

**AN ASSESSMENT OF CORPORATE  
ENTREPRENEURSHIP IN THE ETHEKWINI  
METROPOLITAN MUNICIPALITY**

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# ABSTRACT

Organisations today are competing in a global market. External and internal pressures are forcing organisations to innovate new ideas and offering to a shrinking market.

This research primarily focuses on gaining insight into the current entrepreneurial climate as perceived by South African business executives in the Ethekewini Metropolitan Municipality, and aims to demystify those elements deemed important to achieve success in innovation for organisations operating in the twenty-first century.

Data from 63 respondents linked to 4 organisations were collected and analysed. The results indicate that most organisations have certain aspects of an entrepreneurial climate present in their organisation but most lacked a holistic strategic approach. The greatest area of concern for organisations in the Ethekewini district of South Africa, is a poor or low tolerance for risks, mistakes and failure. The study employed an established questionnaire developed by Pinchot (1999) and used descriptive statistics to analyse the data. Practical suggestions are also presented in order to improve the entrepreneurial climate of organisations.

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# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

The primary objective of this study is to assess corporate entrepreneurship and to make recommendations to foster an entrepreneurial climate in South Africa more specifically the Ethekwini Metropolitan Municipality. This study will aim to identify those elements or behaviours deemed important to achieve a successful entrepreneurial climate for organisations operating in the twenty first century. The goal of this study is to evaluate the current corporate environment and suggest a way forward.

The business environment is constantly evolving in ways that are not completely predictable. “Effective marketing represents one of the most formidable business challenges today”, was recently said by Brand Pretorius, Chief Executive Officer of McCarthy Limited. He further stated that the South African business environment remains somewhat volatile, unpredictable and ever changing. This could be contributed to globalisation, increased competition, the impact of information technology, and the ever-changing customer demographics (Pretorius, 2006).

South African organisations are experiencing more competition than ever before. Stiff international competition is a reality. As an example, since 1992 the number of American organisations operational in South Africa has increased by 300% to 450 and this figure growing daily. South Africa is served by 40 airlines and 82 banks. Modern organisations need to learn to survive in fast-paced, highly threatening global environment (Morris, Kuratko & Covin, 2008: 3).

It does not matter what type of organization you find yourself in whether it is in retail or manufacturing, entrepreneurship is redefining what and how things are made and how they are sold. This is clear by observing the multitude of new business types and business relationships emerging daily in the markets (Morris *et al.*, 2008: 13).

For the purpose of this study the corporate climate of the target organisations in the study was assessed using the constructs, leadership, management support, tolerance for risk and mistakes, organization structure, cross functional learning and strategic intent as the main instrument measuring the entrepreneurial climate of the participating organisation..

In this chapter the background to the study and problem statement, the objectives of the study, the scope of the study, the research methodology, limitations and layout of the study will be discussed.

## **1.2 BACKGROUND TO THE STUDY AND PROBLEM STATEMENT**

Today organisations and corporate entrepreneurs find themselves competing in a rapidly changing and evolving business environment. New competitors shoot up like mushrooms and the daily success stories of the lucky garage entrepreneur becoming a tycoon or the struggling big corporate becoming a market leader through innovation and by applying entrepreneurial thought processes, are rife in almost every business paper.

In order to understand the complexities of the modern competitive arena organisations need to consider how they are impacted by their internal and external environment. The external environment refers to everything outside the organization for example: the customer, technology, the supply chain and suppliers, regulatory policy, social climate and labour market. The internal environment deals with all the aspects such as the systems, processes, structure and corporate culture that make up the organization (Morris *et al.*, 2008: 4).

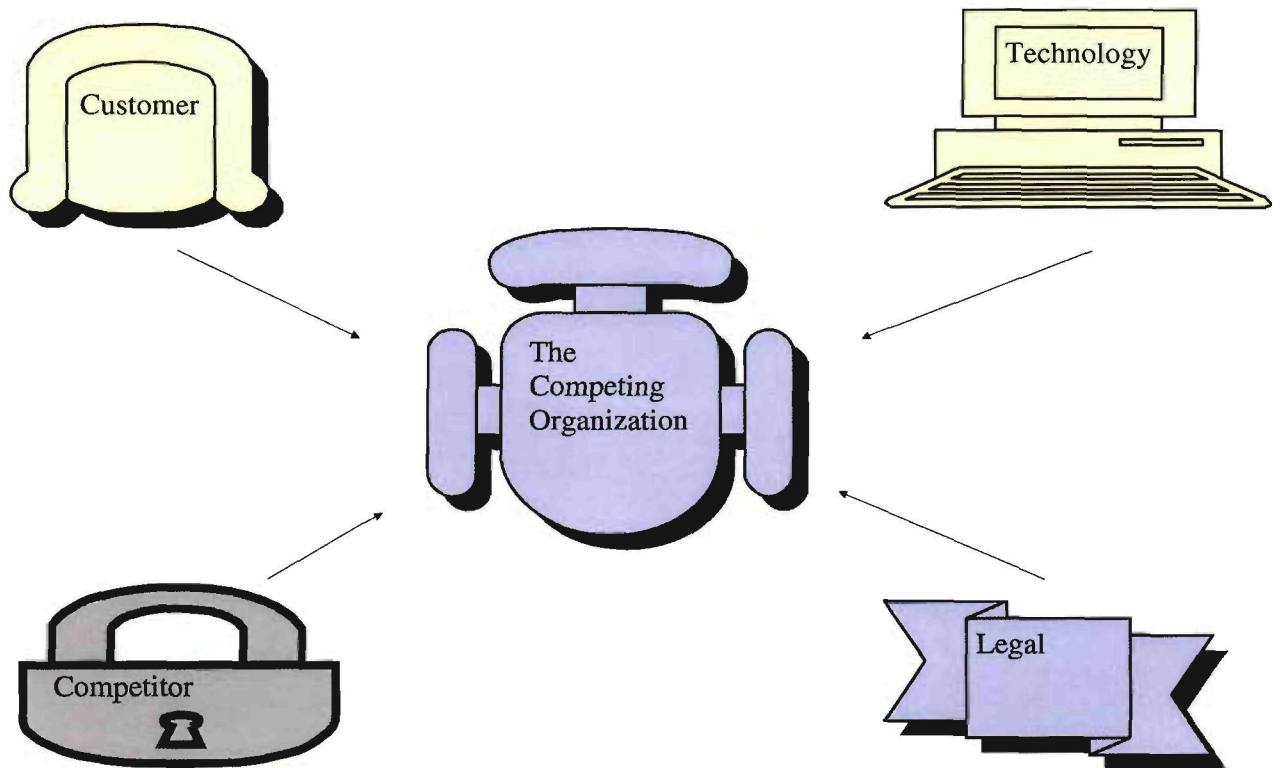
Morris *et al.* (2008: 8) identified eight major areas or domains of a typical modern firm's external environment. These factors are:

