly agree that the construct is important for retail in Senwes Village, Retail division and that the division must incorporate **Technology** in their retail business. Respondents indicated also **Technology**, that are not yet efficient or implemented, that must be investigated and that is important for Senwes Village, Retail division.

- The efficiency of the Supply chain management and effective integration of suppliers and transport intermediaries.
- Electronic shelf labelling that must be used to improve pricing methods in the shop pricing methods in the shop.
- Village could differentiate themselves if new technology is used to improve service and product levels to customers like customer relations management system.
- Village must use nano-technology in identifying customers.
- Village must implement e-retail to expand its geographical footprint.

This indication of **Technology** that must be investigated will be discussed at the recommendation section of his chapter.

#### 6.2.5.3 Service factor

Kraft and Mantrala (2006:19) argue that given the time and effort that is invested by retailers in attempts to attract customers into the stores, it is amazing that so many retailers pay so little attention to customer service. They state that it is common to visit retail stores and see half filled shopping carts abandoned by shoppers that got tired of waiting for their turn at the checkouts, or to see shoppers looking for a particular item that they want to purchase but have not because they can't find a service provider to assist or provide them with information.

The construct, **Service factor** obtained an average mean of 3.646. This indicates that the construct is important for Senwes Village, Retail division and slightly agree that they comply with the construct.

There were two statements that obtained a rating of three and were the lowest scored.

- Staff is well trained to help customers understand the benefits of product and services.
- Staff is well trained and empowered to rectify post purchase problems.

Above will be discussed in the section recommendations.

#### 6.2.5.4 Merchandise/Product

Berman and Evans (2012:384) state that merchandising consists of the activities involved in acquiring particular goods and/or services and making them available at the place, time, price and quantity that enable a retailer to reach its goals.

Olson (2007:1) states that time have changed and customers will not be dictated to any more due to the fact that customer tastes are more complex than ever before and profitable life-cycles have shortened, requiring all-time quick turnarounds.

The construct, **Merchandise/Product**, obtained a rating of an average mean of 3.493, which indicate a neutral response towards the statements regarding the constructs.

The respondents imply that they did not agree nor disagree that the merchandise appeal to the target market and they were also uncertain that the product range are wide and deep enough.

#### 6.2.5.5 Price

Grewal *et al.* (2012:1) argue that in the face of radical changes in the global market place (a world wide recession, significant technological turbulence) customers not only changing their shopping behaviours but also their value perceptions.

The construct, **Price**, obtained a rating with mean value of 3.333. The respondents imply that they did not agree or nor disagree that they know the pricing methods used in Senwes Village, Retail division. This could be because pricing is a centralised function of the Procurement section at Senwes Village, Retail division head office.

#### 6.2.5.6 Segmentation/Target market

Dunne *et al.* (2002:28) define segmentation as a method that retailers use to examine, or break down heterogeneous consumer populations in smaller, more heterogeneous groups based on their characteristics.

The construct, **Segmentation/Target market**, obtained the lowest mean value of 3.216. This indicates a neutral response, suggesting that they did not agree or disagree with the statements regarding the construct. **Segmentation** is an important construct in retail to determine the business **Target market** and to determine what products and services to offer that could satisfy the needs of the customers.

### **6.2.6 Assessment of perceived success of the organisation**

The five point Likert scale was also used to assess how middle management and first line supervisors/staff perceive the success of the business. Initially, four factors indicative of business success were tested in order to serve as dependent variables being influenced by corporate entrepreneurship climate. The factors, **Future success**, had to be discarded due too a low Cronbach alpha coefficient.

The average mean response of the tree constructs is 4.031. This indicated that middle management and first line supervisors/staff perceived the success of the business positively.

#### 6.2.6.1 Financial measures

The construct, **Financial measures**, obtained an average mean rating of 4.409. The respondents indicated with this response the business has experienced growth in turnover, growth in profits and growth in market share over the past few years.

#### 6.2.6.2 Process measures

With a mean rating of 4.111, this construct was ranked second of the three business success variables evaluated. Respondents slightly agree with the statements that the competitive position, effectiveness (doing the right things) and the efficiency (doing things right) of the organisation has improved over the past few years.

#### 6.2.6.3 People development

The mean rating of the construct, **People development** was 3.575 and is ranked the lowest of the three perceived business success constructs. Middle management and first line supervisors/staff slightly agree with the statements of this construct. They indicated that employees are a valuable asset to the business and that the morale of the employees has improved over the last few years. They also agree that employees are committed towards the business.

### ***6.2.7 Relationship between selected demographic variables and corporate entrepreneurial orientation and climate, key retail success factors and perceived success***

The demographic variable gender, management level and highest academic qualification will be correlated with the constructs measuring corporate orientation, corporate entrepreneurial climate, key retail success factors and perceived success of the business.

#### 6.2.7.1 Relationship between gender and corporate entrepreneurial orientation constructs

The results indicated no statistical significant difference ( $p < 0.05$ ) in the mean value between the perceptions of male and female respondents with regard to any of the corporate entrepreneurial orientation constructs. Female respondents were more positive regarding the entrepreneurial orientation constructs when compared to their male colleagues.

#### 6.2.7.2 Relationship between gender and corporate entrepreneurial climate constructs

Overall, male respondents are more positive regarding corporate entrepreneurial climate constructs than their female colleagues. The results indicated no statistical difference ( $p < 0.05$ ) in the mean values between the perceptions of male and female middle management and first line supervisors/staff.

#### 6.2.7.3 Relationship between gender and key retail success factors.

The results indicated no statistical significant difference ( $p < 0.05$ ) in the mean values, between the perception of male and female respondents. Overall, female respondents were on average more positive towards the key retail success factors.

#### 6.2.7.4 Relationship between gender and perceived success of the business

Female respondents were on average more positive towards perceived success of the business as their male colleagues. The result indicated no statistical significant difference ( $p < 0.05$ ) in the mean values between the perception of male and female respondents.

#### 6.2.7.5 Relationship between management levels and corporate orientation constructs

The study indicated that the difference between the mean value of corporate entrepreneurial orientation and management level is statistically significant regarding **Innovativeness** ( $p > 0.043$ ). The variable management level of the respondents has a small effect ( $d < 0.50$ ) on **Innovativeness** ( $d=0.47$ ). The result indicates a practically significant difference between the perception of middle management and first line supervisors/staff regarding **Innovativeness**. The result also indicates that first line supervisors/staff are practically significant more positive about **Innovativeness**, in comparison to middle management.

#### 6.2.7.6 Relationship between management levels and corporate entrepreneurial climate constructs

Overall, the result indicated that first line supervisors/staff are practically significant more positive about **Work discretion**, in comparison to middle management. The results indicate that there are statistically significant ( $p < 0.05$ ) differences in the evaluation between middle management and first line supervisors/staff regard to the **Work discretion** construct with a p-value of 0.041.

The variable management level of the respondents has a small effect ( $d < 0.50$ ) on **Work discretion** ( $d = 0.45$ ).

The result indicates a practically significant difference between the perception of middle management and first line supervisors/staff regarding **Work discretion**. The result also indicates that first line supervisors/staff are practically significant more positive about **Work discretion**, in comparison to middle management.

#### 6.2.7.7 Relationship between management levels and key retail success factors

The result indicated no statistically significant difference ( $p < 0.05$ ) in the mean values between the perceptions of middle management and first line supervisors/staff.

#### 6.2.7.8 Relationship between management levels and perceived success factors

There are an indication of statistical significance ( $p < 0.05$ ) in the evaluation between middle management and first line supervisors/staff with regard to the construct, **Process measures** with a p-value of 0.054.

The variable management level has a small effect ( $d < 0.50$ ) on **Process measures** with a d-value of 0.42.

The result indicated practically significant difference between the perception between middle management and first line supervisors/staff regarding **Process measures**. The result overall indicates that first line supervisors/staff are practically significant more positive about the construct **Process measures**, in comparison to middle management.

#### 6.2.7.9 Relationship between qualification and corporate entrepreneurial orientation constructs

Overall, there are statistical significant ( $p < 0.05$ ) differences in the evaluation between staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification with regard to the construct. **Competitive aggressiveness** with a p-value of 0.021.

The variable highest academic qualification of the respondents has a medium to large effect ( $d > 0.50$ ) on **Competitive aggressiveness** ( $d = 0.56$ ).

The result indicates that staff with a grade 12 and lower academic qualification are practically significant more positive about the construct, **Competitive aggressiveness**, in comparison with staff with a tertiary academic qualification.

#### 6.2.7.10 Relationship between highest academic qualification and corporate entrepreneurial climate

Senwes Village, Retail division respondents result indicated a statistical significant ( $p < 0.05$ ) differences in the evaluation between staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification with regard to the construct, ***Specific climate variable*** ( $p = 0.010$ ).

Regarding the calculation of effective sizes, the variable highest academic qualification of the respondents illustrated a medium to large effect ( $d > 0.50$ ) on the construct, ***Specific climate variable*** with  $d = 0.59$ .

Senwes Village, Retail division staff with a grade 12 and lower academic qualification are practically more positive about the construct, ***Specific climate variable***, in comparison with staff with a tertiary academic qualification.

Furthermore, the result indicates a practically significant difference between the perception of staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification regarding the construct ***Specific climate variables***.