1. Technology
2. Economy
3. Competitive environment
4. Labour
5. Resources
6. Customers

7. Legal
8. Global

Figure 1.1 below is a graphic illustration of how the market forces impact the modern organisation. There are four major external forces that impact the organisation they are: Technology, customers, competition and litigation.

**Figure 1.1: The embattled organisation**



Source: Adapted from (Morris *et al.*, 2008)

The four major elements that challenge the modern organization are shown above in figure 1.1 and are explained as follows:

- Customers - organisations are now forced to adopt different strategies for different market segments in order to serve different target groups. Customer expectations evolve and are constantly changing adding pressure on the organization to meet these expectations.

Customers want to have a choice in the way their needs are met thus shifting focus in organisations from what to how.

- Technology - organisations change the way they do business by changing the way they operate internally as well as externally. This is done through new information management, new production methods, new customer management technologies, new logistics technology and new marketing techniques.
- Competitors - These organisations lead customers into new directions not normally followed either by mimicking or better execution. This splits existing markets up in smaller groups and forces organisations to be more aggressive by development and innovation.
- Legal and regulatory - The increasing number of stakeholders in organisations forces managers to make difficult decisions in order to comply. Organisations are now required to limit the impact that their activities has on the environment (so called green initiatives).

Figure 1.1 indicates how these factors impact on the organization. The challenge for modern organisations today is how to respond to these factors impacting on the organization. These factors are not new and have always been present in the business environment. The difference today is that they evolve much quicker than ever before due to mass and rapid globalization and the lightning fast pace at which technology develops in the modern era today (Kroon, 1999: 15). These factors force organisations to develop new products more often and much quicker than before, therefore products and resources are depleted much faster and become obsolete quicker.

The net result is that organisations today are finding it very difficult to enjoy long term control over their markets. The modern problem thus becomes much more complicated than ever before and the traditional way that organisations respond to the challenges are no longer the most effective. Managers are challenged to make quick and strategic decisions in order to respond to the market forces and in order to maintain or achieve the competitive advantage. Firms respond to the challenge in a multitude of ways. From downsizing to rightsizing, centralizing or decentralizing, business process reengineering and many other methods are used to address to problem of competitive advantage.

Morris *et al.* (2008: 7) explain that ultimate success does not only lie in achieving competitive advantage alone, but in a combination of sustainability and competitive advantage. Sustainable competitive advantage is what organisations should strive for. Traditionally competitive advantage was typically achieved by having lower input costs than competitors or by adding new product lines and thus tapping into new markets or segments. Today organisations have to improve continuously and have to be able to adapt quickly to opportunities or changes that occur in the market. Covin and Miles (1999: 49) emphasize that corporate entrepreneurship implies innovation and organisational change.

Morris *et al.* (2008: 8) identified five elements that are essential for organisations seeking to gain sustainable competitive advantage. These elements are:

1. Adaptability - The ability to adapt or adjust to new technologies and innovations.
2. Flexibility - The ability to strategize and to design processes and approaches in order to meet the changing customer needs.
3. Speed - To be able to respond quickly to new opportunities or threats.
4. Aggression - The intensity and proactive nature of the planned response.
5. Innovativeness - Importance placed on the perpetual development of on new products and services.

The research problem therefore resolves around the role of corporate entrepreneurship within local South African organisations more specifically the Ethekewini Metropolitan Municipality. It is envisaged that not all organisations have embraced the notion that corporate entrepreneurship has evolved from the traditional role of a sales support function to that of a core strategic unit. Little formal and documented research deals with benchmarking South African data against that of first world countries to indicate how to foster an entrepreneurial climate and the way forward for South African executives.

## **1.3 OBJECTIVES OF THE STUDY**

### **1.3.1 Primary objective**

The primary objective of this study was to gain insight into corporate entrepreneurship and to assess the current entrepreneurial climate in organisations in South Africa today. Furthermore, to determine how it is currently perceived by business executives, current and future trends in markets and those elements that are vital for cultivating an entrepreneurial climate in order to achieve sustainable competitive advantage as part of a business strategy. The outcome of this study would be used to make recommendations to organisations on how to foster an entrepreneurial climate based on results obtained from an empirical study and compared to a literature review on corporate entrepreneurship.

### **1.3.2 Secondary objectives**

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

- To define corporate entrepreneurship.
- To obtain insight into the dynamics of corporate entrepreneurship by means of a literature review.
- To validate the reliability of the questionnaire.
- To assess the entrepreneurial climate in the Ethekewini Metropolitan Municipality amongst the selected organisations.
- To examine the relationship between the demographic variables, gender and age group, and the constructs measuring the entrepreneurial climate.
- To suggest practical recommendations in order to foster corporate entrepreneurship.

## 1.4 SCOPE OF THE STUDY

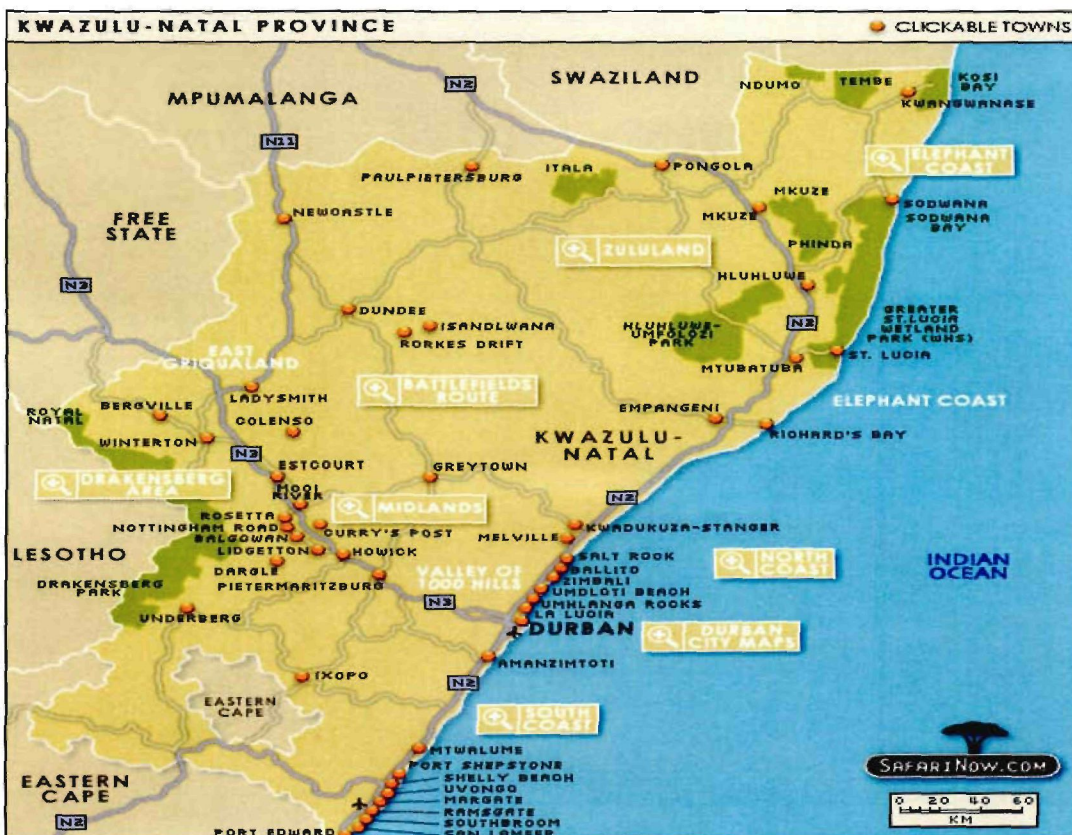
### 1.4.1 Field of the study

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

### 1.4.2 Geographical demarcation of the study

The empirical study was conducted at corporate organisations within the geographical border of the Ethekewini metropolitan municipality (Formerly known as the Durban / Pietermaritzburg region) in the Kwazulu Natal Province of South Africa. Figure 1.1 below is a graphical illustration of the area.

Figure 1.2: Map of the Kwazulu-Natal Province



Source: Safari Now.Com

## **1.5 RESEARCH METHODOLOGY**

The research method employed for this study considered secondary data in the form of a literature review to understand the role of a positive entrepreneurial climate as part of the core strategy-making engine of an organization. Subsequently an empirical study was conducted to measure the entrepreneurial climate within South African organisations, more specifically within the Ethekwini Metropolitan Municipal area. The empirical data was benchmarked against research done and recommendations were formulated.

### **1.5.1 Constructing the questionnaire**

The original innovation climate questionnaire, developed by Gifford Pinchot was used as bases for this study (Pinchot & Pellman, 1999: 107). The original questionnaire consists of 18 constructs which measure how respondents perceive the entrepreneurial climate of the organisations in which they are employed. Respondents have been asked to rate how well their company is performing in a particular area on a Likert rating scale of 1 to 5, where 1 = strongly disagree, and 5= strongly agree. Six measurement constructs and items have been identified by Morris *et al.* (2008: 8) as the core competencies that are needed in order to create an entrepreneurial climate in an organization. The six constructs identified by Morris were used in this questionnaire. The main constructs are as follows:

- Entrepreneurial leadership.
- Management support.
- Tolerance for risks, mistakes and failure.
- A flat organizational structure with open communication.
- Cross functional learning.
- Vision and strategic intent.

These constructs were supported by 8 -13 items that measured the degree of prevalence of each construct as perceived by the respondents their own organisations. I total 62 items measured 6 constructs in this study.

### **1.5.2 The study population**

In order to evaluate the current entrepreneurial climate within organisations in Ethekekwini, managers representing various industries and organisations have been approached to rate the entrepreneurial climate of their organisations in which they are employed. A quantitative approach has been used for this research. Each of the above mentioned constructs are supported by a number of supporting items measuring the construct.