#### 6.2.7.11 Relationship between highest academic qualification level and key retail success factors

The results obtained from the empirical study indicated no statistical difference ( $p < 0.05$ ) in the mean values between the perception of respondents with a grade 12 and lower academic qualification and respondents with a tertiary academic qualification.

Overall, the results indicated that staff with an academic qualification of grade 12 and lower are more positive regarding the constructs, than staff with a tertiary academic qualification.

#### 6.2.7.12 Relationship between highest academic qualification level of respondents and perceived success

The result overall indicate that staff with a tertiary academic qualification are more positive than staff with a grade 12 and lower academic qualification regarding perceived success of a business.

Furthermore, the result indicated that there is no statically significant difference between the mean values of the staff with a grade 12 and lower academic qualification and staff with a tertiary academic qualification.

### **6.3 RECOMMENDATIONS**

It is evident that from the conclusions made on the five constructs of entrepreneurial orientation, six constructs of entrepreneurial climate, nine constructs of retail and four constructs of perceived success that entrepreneurial orientation exist in Senwes Village, Retail division, but that the corporate entrepreneurial climate must be developed to support the entrepreneurial orientation that will have an impact on the key retail success factors and perceived success of the business.

Furthermore it was evident what key retail success factors were indicated as necessary for Senwes Village, Retail division and that certain key retail success factors aught to be addressed to create a sustainable business environment. Positive results on the perceived success of the business affirm that the environment for corporate entrepreneurship is very positive and fruitful.

From the literature study it was evident that to foster and create an corporate entrepreneurial climate, demands a more enlightened approach to management including decentralisation of authority, participation in decision making, evidence of bureaucracy and encouragement of Risk-taking and creativity (Hayton, 2005:24).

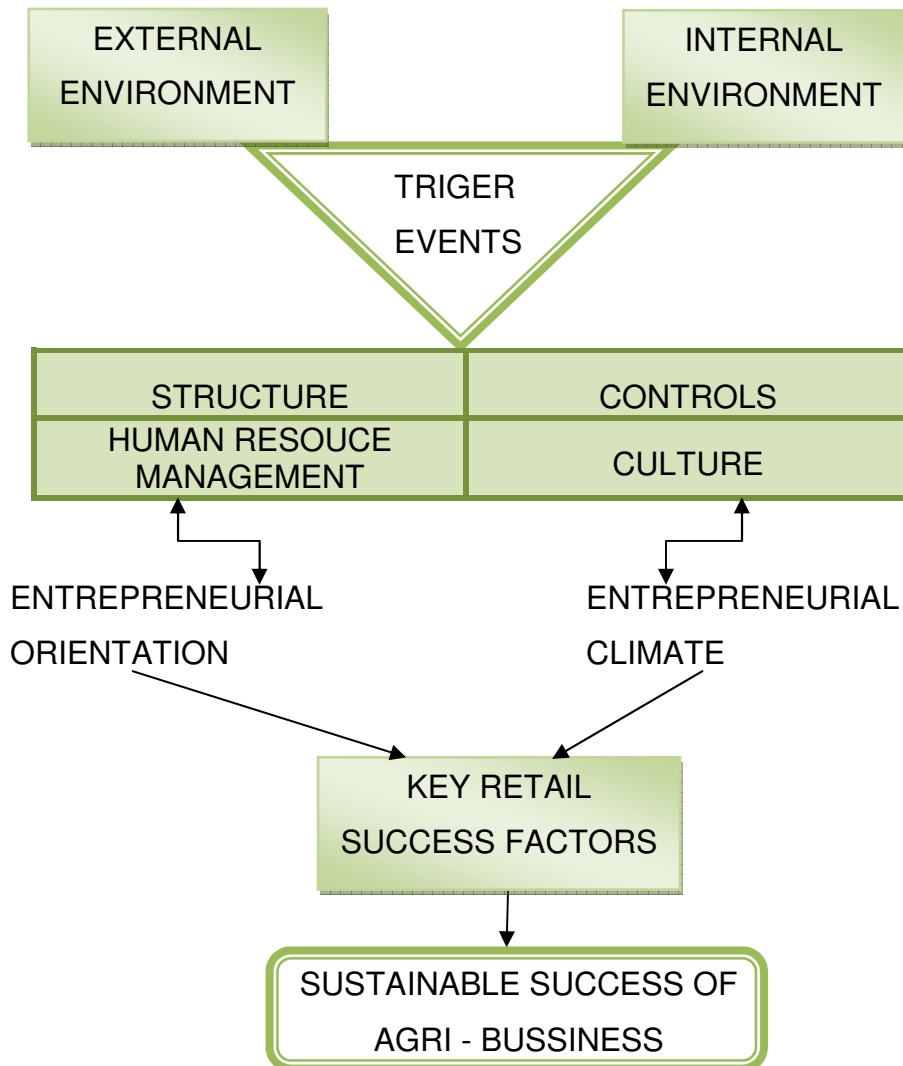
In chapter three, with the time of the study, micro and macro environmental changes in the agricultural business environment as described in chapter three supported the need for a change in corporate entrepreneurial climate within the business.

The challenge for Senwes Village, Retail division as a business will be as indicated by Groenewald (2010:103) to:

- In still corporate entrepreneurship to gain and sustain competitive advantage.
- Rejuvenate and revitalise existing business.
- Develop new products and services.
- Pursue entrepreneurial opportunities.
- Create new business within existing business.
- Foster strategic renewal of existing operations.
- Improve growth and profitability.
- Increase financial performance and create value.

The recommendations are discussed by means of an integrated framework that Senwes Village, Retail division can use to establish and enhance corporate entrepreneurship that will have an impact on the compliance to key retail success factors with an impact of perceived success of the business. This integrated framework is presented in figure 6.1.

**Figure 6.1: An integrated framework for corporate entrepreneurship**



### 6.3.1 Trigger events

Ireland *et al.* (2006:13) argue that interactions among organisational characteristics, individual characteristics and some kind of participating event in the business's internal work environment and external work environment are the precursors of corporate entrepreneurship in organisations and are labelled as triggers. Triggers originate from inside or outside of the organisation, but the greatest pressures for entrepreneurial behaviour come from the external environment.

Guth and Ginsberg (1990:7) confirmed with research the following external triggers:

- The impact of major environmental shifts, such as deregulation, can influence changes in strategy in a non-random way, with organisations moving away from one generic strategy towards other generic strategy.
- The more dynamic and hostile the environment, the more business will be entrepreneurial.
- Industry structures affect opportunities for successful new product development.
- Both opportunities and problems stem from potential of the business and its competitors to find new combinations of resources that lead to competitive advantage.

Ireland *et al.* (2006:13) concluded that quick recognition of these triggers help organisations to identify the need and value as well as the shape for corporate entrepreneurial strategy. More specifically, agri-businesses are faced with a number of triggering events (refer to section 3.2) that may be solved through innovative processes and ideas.

Factors such as weather conditions, commodity prices, input cost, stock levels, consumption demand as well as the exchange rates will continue as never before influence agricultural production in the country, with direct influences on the agri-business (refer to section 3.2) and will require innovative product, services and processes to face these challenges.

Senwes Village, Retail division strategic objective is to fulfil the role of preferred supplier of product inputs and mechanisation to the agricultural producers with distinct (refer to section 3.4.4.3). In order for Senwes Village, Retail division to achieve this strategic, goal it must constantly monitor the external environment by tasking the Committee for the Centre of excellence to investigate new trends in the market, possible political and regulatory policy changes, new technologies, competitor moves, best practices in the agri-business sector internationally and nationally. This information must be used as strategic business intelligence that must

be available for divisions in the creation of strategy in time to react on external and internal changes in the business environment.

### **6.3.2 Establishing a corporate entrepreneurial orientation and climate**

It is important to create a corporate entrepreneurial climate that will enhance the exploitation of trigger events. The following recommendations are presented regarding structure, culture, human resource practices and control mechanisms to develop a corporate entrepreneurial climate.

- Structure

Corporate entrepreneurship flourishes when organisational structures have a relative small number of layers that will result in a broader span of control which in turn creates opportunities for employees to act entrepreneurially (Ireland *et al.*, 2006:14). Furthermore, according to Lotz (2009:61), many levels of approval in traditional business have the potential to stifle innovations. Echols and Neck (1998:43) indicated that entrepreneurial structures should be new and separately organised from the old existing ways of a business, with specific focus on new projects stemming from executive authority, prestige and accountability.

Therefore, it will be important for Senwes to have the committee for the centre of excellence that could identify opportunities centrally for corporate entrepreneurship and communicate opportunities to the relevant divisions for investigations for possible business development. The divisions in turn must create a structure to have the capacity and knowledge to investigate possible business developments and to conclude with a business plan. An innovative divisional structure can only be successful if it has the authority in decision making, the capacity and resources to investigate opportunities and to implement business plans. Senwes Village, Retail division must investigate its current structure to determine its capacity and resources exist to fulfil its obligation to be corporate entrepreneurial.

- Controls

According to Ireland *et al.* (2006:15), controls create value when they simultaneously provide the stability business need to exploit current competitive advantages and the flexibility required for employees to behave entrepreneurially for the purpose of beginning to form competitive advantages. Kuratko *et al.* (2007:78) agreed that the core principle in developing entrepreneurial control requires that managers must give up control to gain control.

The recommendation will be to create an owner-manager control environment through its employees as indicated by Burns (2008:184) and it is build round six principles:

- Free access to financial information that is critical in tracking business performance.
- Continuous attempt to present this information to employees.
- Training process that encourages an understanding of this information.
- Employees learn that part of their job is to improve the financial result when ever they can.
- People are empowered to make decisions in their job based on what they know.
- Employees have a stake in the organisations success or failure.

Hayton (2005:31) indicated that the traditional model of human resource management encourages matching employer contributions to organisational needs and inducements, a more relevant perspective to corporate entrepreneurship would be to encourage the building of relationships among employees, between employees and the business and between employees and key stakeholders.

The recommendation to the agri-business is to measure its goals for corporate entrepreneurship against Ireland *et al.* (2006:15) learning objectives from an effective human resource management system that include the following elements:

- Embrace creative and innovative behaviour.
- Take reasonable levels of risk.
- Use long-term orientation to evaluate innovation - based possibilities.
- Focus on results.
- Work co-operatively with others.
- Tolerance ambiguity.
- Assume responsibility for change.

Dabic *et al.* (2011:17) confirm that successful corporate entrepreneurship is promoted by entrepreneurially-friendly processes relating to recruiting, selecting, training, developing and rewarding.

- Organisational culture

Kirby (2003:301) indicated that the guiding principle in a traditional business is not to make a mistake, do not fail, do not take initiative but wait for instructions and protect your back. In an entrepreneurial culture the focus will be on the future rather than the past and the ability to develop transfer knowledge and produce an output (Hirsch *et al.*, 2008:45).

Senwes Village, Retail division must determine if an organisational culture for corporate entrepreneurship exists within the business specific to authority and responsibility that are decentralised to employees that are the closest to the action to make decisions that are in the business best interest.

The next section will focus on the determinants for corporate orientation within the business and will focus on **Autonomy**, **Innovativeness**, **Risk-taking**, **Pro-activeness** and **Competitive aggressiveness** to enhance a corporate entrepreneurial climate within Senwes Village, Retail division.

### 6.3.3 Corporate orientation

The empirical research in chapter 5 confirmed that corporate orientation is relatively present in Senwes Village, Retail division with an average mean result of 3.626 (refer to section 5.6.1). The corporate orientation determinants necessary to assess the fostering of an entrepreneurial climate as determined in the empirical study (refer to section 5.6) are **Innovativeness, Pro-activeness, Competitive aggressiveness, Autonomy** and **Risk-taking**. However, it is important to strengthen constructs of corporate orientation that received a rating of an average mean value less than 3.5. Therefore detailed recommendations will only be made on **Autonomy** and **Risk-taking**.

#### 6.3.3.1 Autonomy

Lotz (2009:47) mentioned that **Autonomy** refers to the independent actions of an individual or team in bringing forth an idea or vision and carrying it through to completion. Therefore **Autonomy** is essential to the process of leveraging a business existing strengths, identifying opportunities and encouraging the development of new ventures or improved business practices. Therefore, it reflects that managers/first line supervisors should communicate clear objectives and tasks to employees, in such a way that it allows employees the freedom to pursue a number of different approaches to perform their tasks. It allows employees the freedom to approach problems in ways that make the most of their expertise and their creative thinking.

#### 6.3.3.2 Risk-taking

Lumpkin and Dess (2005:431) define **Risk-taking** as a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes. Jong *et al.* (2011:7) state that entrepreneurs prefer moderate rather than high risks, and try to manage or reduce risks as much as possible. The emphasis is not on the extreme uncontrollable risks, but instead of risk that are moderate and calculated.

Senwes Village, Retail division staff should know what are their boundaries within their work environment regarding taking calculated risks. This implies that a delegation of authority must be set for different staff levels to know the boundaries for calculated risks. Mistakes within the set boundaries must be tolerated and viewed as part of the learning process. A reward system should be implemented for **Innovativeness** that will lead to positive outcomes for Senwes. Furthermore, it is important to implement a management system to ensure that mistakes and failures are documented and made available for all employees to use as learning opportunities.

#### **6.3.4 Corporate entrepreneurial climate**

The results obtained from the empirical study in chapter 5 (refer to section 5.6.2) indicated that an average mean of 3.303 was recorded for entrepreneurial climate. This imply that the corporate entrepreneurial climate is present in Senwes Village, Retail division, but has to be developed to make it an active and a sustainable management tool. Constructs that were identified to enhance the corporate entrepreneurial climate are **Rewards/Reinforcement**, **Specific climate variable**, **Work discretion** and **Management support**.

The detailed focus will also be on constructs that obtained an average mean less than 3.5. Therefore detailed recommendations will be made on **Management support**, **Work discretion** and **Specific climate variable**.

##### 6.3.4.1 Management support

Scheepers *et al.* (2007:242) state that **Management support** capture the encouragement and willingness of managers to facilitate and promote entrepreneurial behaviour, including the championing of innovative ideas and providing resources people require to behave entrepreneurially. Turner (2005:45) states that support must derive from the highest level be formulated into strategy and then communicated through the organisation.

This literature review confirm the discussion on **Risk-taking** (refer to section 6.3.5.2) that stated that there must be a formal policy on corporate entrepreneurship in Senwes Village, Retail division. This will include policy, procedure, formal communication structures, how to list innovations, scale of incentives that could be obtained for positive outcomes.

#### 6.3.4.2 Work discretion

Ireland *et al.* (2006:27) state that **Work discretion** and **Autonomy** refers to top-level managers' commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight and is willing to delegate authority and responsibility to middle and lower managers. Hornsby *et al.* (2002:257) state that middle managers lay the foundation for employees in business to be innovative and take risks. Middle managers do this by providing (intensive rewards) that allows employees to experiment with and to explore the feasibility.

The importance of the role of middle management as mentor group for the process of corporate entrepreneurship is acknowledged. To obtain the best result from the middle management group is to put them through corporate entrepreneurial training that includes how to foster and implement an entrepreneurial climate in the work place as mentor. After the training mentors will be evaluated in the workplace to determine how theoretical knowledge obtained is put into practices. Mentorship must be part of their bonus system.

#### 6.3.4.3 Specific climate variables

Ireland *et al.* (2006:16) agree that entrepreneurially intense cultures also place high importance on being able to empower people in ways to allow them to act creatively and to fulfil their potential. Authority and responsibility are decentralised to employees that are the closest to the action to make decisions that are in the business best interest.

The question to answer is how to create an environment in Senwes Village, Retail division where employees could manage and be creative in their work environment as well as to manage their succession and development plan?

This involves basic human resource management principles of selecting the right people for the job, training and performance appraisal with a link to succession planning. People must be hired that have a passion for a specific position in a company. Employees must determine through their job description their role and task. They must be mentored, trained and evaluated to determine if they are competent. Formal appraisal must be done on a quarterly basis to measure the competency level of staff and to identify interventions for incompetence and succession planning discussion must be done with the formal appraisals.

Authority and responsibility could now be decentralised to staff that are declared competent. They will be in a situation to best take decisions in the place of work that is the closest to the action.

### **6.3.5 Key retail success factors**

Kotler and Armstrong (2010:402) argue that retailers are searching for new market strategies to attract and hold customers as a result of service and assortments that are looking more and more alike. Therefore service and product differentiation eroded among retailers and customers have become smarter and more price sensitive, as they see no reason to pay more for identical brands, especially when service differences are shrinking (Kerin *et al.*, 2007:311).

Therefore recommendations will focus on certain key retail success factors that were determined in the empirical study in chapter 5 (refer to section 5.6.3) with an average mean value less than 3.5. This includes the following constructs: **Segmentation/Target market, Price and Merchandise/Product.**

Senwes Village, Retail division respondents indicated that the following key retail success factors must present to differentiate them from competitors: **Store factors,**

**Technology, Service factors, Merchandise/Product, Price and Segmentation/Target market.**

#### 6.3.5.1 Segmentation/Target market

Dunne *et al.* (2002:228) define **Segmentation** as a method that retailers use to examine or break down heterogeneous consumer populations in smaller, more heterogeneous groups based on their characteristics. Kotler and Armstrong (2010:402) agree with this view point that retailers must first segment and define their target markets and then decide how they will differentiate themselves in these markets and until retailers define and profile their markets, retailers cannot make consistent decisions about product assortment, services, pricing, advertising and store decor.

Respondents indicated in the empirical study in chapter 5 that Senwes Village, Retail division does not know their target market. The recommendation is that Senwes Village, Retail division must determine its segment of business with specific focus on determining their target market. Effective segmentation could be done by determining five basic elements (Kotler & Armstrong, 2010:225):

- The size, purchasing power and profiles of the segment must be measurable.
- Market segment are accessible and therefore can be reached and served.
- They are large and profitable enough to be served.
- Therefore, they are differentiable, conceptually, distinguishable and respond differently to different marketing mix elements and programs.
- Finally, they must be actionable whereby effective programmes can be designed for attracting and serving these segments.

Dunne *et al.* (2002:229) confirm that retailers that select markets that are measurable, accessible and substantial will be able to generate higher profit results.

#### 6.3.5.2 Price

Grewal *et al.* (2012:1) argue that in the face of radical changes in the global market place (a world wide recession, significant technological turbulence) customers are not only changing their shopping behaviours but also value perceptions. Therefore Senwes Village, Retail division must respond appropriately by monitoring the environment to identify changes, both expected and unexpected with the following results:

- Remain more in touch with customer preferences
- Take advantage of opportunities created by new customer preferences
- Enhance the value they offer to the customer.

Senwes Village, Retail division must also investigate the implementation of sophisticated dynamic pricing models that will update prices frequently, based on changing supply or demand characteristics.