The organisations selected to take part in this study were Sun International (hospitality and catering), ABSA Bank (banking), Leads to Business (building and construction), Stowell and Company (Legal), Tala Game Reserve (hospitality), SJH Finance (Finance), and K.F.C (catering). Each one of these companies is significant role players in their sectors. Respondents ranged from management to specialists. Respondents represented a wide variety of industries. Medium to large organisations private and public organisations were tested as well as national and international organisations.

### **1.5.3 Data collection**

The research has been done through the distribution and collection of a questionnaire. The following process was followed:

- Questionnaires were delivered to the various Human Resource Officers of each organisation.
- An interview was held with the various resource personnel and the preferred criteria for respondents explained.
- The questionnaires were distributed to the respondents by the Human Resource departments.
- After completion questionnaires were collected from each organisation.
- The data was then populated into a database from where the statistical analysis was done.

A total of 63 usable questionnaires were returned from four different organisations, with between 300 and 3000 staff members working in the organisations..

#### **1.5.4 Statistical analysis**

The data collected were statistically calculated and analyzed using SPSS (version 15) to gain an overview of the perceptions of the respondents towards the questions within the 6 constructs.

Construct validity of the questionnaire was assessed by means of an exploratory factor analysis and by calculating Cronbach alpha coefficients. The relationship between the extracted factors, that is, entrepreneurial leadership, management support, Tolerance for risks and mistakes, flat organisational structure, cross functional learning and vision with strategic intent, is explored by means of paired tests. The demographical data will be measured by means of effect sizes.

### **1.6 LIMITATIONS TO THE STUDY**

It is important to acknowledge that all research has some limitations and it is no different for this study. Although a large senior management group formed the basis of the target group that was researched, the study was only done on Ethekwini organisations in Kwazulu-Natal, South Africa. It is therefore clear that the study is by no means representative of all organisations in the greater South Africa.

Face to face interviews were not done with respondents and this could allow for some misunderstandings in terms of the questions asked by the questionnaire.

Even though much effort and time was spent on research and data gathering the sample was very small. The sample consisted of a small group of 63 respondents and therefore further in depth supplementary research is recommended in order to effectively interpret and understand the findings made in this study.

## **1.7 LAYOUT OF THE STUDY**

The structure of this study is divided into the following.

Chapter 2 focuses on a literature review in order to find existing literature on the topic with suggested solutions to the problem stated. This chapter contains an introduction, definition of terms, a broader definition of what corporate entrepreneurship constitutes of, the entrepreneur and the characteristics of an entrepreneur, the definition of corporate entrepreneurship, the intrapreneur, intrapreneuring and corporate entrepreneurship, barriers to corporate entrepreneurship, establishing corporate entrepreneurship in the organisation and a summary.

Chapter 3 focuses on an empirical research study. The empirical research consists of a description of the research methodology, the study population and respondents, and the presentation and discussion of the findings of the research.

Chapter 4 concludes what has been found in the preceding chapter. These findings are compared to some of the findings in the literature study in Chapter 2 and conclusions are drawn, recommendations made, achievement of objectives and suggestions for further research are formulated.

# CHAPTER 2

## LITERATURE REVIEW ON CORPORATE ENTREPRENEURSHIP

### 2.1 INTRODUCTION

This chapter aims to give a broader understanding of corporate entrepreneurship. Corporate entrepreneurship is defined and the key elements needed required to cultivate an entrepreneurial climate are identified. This chapter also aims to put the views of various experts in the discipline on the importance of corporate entrepreneurship in a South African context.

According to Kuratko and Welsch (2001: 4), globalisation, technology and the information movement are the key forces that are forcing organisations to re-examine their organisations. This is true for the motor vehicle manufacturers and importers in South Africa who increased from seven in 1994, marketing 200 model derivatives, to 28 today with over 1 000 model derivatives (Pretorius, 2006). South Africans spend R428 000 000 online in the retail sector (Goldstuck, 2006).

It thus indicates that the South African business environment is not excluded from the global, unpredictable and ever changing markets. The same would apply to the management function of South African organisations. This creates real challenges to managers all over South Africa, irrespective of the kind of business or the industry in which they operate.

### 2.2 DEFINITION OF TERMS

Throughout the study a number of terms will be used to explain concepts. They are as follows:

- The **entrepreneur** is a person who starts and operates a business. According to Longenecker, Moore and Petty (2000: 3), entrepreneurs are the decision makers who will

shape the free-enterprise economic environment of the new millennium by discovering new market needs and launching new organisations to meet those needs.

- Johnson (2001: 138) defines **entrepreneurship** as the process of capturing ideas, converting them into products or services and the building of a venture to take the product to the market.
- **Risk** is the term used to describe the risk entrepreneurs take in exploiting opportunities. This may include financial and career risk (Longenecker *et al.*, 2000: 9).
- **Innovation** is the complete process starting from where products and services are conceived to the point where those ideas are integrated and implemented in the organisation Macadam and McClelland (2002: 88) define innovation as “a process with distinct stages stretching from idea generation to implementation.”
- **Creativity** is the right brain activity that sparks the ideas. It is often referred to as “out of the box” thinking Macadam and McClelland (2002: 88) emphasise the role of creativity in the idea generation stage of the innovation process.
- **New venture formation** is the creation or starting of a new business. According to Timmons and Spinelli (2004: 6), classical entrepreneurship implies new venture creation.
- **Competitive advantage** exists when a firm has a product, service or idea that is perceived by its target market as better than those of competitors. Competitive advantage can be achieved through a number of ways. Longenecker *et al.* (2000: 98) identified some of these methods as: Price/value, unique service features, notable product attributes, customer experience and accessibility.
- **Sustainable competitive advantage**, very simply put, is to ensure that the value that is created is likely to endure over time (Morris *et al.*, 2008: 7).