#### 6.3.5.3 Merchandise/Product

Berman and Evans (2012:384) state that **Merchandising** consist of the activities involved in acquiring particular goods and/or services and making them available at the place, time and quantity that enable a retailer to reach its goals. Olson (2007:1) states that time have changed and customers will not be dictated to anymore due to the fact, that customer tastes are more complex than ever before and profitable life-cycles have shortened, requiring all-time quick turnarounds.

Senwes Village, Retail division will excel in merchandise management if they:

- Concentrate in finding unique merchandise that appeal to their target market.
- The depth and length of the merchandise appeal to their target market with the focus on availability.

#### 6.3.5.4 Further recommendations

In addition to the recommendations made above, the following recommendations should be considered to foster a corporate entrepreneurial climate in Senwes Village, Retail division:

- Senwes must implement succession planning to fill the gap of knowledgeable resources that will be lost due to retirement.
- Employment equity must be implemented to balance the male to female ratio in the business.
- Transformation is needed in the business to comply with the demographic status of the region. This could influence the businesses BEEE status that might influence future business opportunities.
- To understand the changing business environment and how to react to change, knowledgeable resources are needed and this could be obtained through an establishment of a learning culture in the business.
- To investigate the efficiency of the supply chain management and the effective integration of suppliers and transport intermediaries.
- To investigate the implementation of electronic shelf labelling that must be used to improve pricing methods in the retail stores.
- Village could differentiate themselves if new technology is used to improve service and product levels to customers like customer relations management system.
- Village must use nano-technology in identifying customers to protect customers and employees of fraudulent transactions.
- Village must implement e-retail to expand its geographical footprint.
- Staff must be trained to gain product knowledge to help customers understand the benefits of product and services.
- Staff must be trained and empowered to rectify post purchase problems and thereby enhance customer service.

The above recommendations focus on the efficiencies revealed from empirical study. It should however be noted that focus must also be kept on those constructs that

were rated relatively high by middle management and first line supervisors/staff. It is therefore also recommended that the positive variables must be reinforced.

## **6.4 ACHIEVEMENT OF OBJECTIVES**

The measurement of success of this study is based upon achievement of the primary and secondary objectives, as presented in 1.3 of this study.

### **6.4.1 Primary objective**

The primary objective of this study is twofold: Firstly, to assess the determinants of corporate entrepreneurship and retail in an agri-business in South Africa and secondly to propose an integrated framework to facilitate the process of establishing and maintaining corporate entrepreneurship and retail within the specific agri-businesses in South Africa. The primary objective was achieved by realising the secondary objectives of this study.

### **6.4.2 Secondary objectives**

The secondary objectives, which support the primary objectives, are listed below together with an evaluation of whether they were achieved:

- To determine what is meant by corporate entrepreneurship and corporate entrepreneurial strategy by means of a literature study.
- To describe the link between innovation and corporate entrepreneurship.
- To obtain insight into the phenomena of retail by means of literature review.
- To obtain an understanding of Senwes retail division within the agricultural industry in South Africa.
- To assess the determinants of corporate entrepreneurship and retail within the specific agri-business.
- To assess perceived success determinants within the business.
- To propose an integrated framework to assist in establishing and maintaining corporate entrepreneurship and retail in a specific agri-business.

The first secondary objective namely, **to determine what is meant by corporate entrepreneurship and corporate entrepreneurial strategy by means of a literature study**, was achieved through a literature review on corporate entrepreneurship was done in chapter 2.

The second secondary objective namely, **to describe the link between innovation and corporate entrepreneurship** was achieved, in section 2.6.1 where innovation and link to corporate entrepreneurship was discussed.

The third secondary objective was **to obtain insight into the phenomena of retail by means of literature review**, was achieved through a literature review on the nature of retail was done in chapter 4.

Chapter 3 also addressed the fourth secondary objective **to obtain an understanding of Senwes retail division within the agricultural industry in South Africa**. Chapter 3 provided a literature overview of the history from co-operatives to agri-business and gave an insight to the current and future situation of the agricultural industry in South Africa. A specific focus in this chapter was given to the history of Senwes Limited as well as an overview of Senwes Village, Retail division.

The fifth secondary objective namely, **to assess the determinants of corporate entrepreneurship and retail within the specific agri-business** was achieved, by the assessment of the questionnaire that analysed the determinants of corporate entrepreneurship and retail in Senwes Village, Retail division. This was done in section 5.6.

The sixth secondary objective **to assess perceived success determinants within the business** was achieved by analysing the perceived success factors for a business in section 5.6.

Chapter 6, figure 6.1 addressed the seventh secondary objective namely, **to propose an integrated framework to assist in establishing and maintaining corporate entrepreneurship and retail in a specific agri-business** was achieved

by a proposed integrated corporate entrepreneurial framework within a specific agri-business retail division.

## **6.5 SUGGESTIONS FOR FURTHER RESEARCH**

Based on the findings of the study, the following suggestions are put forward for consideration pertaining future research on corporate entrepreneurship and retail in the agricultural industry.

This research is confined to only one agricultural business, specific to the Senwes Village, Retail division; it should be done in other agricultural retail businesses nationally. A further suggestion is to include the customer perception also in further studies to obtain a balanced picture of corporate entrepreneurship and retail.

There would be a benefit from expanding the study to a larger population, as this would enable higher level statistics like exploratory factor analysis to be preformed.

Similar studies to date focused on corporate entrepreneurship within the agricultural sector or a specific agri-business. No evidence was find where studies incorporated corporate entrepreneurship with retail in the agricultural environment. A study needs to be performed on corporate entrepreneurship with the focus on retail, with customer perceptions included in the South African agricultural environment in order to assess the success, obstacles, improvements and consequences experienced.

## **6.6 SUMMARY**

This chapter concludes the study on a proposed corporate entrepreneurial framework for Senwes Village, Retail division. Conclusions drawn from the empirical research results, as presented in chapter five, was discussed.

The Cronbach alpha coefficients established the reliability of the items testing each construct, after which demographics of gender, managerial level and highest academic qualification was discussed. Thereafter the five constructs measuring corporate orientation was discussed, followed by a discussion of the four constructs

measuring corporate entrepreneurial climate, a discussion followed on the seven constructs measuring retail and then the discussion was concluded with the three constructs that measure perceived success of a business in relation to the results of the empirical study.

Middle management and first line supervisors/staff of Senwes Village, Retail division felt the most positive regarding the following corporate entrepreneurial orientation constructs: **Innovativeness** ( $\bar{x} = 4.010$ ), **Pro-activeness** ( $\bar{x} = 3.833$ ) and **Competitive aggressiveness** ( $\bar{x} = 3.538$ ).

The constructs that middle management and first line supervisors/staff had a negative sentiment were **Autonomy** ( $\bar{x} = 3.476$ ) and **Risk-taking** ( $\bar{x} = 3.277$ ).

Of the variables measuring corporate entrepreneurial climate within Senwes Village, Retail division, middle management and supervisors / first line supervisors/staff felt most positive about **Rewards/Reinforcement** ( $\bar{x} = 3.679$ ), **Specific climate variable** ( $\bar{x} = 3.442$ ). Middle management and first line supervisors/staff had a negative sentiment about **Work discretion** ( $\bar{x} = 3.175$ ) and **Management support** ( $\bar{x} = 2.916$ ).

Variables measuring retail within Senwes Village, Retail division, respondents responded stronger about **Store factor** ( $\bar{x} = 3.901$ ), **Technology** ( $\bar{x} = 3.717$ ), **Service factor** ( $\bar{x} = 3.646$ ). Respondents had a negative sentiment about **Merchandise/Product** ( $\bar{x} = 3.493$ ), **Price** ( $\bar{x} = 3.333$ ) and **Segmentation/Target market** ( $\bar{x} = 3.216$ ).

According to the results obtained from this empirical study conducted, the variables measuring perceived success of the business, middle management and first line supervisors/staff felt very strongly about all of the variables that included **Financial measures** ( $\bar{x} = 4.409$ ), **Process measures** ( $\bar{x} = 4.111$ ) and **People development** ( $\bar{x} = 3.575$ ).

Various demographical variables were found to influence perceptions regarding the presence of the items of corporate entrepreneurial orientation, climate and retail, as

well as perceived success of a business. These variables were tested for statistical significant variances in perceptions, and there was no notable difference in the perception found.

Section 6.3 dealt with recommendations and practical ways which corporate entrepreneurship and retail could be enhanced in Senwes Village, Retail division. This was illustrated through a proposed integrated framework for corporate entrepreneurship.

The chapter concludes by addressing the achievement of all of the objectives and makes recommendations on possible future research that could be undertaken based on this study.

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**ANNEXURE A: CORPORATE ENTREPRENEURIAL CLIMATE AND RETAIL QUESTIONNAIRE**

Code number:

***CORPORATE ENTREPRENEURIAL  
CLIMATE & RETAIL QUESTIONNAIRE***

**CONFIDENTIAL**

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

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## CORPORATE ENTREPRENEURIAL CLIMATE & RETAIL QUESTIONNAIRE

Dear Senwes Village respondent

**Corporate entrepreneurship** and **Retail** is becoming increasingly important for the competitiveness of Senwes Village as we face dynamic competition unleashed by globalisation as well as by local competitors. Internal environmental factors play a crucial role in translating entrepreneurship into performance. The intensity and climate of corporate entrepreneurship in Senwes Village will have a direct impact on the key success factors necessary for retail.