- **The Market** is a group of customers or potential customers who has purchasing power and unsatisfied needs. Longenecker *et al.* (2000: 155) explain that a business can only be successful if an adequate market exists for its products or service.
- **Opportunity** is the market climate or situations which allow entrepreneurs to launch or operate a business successfully in specific conditions. This requires individuals to identify needs and to generate ideas on how to meet those needs in a profitable manner or method (Longenecker *et al.*, 200: 99).
- **Intrapreneurs** are the individuals who are personally responsible for innovation in an organization. Pinchot (1985) first came up with the term in order to describe employees of organisations who have the ability to identify opportunities and to exploit the organisations resources to satisfy new needs and to better satisfy existing needs. Kroon (1999: 15) describes intrapreneurs as dreamers or individuals with vision who moves into action. They are individuals who are creative and who turns good ideas into profitable reality.
- **Corporate entrepreneurship** is a process in an existing organization that leads to identification of new opportunities and therefore new business ventures, by developing new products, processes or services in order to exploit the newly identified business opportunities. Morris *et al.* (2008: 11) describe corporate entrepreneurship as entrepreneurial behaviour within established mid-sized and large organisations. Corporate entrepreneurship can be formal or in-formal. It can thus be a formal initiative with strategic approach managed and implemented by senior management or it can be a process of gradual product or service enhancement. The corporate entrepreneurship process also implies a constant adaptation or renewal of organizational processes (Timmons & Spinelli, 2004: 246).
- **Organizational Culture** can be defined as the formal and informal internal value system of the organization that is shared by the employees of the organization (Timmons & Spinelli, 2004: 279)

## 2.3 A BROADER DEFINITION OF ENTREPRENEURSHIP

In order to fully understand what the term corporate entrepreneurship means, better understanding of the term entrepreneurship is needed. According to Longenecker *et al.* (2000: 3), entrepreneurs are the decision makers who will shape the free-enterprise economic environment of the new millennium by discovering new market needs and launching new organisations to meet those needs. The greatest impetus or injection for growth, change and innovation into our economy will come from entrepreneurs.

Harold Ford, jr., U.S. Senator from Tennessee said in his 2000 Democratic National Convention Speech *“In every neighbourhood in my home town of Memphis, and all across America, I see young people tutoring and mentoring, building homes, caring for seniors, and feeding the hungry. I also see them using their entrepreneurial spirit to build organisations, start nonprofits, and drive our new economy.”*

Entrepreneurs are constantly looking for opportunities to start new businesses or to improve on existing methods of conducting business. Entrepreneurs in various sectors and markets are serving the economy by providing jobs and by producing goods or services around the world.

There are many different views on the true meaning of entrepreneurship. According to Kroon (1999: 1), entrepreneurship is defined as the process of establishment of something with value that would meet a need in a market and through improved execution of inputs versus outputs sustained competitive advantage is achieved. Value is created by creative use or application of resources to address the market opportunity. It can therefore be said that entrepreneurship is the process of creation and distribution of consecutive value to individuals and groups long term. Timmons and Spinelli (2007: 9) point out that the process of entrepreneurship involves identifying opportunities and taking risks where others would normally see conflict and no opportunity.

The seven aspects that explain the nature of entrepreneurship identified by Morris (1998) are as follows:

1. **Creation of wealth:** the process of entrepreneurship implies assuming the risks involved with the facilitation of production in exchange for profit.

2. **Creation of enterprise:** Traditionally entrepreneurship entails the founding of a new business venture where none existed before.
3. **Creation of innovation:** A primary objective for entrepreneurs is the concentration on improvement and unique combination of resources that makes current methods or products obsolete.
4. **Creation of change:** The process of entrepreneurship involves change by adjusting, adapting or modifying one's personal skills and approaches in order to fully utilize opportunities in the environment.
5. **Creation of employment:** As entrepreneurs develop and respond to opportunities in the market, products or services are created and this requires a developed labour force.
6. **Creation of value:** Entrepreneurship is the process of creating value by exploiting untapped opportunities.
7. **Creation of growth:** Entrepreneurship is a strong orientation towards growth in sales, income, assets and employment.

## **2.4 WHAT IS AN ENTREPRENEUR?**

As per our definition in paragraph 2.2, an entrepreneur is a person who starts and operates a business. According to Longenecker *et al.* (2000: 3), entrepreneurs are the decision makers who will shape the free-enterprise economic environment of the new millennium by discovering new market needs and launching new organisations to meet those needs.

Entrepreneurs are individuals who have distinct entrepreneurial characteristics. The successful enhancement of these entrepreneurial behaviours or characteristics would greatly determine the success of a venture or project (Timmons & Spinelli, 2004: 246).