Senwes Village is becoming the Agricultural market leader in South Africa. The role of senior, middle management and first line supervisors and staff therefore becomes crucial as the responsibility lies with them to be more entrepreneurial to adapt to the changing business environment and to comply with key retail success factors that will result in moving the bottom line.

Very little to no research has been conducted on corporate entrepreneurship and retail in the Agricultural retail sector in South Africa. Corporate entrepreneurship in Senwes Village should therefore emphasise the establishment of business models, processes and structures in the corporate retail sector so as to increase the level of corporate entrepreneurship and compliance with key retail success factors. The focus of this research study is on senior, middle and first line management and staff in Senwes Village with specific focus on the retail division.

***This questionnaire attempts to measure the corporate entrepreneurial climate as well as the conformance to key retail success factors in your department in order to determine whether it is conducive to foster a corporate entrepreneurial and retail spirit.***

The survey is divided into four sections:

Part A is the corporate entrepreneurial orientation questionnaire.

Part B is the corporate entrepreneurial climate questionnaire.

Part C is the retail questionnaire.

Part D is the perceived success of the business questionnaire.

Part E consists of biographical information.

**Your contribution is highly valued and appreciated.**

Please complete every question / statement to ensure the validity and reliability of the study.

### **GENERAL INSTRUCTIONS**

All questions must be answered by ticking (X) or highlighting the relevant block.

Use the following key to indicate your preference:

<b>SCALE</b>	<b>TERM USED</b>
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.

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

## SECTION A: CORPORATE ENTREPRENEURIAL ORIENTATION

This section consists of 27 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
<b>A01</b>	I have enough autonomy in my job without continual supervision to do my work.	1	2	3	4	5
<b>A02</b>	Our business allows me to be creative and try different methods to do my job.	1	2	3	4	5
<b>A03</b>	Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5
<b>A04</b>	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.	1	2	3	4	5
<b>A05</b>	I seldom have to follow the same work methods or steps while performing my major tasks from day to day.	1	2	3	4	5
<b>A06</b>	Our business regularly introduces new services/products/ processes.	1	2	3	4	5
<b>A07</b>	Our business places a strong emphasis on new and innovative products/services/processes.	1	2	3	4	5
<b>A08</b>	Our business has increased the number of services/products offered during the past two years.	1	2	3	4	5
<b>A09</b>	Our business is continually pursuing new opportunities.	1	2	3	4	5
<b>A10</b>	Over the past few years, changes in our processes, services and product lines have been quite dramatic.	1	2	3	4	5
<b>A11</b>	In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.	1	2	3	4	5
<b>A12</b>	Our business places a strong emphasis on continuous improvement in products/service delivery/processes.	1	2	3	4	5

<b>A13</b>	Our business has a widely held belief that innovation is an absolute necessity for the business's future.	1	2	3	4	5
<b>A14</b>	Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.	1	2	3	4	5
<b>A15</b>	When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.	1	2	3	4	5
<b>A16</b>	In general, our business has a strong inclination towards high-risk projects.	1	2	3	4	5
<b>A17</b>	Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business's objectives.	1	2	3	4	5
<b>A18</b>	Employees are often encouraged to take calculated risks concerning new ideas.	1	2	3	4	5
<b>A19</b>	The term "risk-taker" is considered a positive attribute for employees in our business.	1	2	3	4	5
<b>A21</b>	Our business is very often the first to introduce new products/services/processes.	1	2	3	4	5
<b>A22</b>	Our business typically initiates actions which competitors respond to.	1	2	3	4	5
<b>A23</b>	Our business continuously seeks out new products/processes/ services.	1	2	3	4	5
<b>A24</b>	Our business continuously monitors market trends and identifies future needs of customers.	1	2	3	4	5
<b>A25</b>	In dealing with competitors our business typically adopts a very competitive "undo-the-competitor" posture.	1	2	3	4	5
<b>A26</b>	Our business is very aggressive and intensely competitive.	1	2	3	4	5
<b>A27</b>	Our business effectively assumes an aggressive posture to combat industry trends that may threaten our survival or competitive position.	1	2	3	4	5
<b>A28</b>	Our business knows when it is in danger of acting overly aggressively (this could lead to erosion of our business's reputation or to retaliations by competitors).	1	2	3	4	5

## SECTION B: CORPORATE ENTRENEURIAL CLIMATE

This section consists of 78 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
<b>B01</b>	My organisation is quick to use improved work methods.	1	2	3	4	5
<b>B02</b>	My organisation is quick to use improved work methods that are developed by workers.	1	2	3	4	5
<b>B03</b>	In my organisation, developing one's own ideas is encouraged for the improvement of the corporations.	1	2	3	4	5
<b>B04</b>	Upper management is aware and very receptive to my ideas and suggestions.	1	2	3	4	5
<b>B05</b>	A promotion usually follows from the development of new and innovative ideas.	1	2	3	4	5
<b>B06</b>	Those employees who come up with innovative ideas on their own often receive management encouragement for their activities.	1	2	3	4	5
<b>B07</b>	The "doers on projects" are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5
<b>B08</b>	Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.	1	2	3	4	5
<b>B09</b>	Many top managers have been known for their experience with the innovation process.	1	2	3	4	5
<b>B10</b>	Money is often available to get new project ideas off the ground.	1	2	3	4	5
<b>B11</b>	Individuals with successful innovative projects receive additional rewards and compensation beyond the standard rewards system for their ideas and efforts.	1	2	3	4	5
<b>B12</b>	There are several options within the organisation for individuals to get financial support for their innovative projects and ideas.	1	2	3	4	5
<b>B13</b>	People are often encouraged to take calculated risks with ideas around here.	1	2	3	4	5

<b>B14</b>	Individuals risk takers are often recognised for their willingness to champion new projects, whether eventually successful or not.	1	2	3	4	5
<b>B15</b>	The term “risk taker” is considered a positive attribute for people in my work area.	1	2	3	4	5
<b>B16</b>	This organisation supports many small and experimental projects realising that some will undoubtedly fail.	1	2	3	4	5
<b>B17</b>	An employee with a good idea is often given free time to develop that idea.	1	2	3	4	5
<b>B18</b>	There is considerable desire among people in the organisation for generating new ideas without regards for crossing departmental or functional boundaries.	1	2	3	4	5
<b>B19</b>	People are encouraged to talk to employees in other departments of this organisation about ideas for new projects.	1	2	3	4	5
<b>B20</b>	I feel that I am my own boss and do not have to double check all of my decisions with someone else.	1	2	3	4	5
<b>B21</b>	Harsh criticism and punishment result from mistakes made on the job.	1	2	3	4	5
<b>B22</b>	This organisation provides the chance to be creative and try my own methods of doing the job.	1	2	3	4	5
<b>B23</b>	This organisation provides the freedom to use my own judgement.	1	2	3	4	5
<b>B24</b>	This organisation provides the chance to do something that makes use of my abilities.	1	2	3	4	5
<b>B25</b>	I have the freedom to decide what I do on my job.	1	2	3	4	5
<b>B26</b>	It is basically my own responsibility to decide how my job gets done.	1	2	3	4	5
<b>B27</b>	I almost always get to decide what I do on my job.	1	2	3	4	5
<b>B28</b>	I have much autonomy on my job and am left on my own to do my own work.	1	2	3	4	5
<b>B29</b>	I seldom have to follow the same work methods or steps for doing my major tasks from day to day.	1	2	3	4	5
<b>B30</b>	My manager helps me get my work done by removing obstacles and roadblocks.	1	2	3	4	5

<b>B31</b>	The rewards I receive are dependent upon my innovation on the job.	1	2	3	4	5
<b>B32</b>	My supervisor will increase my job responsibilities if I am performing well in my job.	1	2	3	4	5
<b>B33</b>	My supervisor will give me special recognition if my work performance is especially good.	1	2	3	4	5
<b>B34</b>	My manager would tell his/her boss if my work was outstanding.	1	2	3	4	5
<b>B35</b>	There is a lot of challenge in my job.	1	2	3	4	5
<b>B36</b>	During the past three months, my work load kept me from spending time on developing new ideas.	1	2	3	4	5
<b>B37</b>	I always seem to have plenty of time to get everything done.	1	2	3	4	5
<b>B38</b>	I have just the right amount of time and work load to do everything well.	1	2	3	4	5
<b>B39</b>	My job is structured so that I have very little time to think about wider organisational problems.	1	2	3	4	5
<b>B40</b>	I feel that I am always working with time constraints on my job.	1	2	3	4	5
<b>B41</b>	My co-workers and I always find time for long-term problem solving.	1	2	3	4	5
<b>B42</b>	In the past three months, I have always followed standard operating procedures or practices to do my major tasks.	1	2	3	4	5
<b>B43</b>	There are many written rules and procedures that exist for doing my major tasks.	1	2	3	4	5
<b>B44</b>	On my job I have doubt of what is expected of me.	1	2	3	4	5
<b>B45</b>	There is little uncertainty in my job.	1	2	3	4	5
<b>B46</b>	During the past year, my immediate supervisor discussed my work performance with me frequently.	1	2	3	4	5
<b>B47</b>	My job description clearly specifies that standards of performance on which my job is evaluated.	1	2	3	4	5
<b>B48</b>	I clearly know what level of work performance is expected from me in terms of amount, quality and timelines of output.	1	2	3	4	5