## 2.5 CHARACTERISTICS OF ENTREPRENEURS

- **Willingness to take risks:** By investing their own money entrepreneurs are exposed to financial risk and in cases where entrepreneurs leave secure jobs in order to pursue an opportunity they also risk their careers. Failure therefore affects their personal and work life. According to Kroon (1999: 7), entrepreneurs are individuals who can handle conflict and uncertainty.
- **Need for achievement:** Entrepreneurs are individuals who are ambitious and who are driven by achieving personal success. Longenecker *et al.* (2000: 8) note that there is a correlation between high need for achievement and entrepreneurial thought processes. According to them individuals with a low need for achievement seem to be content with their present status. Thus not very innovative and not inspired to change or adapt. On the other hand we find that individuals with a high need for achievement like to compete and prefer to be personally responsible for their own assigned tasks. Studies done by McClelland at Harvard University, proved this correlation and indicated an above normal need for achievement in entrepreneurs than in those people of the population who do not become entrepreneurs (Longenecker *et al.*, 2000: 9).
- **Leadership qualities:** Most entrepreneurs are the founders of their organisations or businesses and therefore they set the direction and future growth of these businesses. In most cases ventures are managed by the entrepreneurs at the very beginning. A strong focus and internal locus of control is needed in order to handle the pressures of leading a business effectively. The ability of most entrepreneurs to cope with conflict is key in the success of managing and steering their organisations in an effective manner in order to achieve the desired results (Kroon 1999: 5).

## 2.6 THE DEFINITION OF CORPORATE ENTREPRENEURSHIP

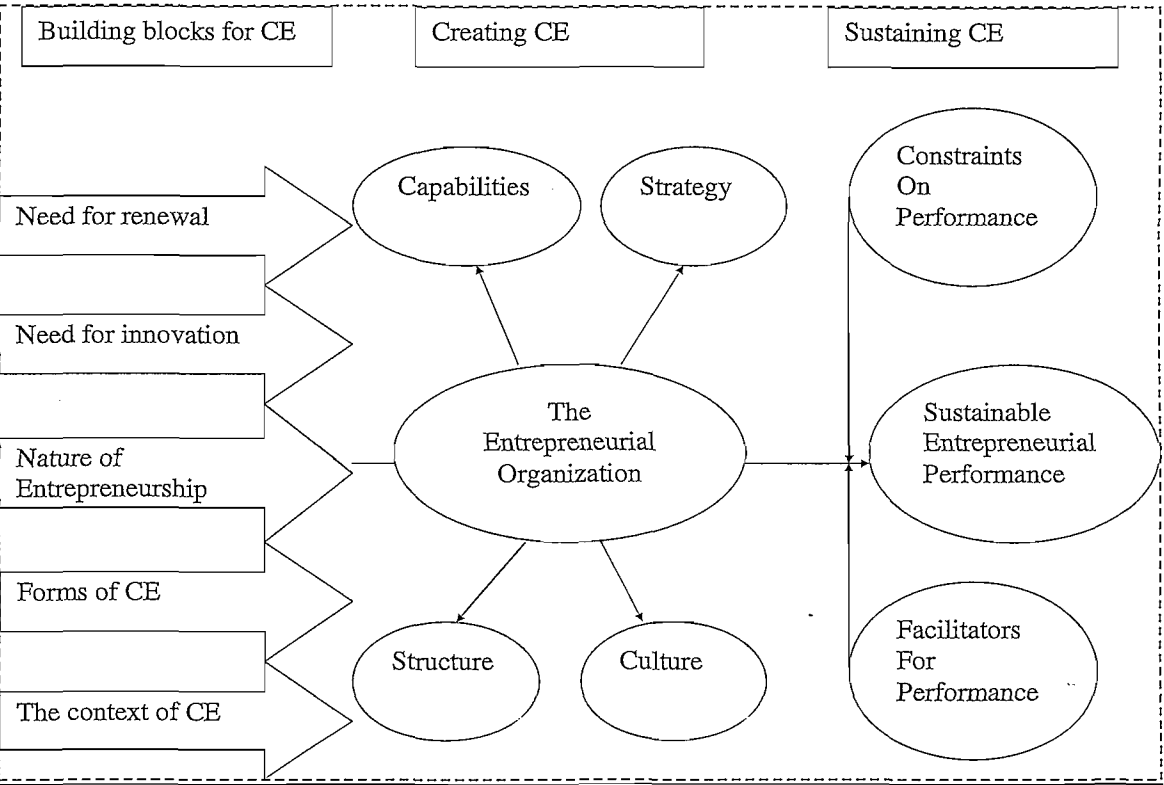
The definition of corporate entrepreneurship is the innovative process whereby an organization re-invents itself through constant organizational renewal of processes, systems, products and services. Morris *et al.* (2008: 11) note that corporate innovation is a broad concept that includes the generation, development and implementation of new ideas or

behaviours. An innovation can be a new product or service, and administrative system, or a new plan or program pertaining to organizational members. The core function of corporate innovation is enhancing the organisations ability to acquire innovative skills and capabilities. Corporate entrepreneurship is also referred to as intrapreneurship, corporate venturing or organizational entrepreneurship.

**2.7 THE CORPORATE ENTREPRENEURSHIP MODEL**

Morris *et al.* (2008) explain the process of corporate entrepreneurship in the form of a graphic model. This model is shown below in figure 2.1.

**Figure 2.1: The corporate entrepreneurship model**



Source adapted from Morris *et al.* (2008: 21)

Figure 2.1 explains the nature and challenges of addressing corporate entrepreneurship in an organization. This model is designed by Morris and shows the corporate entrepreneurial process. In the first phase organisations need to gain a broad understanding of what their

innovation needs are. Also important in this phase is to gain an understanding of the corporate entrepreneurial process.

In the second phase organisations need to define and address their internal needs. Those are the human resource capabilities of staff, gaps need to be identified and capabilities to address the innovative needs of the organization should be cultivated. Secondly entrepreneurial organization has the need for an open or flat organizational structure which allows for quick decision making. In order to maintain impetus and to effectively execute entrepreneurial ventures, organisations need a climate or culture that is accepting of entrepreneurial values and methods of thinking, tolerance for mistakes is often one of the most important aspect of an entrepreneurial climate. The fourth and very important aspect is the organizational strategy. The entrepreneurial ventures or organizational renewal process has to be aligned with the over all strategic approach (Morris *et al.*, 2008: 22).