<b>B49</b>	This company definitely rewards employees who take calculated risks and innovate.	1	2	3	4	5
<b>B50</b>	Jobs in this company tend to be broadly defined with considerable discretion in how tasks are performed.	1	2	3	4	5
<b>B51</b>	In this company, employees can pursue multiple career paths.	1	2	3	4	5
<b>B52</b>	This company tries hard to develop the creative potential of employees.	1	2	3	4	5
<b>B53</b>	Annual performance appraisals in this company include an evaluation of employee innovativeness.	1	2	3	4	5
<b>B54</b>	Around here, it seems like there is more concern with process than with performance.	1	2	3	4	5
<b>B55</b>	This company does a good job of balancing incentives for individual initiative with incentives for team collaboration.	1	2	3	4	5
<b>B56</b>	If you are not innovating on the job, you cannot get ahead in this company.	1	2	3	4	5
<b>B57</b>	An overly bureaucratic structure takes away from our ability to be entrepreneurial in this company.	1	2	3	4	5
<b>B58</b>	Our company is organised in a way that encourages managers to "micromanage" employees and projects.	1	2	3	4	5
<b>B59</b>	We have too many levels of management in this company.	1	2	3	4	5
<b>B60</b>	I would characterise the company structure as being highly flexible.	1	2	3	4	5
<b>B61</b>	A rigid chain of command limits our ability to experiment with new ideas.	1	2	3	4	5
<b>B62</b>	Red-tape and slow approval cycles are problems in this company.	1	2	3	4	5
<b>B63</b>	Managers in this company strongly believe in delegating decision-making responsibility.	1	2	3	4	5
<b>B64</b>	Controls are very tight in this company; we tend to count every dollar and every hour.	1	2	3	4	5
<b>B65</b>	Senior management focuses on eliminating any slack within budgets.	1	2	3	4	5
<b>B66</b>	Once budgets are finalized and accepted, they are difficult to revise.	1	2	3	4	5

<b>B67</b>	The lines of command clearly allocate authority and responsibility to each business unit/department.	1	2	3	4	5
<b>B68</b>	The organisational structure is very clearly defined and delineated.	1	2	3	4	5
<b>B69</b>	In this company, employees have a lot of say in how things are done.	1	2	3	4	5
<b>B70</b>	Ours is a culture that rewards the tried and the true.	1	2	3	4	5
<b>B71</b>	This is a company that celebrates innovative achievements.	1	2	3	4	5
<b>B72</b>	We have a culture that strongly discourages failure.	1	2	3	4	5
<b>B73</b>	There is a sense of urgency in this company regarding the importance of change and innovation.	1	2	3	4	5
<b>B74</b>	This company subscribes to the motto "if it ain't broke, don't fix it".	1	2	3	4	5
<b>B75</b>	Innovation and risk-taking are core values in this company.	1	2	3	4	5
<b>B76</b>	Lines of command clearly allocate authority and responsibility to each business unit/department.	1	2	3	4	5
<b>B77</b>	New ideas tend to receive quick go/no go decisions from management in this company.	1	2	3	4	5
<b>B78</b>	The company's environment encourages people to talk openly with others about ways to improve the firm's operations?	1	2	3	4	5

## SECTION C: RETAIL

This section consists of 54 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
<b>C01</b>	Village Profile their markets (Age, gender, income, education, culture and buying preferences are known).	1	2	3	4	5
<b>C02</b>	The target market (Village customer) needs for products and services are satisfied	1	2	3	4	5
<b>C03</b>	Customer profiled data are used to stock retail shops.	1	2	3	4	5
<b>C04</b>	Village know their target market.	1	2	3	4	5
<b>C05</b>	Village creates a unique store experience for customers.	1	2	3	4	5
<b>C06</b>	Retail environment are designed to have a unique shopping flow (shopping flow).	1	2	3	4	5
<b>C07</b>	Customers perception of value are heavily influenced by their perception of a store's look and feel (music, colour, scent and crowding could have an impact on overall experience).	1	2	3	4	5
<b>C08</b>	Store that offers a pleasant shopping experience will result in greater spending.	1	2	3	4	5
<b>C09</b>	Store atmosphere will differentiate Village from their competitors.	1	2	3	4	5
<b>C10</b>	Village branch management pay attention to customer service.	1	2	3	4	5
<b>C11</b>	Village staff pays attention to customer service.	1	2	3	4	5
<b>C12</b>	Checkout points enhance customer service.	1	2	3	4	5
<b>C13</b>	Staff is well trained to provide customers with appropriate information so that they could make informed buying decisions.	1	2	3	4	5

<b>C14</b>	Staff is well trained making sure that they know where merchandise is and will assist the customer.	1	2	3	4	5
<b>C15</b>	Staff is well trained to facilitate transactions such as checkouts and returns.	1	2	3	4	5
<b>C16</b>	Staff is well trained to help customers understand the benefits of products and services.	1	2	3	4	5
<b>C17</b>	Staff is well trained and empowered to rectify post purchase problems.	1	2	3	4	5
<b>C18</b>	Our customers always believe that they get their money's worth at Senwes Village	1	2	3	4	5
<b>C19</b>	Our merchandise appeal to the target market.	1	2	3	4	5
<b>C20</b>	Enough merchandise is where the customer wants it.	1	2	3	4	5
<b>C21</b>	Our merchandise differentiates Village from its competitors.	1	2	3	4	5
<b>C22</b>	More product variety leads to higher sales levels.	1	2	3	4	5
<b>C23</b>	Senwes Village product range is wide and deep enough	1	2	3	4	5
<b>C24</b>	Village staff knows the pricing methods that are applied.	1	2	3	4	5
<b>C25</b>	Prices are based on what happened in the past.	1	2	3	4	5
<b>C26</b>	Differentiated pricing systems apply in different geographical areas.	1	2	3	4	5
<b>C27</b>	Village pricing methods differentiate us from the competitors.	1	2	3	4	5
<b>C28</b>	Price sensitivity affects are taken into account to determine optimal or markdown pricing.	1	2	3	4	5
<b>C29</b>	Promotional pricing must be limited to formal promotion activities centrally driven from Head office.	1	2	3	4	5
<b>C30</b>	Promotional pricing must be decentralised to branch level.	1	2	3	4	5
<b>C31</b>	Price and promotional software must be used to determine optimal prices.	1	2	3	4	5
<b>C32</b>	Village consider market factors other than profit maximisation when setting prices.	1	2	3	4	5

<b>C33</b>	Village sets prices on what is going to happen in markets or market trends.	1	2	3	4	5
<b>C34</b>	Psychological pricing methods could lead to better profit margin (eg: Retailers will round price till the nearest nine (R2, 99).	1	2	3	4	5
<b>C35</b>	Village built price change cost into its price optimisation model.	1	2	3	4	5
<b>C36</b>	Customers agree that Village is value for money retailer.	1	2	3	4	5
<b>C37</b>	<b>Supply chain</b> management can generate significant profits to the bottom line.	1	2	3	4	5
<b>C38</b>	Our <b>Supply chain</b> management are efficient and effective in the integration of suppliers and transport intermediaries so that merchandise are distributed in the right quantities, right locations, right time, to minimise system cost, while satisfying service levels required.	1	2	3	4	5
<b>C39</b>	Village use sales data of POS to improve its proposition to its customers.	1	2	3	4	5
<b>C40</b>	Sales data are used to work closely with suppliers to plan inventory management.	1	2	3	4	5
<b>C41</b>	Sales data are used to improve customer relations management.	1	2	3	4	5
<b>C42</b>	Electronic shelve labelling must be used to improve pricing methods in the shops.	1	2	3	4	5
<b>C43</b>	Village could differentiate themselves if new technology is used to improve service and product levels to customers like an Customer relations management (CRM) system.	1	2	3	4	5
<b>C44</b>	SAP technology is a retail friendly system.	1	2	3	4	5
<b>C45</b>	Village must invest in other retail technology other than SAP.	1	2	3	4	5
<b>C46</b>	Village must use nano-technology in identifying customers.	1	2	3	4	5
<b>C47</b>	Village must implement e-retail to expand its geographical foot print.	1	2	3	4	5
<b>C48</b>	Sales promotions are a marketing tool for Village to increase sales.	1	2	3	4	5
<b>C49</b>	Advertising is becoming less effective.	1	2	3	4	5

<b>C50</b>	Communications through promotions reaches the customer at the place and time most purchase decisions are made.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>C51</b>	Village uses different forms of price promotions effective and efficient, such as temporary price reductions, coupons, displays and other POS material.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>C52</b>	Technology such as loyalty cards, electronic media at POS, electronic shopping assistant will have an impact how retailers use promotions.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>C53</b>	Village retail locations are accessible to the target markets and are consistent with its positioning.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>C54</b>	Village retail stores must cluster with other retail stores to give consumers the convenience of a one stop shopping.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

## SECTION D: PERCEIVED SUCCESS OF THE BUSINESS

This section consists of 11 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
D01	Our business has experienced growth in the turnover over the past few years.	1	2	3	4	5
D02	Our business has experienced growth in profit over the past few years	1	2	3	4	5
D03	Our business has experienced growth in market share over the past few years.	1	2	3	4	5
D04	The competitive position of our business has improved over the past few years	1	2	3	4	5
D05	The effectiveness(doing the right things) of our business has improved over the past few years	1	2	3	4	5
D06	The efficiency ( doing the right things) of our business has improved over the past few years	1	2	3	4	5
D07	In our business, employees are viewed as the most valuable asset of the business.	1	2	3	4	5
D08	Our employees are highly committed to our business	1	2	3	4	5
D09	The moral (job satisfaction) of our employees has improved over the past few years.	1	2	3	4	5
D10	The image (stature) of our business, relative to our competitors, has grown over the past few years.	1	2	3	4	5
D11	During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.	1	2	3	4	5

## SECTION E: BIOGRAPHICAL INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated.

Please mark the applicable block with a cross (X).