The final phase of this process is ensuring that the organization does not only enjoy a competitive advantage but achieves long term sustained competitive advantage. Very important here is to continuously measure and rate the organization's entrepreneurial performance.

## **2.8 THE INTRAPRENEUR**

The people responsible for corporate innovation and change inside the organization are also referred to as intrapreneurs. According to Pinchot and Pellman (1999: 16), intrapreneurs resemble entrepreneurs. They are not necessarily the people that come up with the idea, but they are the ones who develop the idea into a profit or success. The intrapreneur can be the one who conceives the idea, but the key factor or requirement is for the individual to transform the idea from concept to reality. Intrapreneurs are pro-active individuals who have the ability to remove obstacles out of their way. Antoncic and Hisrich (2003: 9) define intrapreneurs as individuals inside organisations who peruse opportunities independent from the resources they control. According to Luchsinger and Bagby (1987: 11), intrapreneurs are those individuals who champion new products and ideas within the corporate setting.

Kroon (1999: 18) identifies the characteristics of good intrapreneurs as follows:

- **Vision:** Intrapreneurs are visionary individuals who use their imagination in order to visualize ideas. Luchsinger and Bagby (1987: 12) state that the psychological nature of the intrapreneur is similar to that of the entrepreneur.
- **Orientation to act:** Intrapreneurs have a natural tendency to act. They have a passion for driving change in their organisations that generates long term value (Antoncic & Hisrich, 2003: 16).
- **Commitment:** A very common characteristic of good intrapreneurs is their tendency to be fanatical and very committed to what they are doing. According to Kuratko and Hodgetts (2004: 69), intrapreneurs are individuals who are goal orientated and would do whatever it takes in order to achieve their targets or goals. They go beyond the call of duty in achieving their goals.
- **Risk Profile:** Intrapreneurs constantly strive to reduce the risks associated with projects. Their confidence as a result of this process is often mistaken for arrogance and adversity towards risk. Intrapreneurs spend a great proportion of time in research this builds confidence as they are becoming experts on the project (Kroon, 1999: 18).
- **Management:** The moment the idea reaches the production phase where the efficient execution long term becomes the main focus, intrapreneurs tend to loose interest. This is where the specialist manager steps in and manages the production. According to Pinchot and Pellman (1999: 72), effective management of the innovation process requires business leaders to develop long term strategies in order to guide the organisation's development projects. This process must allow for periodic reviews in order to assist and guide intrapreneurs.
- **Performance:** The primary motivator for intrapreneurs is the need for success and the need for achievement.

## 2.9 INTRAPRENEURING AND CORPORATE ENTREPRENEURSHIP

Intrapreneuring forms part of the corporate entrepreneurship process, essentially intrapreneuring is the core building block for innovation and organizational reform of organisations. It is therefore imperative that intrapreneurs are developed and retained in organisations who wish to cultivate and foster an entrepreneurial climate or culture (Timmons & Spinelli, 2004: 249). Morris *et al.* (2008: 149) explain that intrapreneurs are the drivers behind the implementation of innovative concepts and that entrepreneurial action can and should be taught through strategic programs.

Pinchot and Pellman (1999: 25) believe that intrapreneuring works most effectively when it aligns with the global corporate strategic intent of the organization. This stresses the importance of intrapreneuring as part of the corporate entrepreneurship practice. It is therefore clear that the corporate entrepreneurship process is a vast process that is built on intrapreneurial thinking and methodology and organisations who wish to effectively harness the benefits of corporate entrepreneurship or intrapreneurship need to create or foster a climate that encourages these practices on all levels.

## 2.10 BARRIERS TO CORPORATE ENTREPRENEURSHIP

Johnson (2001: 136) states that most people believe when an organization reaches a certain size, it loses its capacity to act entrepreneurially. The reason for this belief, according to Johnson (2001: 137), is the result of the human factor and that in times of stress and uncertainty people will always rely or resort back to techniques, processes or skills that served well in the past.

Morris *et al.* (2008: 281) list further obstacles in the way of entrepreneurial process.

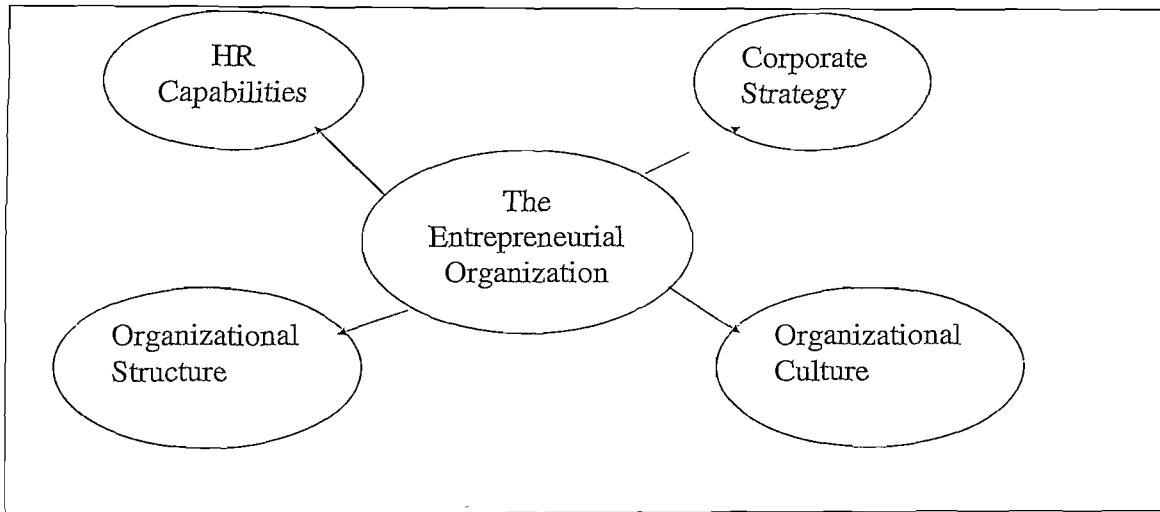
- **Systems:** When the control systems are too rigid and reduce the individual's decision making ability or authority, the process creates lack of trust which smothers innovation.