<b>E01</b>	<b>Indicate your age group</b>	≤ 29	30 - 39	40 - 49	50 - 59	60+
<b>E02</b>	<b>Indicate your gender</b>	Male		Female		
<b>E03</b>	<b>Indicate your race</b>	Black	White	Coloured	Indian	
<b>E04</b>	<b>Indicate your highest academic qualification</b>					
	Lower than Grade 12					
	Grade 12					
	National certificate					
	National diploma					
	3-year degree					
	Post graduate qualification					
<b>E05</b>	<b>Indicate your management level</b>	<b>Snr Middle management</b>  (Job Grade 16 upwards)	<b>Middle management</b>  (Job Grade 12- 15)	<b>First Line supervisory level</b>  (Job grade till 11)		
<b>Staff – (Job Grade till 10)</b>						

**THANK YOU VERY MUCH FOR YOUR VALUED INPUT.**

## ANNEXURE B: CORPORATE ENTREPRENEURIAL ORIENTATION CONSTRUCTS

### Items measuring corporate orientation the latent constructs

AUTONOMY	
<b>Autonomy A01</b>	I have enough autonomy in my job without continual supervision to do my work.
<b>Autonomy A02</b>	Our business allows me to be creative and try different methods to do my job.
<b>Autonomy A03</b>	Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.
<b>Autonomy A04</b>	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.
<b>Autonomy A05</b>	I seldom have to follow the same work methods or steps while performing my major tasks from day to day.
INNOVATIVENESS	
<b>Innovativeness A06</b>	Our business regularly introduces new services/ products/ processes.
<b>Innovativeness A07</b>	Our business places a strong emphasis on new and innovative products/services/processes.
<b>Innovativeness A08</b>	Our business has increased the number of services/products offered during the past two years.
<b>Innovativeness A09</b>	Our business is continually pursuing new opportunities.
<b>Innovativeness A10</b>	Over the past few years, changes in our processes, services and product lines have been quite dramatic.
<b>Innovativeness A11</b>	In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.
<b>Innovativeness A12</b>	Our business places a strong emphasis on continuous improvement in products/service delivery/processes.
<b>Innovativeness A13</b>	Our business has a widely held belief that innovation is an absolute necessity for the business's future.
<b>Innovativeness A14</b>	Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.
RISK-TAKING	
<b>Risk-taking A15</b>	When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.

<b>Risk-taking A16</b>	In general, our business has a strong inclination towards high-risk projects.
<b>Risk-taking A17</b>	Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business's objectives.
<b>Risk-taking A18</b>	Employees are often encouraged to take calculated risks concerning new ideas.
<b>Risk-taking A19</b>	The term "risk-taker" is considered a positive attribute for employees in our business.
<b>PRO-ACTIVENESS</b>	
<b>Pro-activeness A21</b>	Our business is very often the first to introduce new products/services/processes.
<b>Pro-activeness A22</b>	Our business typically initiates actions which competitors respond to.
<b>Pro-activeness A23</b>	Our business continuously seeks out new products/processes/services.
<b>Pro-activeness A24</b>	Our business continuously monitors market trends and identifies future needs of customers.
<b>COMPETITIVE AGGRESSIVENESS</b>	
<b>Competitive aggressiveness A25</b>	In dealing with competitors our business typically adopts a very competitive "undo-the-competitor" posture.
<b>Competitive aggressiveness A26</b>	Our business is very aggressive and intensely competitive.
<b>Competitive aggressiveness A27</b>	Our business effectively assumes an aggressive posture to combat industry trends that may threaten our survival or competitive position.
<b>Competitive aggressiveness A28</b>	Our business knows when it is in danger of acting overly aggressively (this could lead to erosion of our business's reputation or to retaliations by competitors).

## ANNEXURE C: CORPORATE ENTREPRENEURIAL CLIMATE CONSTRUCTS

### Items measuring corporate entrepreneurial climate the latent constructs

MANAGEMENT SUPPORT	
<b>Management support B01</b>	My organisation is quick to use improved work methods.
<b>Management support B02</b>	My organisation is quick to use improved work methods that are developed by workers.
<b>Management support B03</b>	In my organisation, developing one's own ideas is encouraged for the improvement of the corporations.
<b>Management support B04</b>	Upper management is aware and very receptive to my ideas and suggestions.
<b>Management support B05</b>	A promotion usually follows from the development of new and innovative ideas.
<b>Management support B06</b>	Those employees who come up with innovative ideas on their own often receive management encouragement for their activities.
<b>Management support B07</b>	The "doers on projects" are allowed to make decisions without going through elaborate justification and approval procedures.
<b>Management support B08</b>	Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.
<b>Management support B09</b>	Many top managers have been known for their experience with the innovation process.
<b>Management support B10</b>	Money is often available to get new project ideas off the ground.
<b>Management support B11</b>	Individuals with successful innovative projects receive additional rewards and compensation beyond the standard rewards system for their ideas and efforts.
<b>Management support B12</b>	There are several options within the organisation for individuals to get financial support for their innovative projects and ideas.
<b>Management support B13</b>	People are often encouraged to take calculated risks with ideas around here.
<b>Management support B14</b>	Individuals risk takers are often recognised for their willingness to champion new projects, whether eventually successful or not.
<b>Management support B15</b>	The term "risk taker" is considered a positive attribute for people in my work area.
<b>Management support B16</b>	This organisation supports many small and experimental projects realising that some will undoubtedly fail.
<b>Management support B17</b>	An employee with a good idea is often given free time to develop that idea.

<b>Management support B18</b>	There is considerable desire among people in the organisation for generating new ideas without regards for crossing departmental or functional boundaries.
<b>Management support B19</b>	People are encouraged to talk to employees in other departments of this organisation about ideas for new projects.
<b>WORK DIRECTION</b>	
<b>Work discretion B20</b>	I feel that I am my own boss and do not have to double check all of my decisions with someone else.
<b>Work discretion B21</b>	Harsh criticism and punishment result from mistakes made on the job.
<b>Work discretion B22</b>	This organisation provides the chance to be creative and try my own methods of doing the job.
<b>Work discretion B23</b>	This organisation provides the freedom to use my own judgement.
<b>Work discretion B24</b>	This organisation provides the chance to do something that makes use of my abilities.
<b>Work discretion B25</b>	I have the freedom to decide what I do on my job.
<b>Work discretion B26</b>	It is basically my own responsibility to decide how my job gets done.
<b>Work discretion B27</b>	I almost always get to decide what I do on my job.
<b>Work discretion B28</b>	I have much autonomy on my job and am left on my own to do my own work.
<b>Work discretion B29</b>	I seldom have to follow the same work methods or steps for doing my major tasks from day to day.
<b>REWARDS/REINFORCEMENT</b>	
<b>Rewards/Reinforcement B30</b>	My manager helps me get my work done by removing obstacles and roadblocks.
<b>Rewards/Reinforcement B31</b>	The rewards I receive are dependent upon my innovation on the job.
<b>Rewards/Reinforcement B32</b>	My supervisor will increase my job responsibilities if I am performing well in my job.
<b>Rewards/Reinforcement B33</b>	My supervisor will give me special recognition if my work performance is especially good.
<b>Rewards/Reinforcement B34</b>	My manager would tell his/her boss if my work was outstanding.
<b>Rewards/Reinforcement B35</b>	There is a lot of challenge in my job.

<b>TIME AVAILABILITY</b>	
<b>Time availability B36</b>	During the past three months, my work load kept me from spending time on developing new ideas.
<b>Time availability B37</b>	I always seem to have plenty of time to get everything done.
<b>Time availability B38</b>	I have just the right amount of time and work load to do everything well.
<b>Time availability B39</b>	My job is structured so that I have very little time to think about wider organisational problems.
<b>Time availability B40</b>	I feel that I am always working with time constraints on my job.
<b>Time availability B41</b>	My co-workers and I always find time for long-term problem solving.
<b>ORGANISATIONAL BOUNDARIES</b>	
<b>Organisation boundaries B42</b>	In the past three months, I have always followed standard operating procedures or practices to do my major tasks.
<b>Organisation boundaries B43</b>	There are many written rules and procedures that exist for doing my major tasks.
<b>Organisation boundaries B44</b>	On my job I have doubt of what is expected of me.
<b>Organisation boundaries B45</b>	There is little uncertainty in my job.
<b>Organisation boundaries B46</b>	During the past year, my immediate supervisor discussed my work performance with me frequently.
<b>Organisation boundaries B47</b>	My job description clearly specifies that standards of performance on which my job is evaluated.
<b>Organisation boundaries B48</b>	I clearly know what level of work performance is expected from me in terms of amount, quality and timelines of output.
<b>SPECIFIC CLIMATE VARIABLES</b>	
<b>Specific climate variables B49</b>	This company definitely rewards employees who take calculated risks and innovate.
<b>Specific climate variables B50</b>	Jobs in this company tend to be broadly defined with considerable discretion in how tasks are performed.
<b>Specific climate variables B51</b>	In this company, employees can pursue multiple career paths.
<b>Specific climate variables B52</b>	This company tries hard to develop the creative potential of employees.

<b>Specific climate variables B53</b>	Annual performance appraisals in this company include an evaluation of employee innovativeness.
<b>Specific climate variables B54</b>	Around here, it seems like there is more concern with process than with performance.
<b>Specific climate variables B55</b>	This company does a good job of balancing incentives for individual initiative with incentives for team collaboration.
<b>Specific climate variables B56</b>	If you are not innovating on the job, you cannot get ahead in this company.
<b>Specific climate variables B57</b>	An overly bureaucratic structure takes away from our ability to be entrepreneurial in this company.
<b>Specific climate variables B58</b>	Our company is organised in a way that encourages managers to “micromanage” employees and projects.
<b>Specific climate variables B59</b>	We have too many levels of management in this company.
<b>Specific climate variables B60</b>	I would characterise the company structure as being highly flexible.
<b>Specific climate variables B61</b>	A rigid chain of command limits our ability to experiment with new ideas.
<b>Specific climate variables B62</b>	Red-tape and slow approval cycles are problems in this company.
<b>Specific climate variables B63</b>	Managers in this company strongly believe in delegating decision-making responsibility.
<b>Specific climate variables B64</b>	Controls are very tight in this company; we tend to count every dollar and every hour.
<b>Specific climate variables B65</b>	Senior management focuses on eliminating any slack within budgets.
<b>Specific climate variables B66</b>	Once budgets are finalized and accepted, they are difficult to revise.
<b>Specific climate variables B67</b>	The lines of command clearly allocate authority and responsibility to each business unit/department.
<b>Specific climate variables B68</b>	The organisational structure is very clearly defined and delineated.
<b>Specific climate variables B69</b>	In this company, employees have a lot of say in how things are done.
<b>Specific climate variables B70</b>	Ours is a culture that rewards the tried and the true.
<b>Specific climate variables B71</b>	This is a company that celebrates innovative achievements.

<b>Specific climate variables B72</b>	We have a culture that strongly discourages failure.
<b>Specific climate variables B73</b>	There is a sense of urgency in this company regarding the importance of change and innovation.
<b>Specific climate variables B74</b>	This company subscribes to the motto "if it ain't broke, don't fix it".
<b>Specific climate variables B75</b>	Innovation and risk-taking are core values in this company.
<b>Specific climate variables B76</b>	Lines of command clearly allocate authority and responsibility to each business unit/department.
<b>Specific climate variables B77</b>	New ideas tend to receive quick go/no go decisions from management in this company.
<b>Specific climate variables B78</b>	The company's environment encourages people to talk openly with others about ways to improve the firm's operations?

## ANNEXURE D: RETAIL CONSTRUCTS

### Items measuring key retail success factors the latent constructs

SEGMENTATION/TARGET MARKETING	
<b>Segmentation/Target marketing C01</b>	Village Profile their markets (Age, gender, income, education, culture and buying preferences are known).
<b>Segmentation/Target marketing C02</b>	The target market (Village customer) needs for products and services are satisfied
<b>Segmentation/Target marketing C03</b>	Customer profiled data are used to stock retail shops.
<b>Segmentation/Target marketing C04</b>	Village know their target market.
STORE FACTORS	
<b>Store factors C05</b>	Village creates a unique store experience for customers.
<b>Store factors C06</b>	Retail environment are designed to have a unique shopping flow (shopping flow).
<b>Store factors C07</b>	Customers perception of value are heavily influenced by their perception of a store's look and feel (music, colour, scent and crowding could have an impact on overall experience).
<b>Store factors C08</b>	Store that offers a pleasant shopping experience will result in greater spending.
<b>Store factors C09</b>	Store atmosphere will differentiate Village from their competitors.
SERVICE FACTORS - PROCESS	
<b>Service factors - process C10</b>	Village branch management pay attention to customer service.
<b>Service factors - process C11</b>	Village staff pays attention to customer service.
<b>Service factors - process C12</b>	Checkout points enhance customer service.
<b>Service factors - process C13</b>	Staff is well trained to provide customers with appropriate information so that they could make informed buying decisions.
<b>Service factors - process C14</b>	Staff is well trained making sure that they know where merchandise is and will assist the customer.
<b>Service factors - process C15</b>	Staff is well trained to facilitate transactions such as checkouts and returns.
<b>Service factors - process C16</b>	Staff is well trained to help customers understand the benefits of products and services.

<b>Service factors - process C17</b>	Staff is well trained and empowered to rectify post purchase problems.
<b>MERCHANDISE/PRODUCT</b>	
<b>Merchandise/Product C18</b>	Our customers always believe that they get their money's worth at Senwes Village
<b>Merchandise/Product C19</b>	Our merchandise appeal to the target market.
<b>Merchandise/Product C20</b>	Enough merchandise is where the customer wants it.
<b>Merchandise/Product C21</b>	Our merchandise differentiates Village from its competitors.
<b>Merchandise/Product C22</b>	More product variety leads to higher sales levels.
<b>PRICE</b>	
<b>Price C23</b>	Senwes Village product range is wide and deep enough
<b>Price C24</b>	Village staff knows the pricing methods that are applied.
<b>Price C25</b>	Prices are based on what happened in the past.
<b>Price C26</b>	Differentiated pricing systems apply in different geographical areas.
<b>Price C27</b>	Village pricing methods differentiate us from the competitors.
<b>Price C28</b>	Price sensitivity affects are taken into account to determine optimal or markdown pricing.
<b>Price C29</b>	Promotional pricing must be limited to formal promotion activities centrally driven from Head office.
<b>Price C30</b>	Promotional pricing must be decentralised to branch level.
<b>Price C31</b>	Price and promotional software must be used to determine optimal prices.
<b>Price C32</b>	Village consider market factors other than profit maximisation when setting prices.
<b>Price C33</b>	Village sets prices on what is going to happen in markets or market trends.
<b>Price C34</b>	Psychological pricing methods could lead to better profit margin (eg: Retailers will round price till the nearest nine (R2, 99).

<b>SUPPLY CHAIN</b>	
<b>Supply chain C35</b>	Village built price change cost into its price optimisation model.
<b>Supply chain C36</b>	Customers agree that Village is value for money retailer.
<b>TECHNOLOGY</b>	
<b>Technology C37</b>	Supply chain management can generate significant profits to the bottom line.
<b>Technology C38</b>	Our Supply chain management are efficient and effective in the integration of suppliers and transport intermediaries so that merchandise are distributed in the right quantities, right locations, right time, to minimise system cost, while satisfying service levels required.
<b>Technology C39</b>	Village use sales data of POS to improve its proposition to its customers.
<b>Technology C40</b>	Sales data are used to work closely with suppliers to plan inventory management.
<b>Technology C41</b>	Sales data are used to improve customer relations management.
<b>Technology C42</b>	Electronic shelf labelling must be used to improve pricing methods in the shops.
<b>Technology C43</b>	Village could differentiate themselves if new technology is used to improve service and product levels to customers like an Customer relations management (CRM) system.
<b>Technology C44</b>	SAP technology is a retail friendly system.
<b>Technology C45</b>	Village must invest in other retail technology other than SAP.
<b>Technology C46</b>	Village must use nano-technology in identifying customers.
<b>Technology C47</b>	Village must implement e-retail to expand its geographical foot print.
<b>Technology C48</b>	Sales promotions are a marketing tool for Village to increase sales.
<b>Technology C49</b>	Advertising is becoming less effective.
<b>PROMOTIONS</b>	
<b>Promotions C50</b>	Communications through promotions reaches the customer at the place and time most purchase decisions are made.
<b>Promotions C51</b>	Village uses different forms of price promotions effective and efficient, such as temporary price reductions, coupons, displays and other POS material.

<b>Promotions C52</b>	Technology such as loyalty cards, electronic media at POS, electronic shopping assistant will have an impact how retailers use promotions.
<b>LOCATION</b>	
<b>Location C53</b>	Village retail locations are accessible to the target markets and are consistent with its positioning.
<b>Location C54</b>	Village retail stores must cluster with other retail stores to give consumers the convenience of a one stop shopping.

## ANNEXURE E: PERCEIVED SUCCESS CONSTRUCTS

### Items measuring perceived success factors the latent constructs

FINANCIAL MEASURES	
<b>Financial Measures D01</b>	Our business has experienced growth in the turnover over the past few years.
<b>Financial Measures D02</b>	Our business has experienced growth in profit over the past few years
<b>Financial Measures D03</b>	Our business has experienced growth in market share over the past few years.
PROCESS MEASURES	
<b>Process Measures D04</b>	The competitive position of our business has improved over the past few years
<b>Process Measures D05</b>	The effectiveness(doing the right things) of our business has improved over the past few years
<b>Process Measures D06</b>	The efficiency ( doing the right things) of our business has improved over the past few years
PEOPLE DEVELOPMENT	
<b>People Development D07</b>	In our business, employees are viewed as the most valuable asset of the business.
<b>People Development D08</b>	Our employees are highly committed to our business
<b>People Development D09</b>	The moral (job satisfaction) of our employees has improved over the past few years.
FUTURE SUCCESS (LONG-TERM)	
<b>Future success (Long-term) D10</b>	The image (stature) of our business, relative to our competitors, has grown over the past few years.
<b>Future success(Long-term) D11</b>	During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.