- **Structures:** As firms grow bigger and incorporate more hierarchical levels into the organizational structure, the ability to make decisions, take risks, or identifying opportunities becomes problematic.
- **Strategic Direction:** The lack of commitment by the leaders of organisations to the principle of institutionalized entrepreneurship. If the strategic motivation is not there from the top down the process is nothing more than a documented suggestion.
- **Policies and Procedures:** Operating guidelines are established by organisations through experience. The corporate entrepreneur finds policy and procedure particularly burdensome.
- **People:** The greatest obstacle to corporate entrepreneurship is people. The no1 priority in order to create a climate of innovation is to change peoples mind sets. The whole process of corporate entrepreneurship is based on individuals who are willing to think creatively and to manifest those ideas. However people naturally resist change.
- **Culture:** Where organisations fail to define what they stand for and what their goals and objectives are, entrepreneurship has no importance and will not be concentrated on.

## **2.11 ESTABLISHING CORPORATE ENTREPRENEURSHIP IN THE ORGANISATION**

Creating an entrepreneurial organisation involves all the departments of an organisation. Figure 2.2 below is a graphic illustration of how different departments within the same organisation can influence the corporate entrepreneurial goal.

**Figure 2.2: Creating an entrepreneurial organisation**



Source adapted from Morris *et al.* (2008: 136)

In every organization it is the responsibility of the leaders to motivate and enhance innovation. It is therefore clear that in order to create an entrepreneurial organization in the true sense involves all the functions of the organization. Above in figure 2.2 Morris *et al.* (2008: 136) describe the different elements in the process of creating entrepreneurial organisations. The key elements discussed in this study are human resource capabilities, corporate strategy, organizational structure and organizational culture.

### **2.11.1 Human resource capabilities**

Entrepreneurship begins with people. They are the heart and soul of any organization, without the innovator or intrapreneur, innovation and organizational change is really not successful. In order to be effective at creating an entrepreneurial environment attention needs to be given to the people who are responsible for this process. This requires careful strategic planning and application of the human resources within an organization (Pinchot & Pellman, 1999: 117). Figure 2.1 explains the major internal and external functions of the human resource department.

**Table 2.1: The major human resource functions**

<b>Internal Challenges: The core HR functions</b>	<b>External challenges influencing core HR functions</b>
<ul style="list-style-type: none"> <li>• Job analysis</li> <li>• HR planning</li> <li>• HR information systems</li> <li>• Employees recruitment</li> <li>• Performance appraisal</li> <li>• Training and development</li> <li>• Discipline</li> <li>• Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and ethical issues</li> <li>• Global challenges</li> <li>• Labour relations and characteristics of the changing work force</li> <li>• Health and safety requirements</li> <li>• Managerial issues</li> </ul>

Source adapted from Morris *et al.* (2008)

Human resource programs associated with recruitment, selection and training need to be developed in order to ensure that the individuals who are employed, possess the skills and characteristics that are critical for achievement of long term company goals. According to Morris *et al.* (2008: 166), organisations need to design their performance appraisal, compensation and discipline programs in such a way that it guides and motivates behaviours that are associated with key organizational strategies.

### 2.11.2 Corporate strategy

In order for an entrepreneurial program to be sustainable Morris and Kuratko believe that the entrepreneurial concept must be incorporated into the mission, goals and strategies of the organization. “It can serve as an integral component of a firm’s strategy and, in some instances, serve as the core or defining component of corporate strategy. A strategy at its essence, attempts to capture where the firm wants to go and how it plans to get there” (Morris *et al.*, 2008: 187).

Morris *et al.* (2008: 212) name some factors that go hand in hand with a well-conceptualized strategy, they are as follows:

- Developing an entrepreneurial vision.
- Increasing the perception of opportunity.
- Institutionalizing change.
- Instilling the desire to be innovative.
- Investing in peoples ideas.
- Sharing risks and rewards with employees.
- Recognizing the critical importance of failure.

Campbell, Allen and Welch (2004: 6) state that measuring the positive impact on an organization's results, determines whether an innovation was a success or failure and the way that this would be defined would depend on the organisations goals and objectives.

According to Pinchot and Pellman (1999: 117), it is not good enough for leaders of an organization to know where it is going. For the vision to have an effect it is important that the people of the organization are moved by the strategy. They must be aware of what they can do to bring the vision into realization. This requires the organisations structure to be flexible enough to veer off course and to allow individuals to be free to experiment.

This brings us to the next level or element of the process of creating an entrepreneurial organization, and that is addressing organizational structures.

### **2.11.3 Organizational structure**

Every organization has three very important elements in its design: Company structure, controls and communication flow. These structures are created to bring order to company operations and they regulate how things are done by the individuals who work in the company. Generally when organisations are very small and or new the structures are very loose and informal. Those organisations are also very entrepreneurially orientated and often quite flexible to change. However as organisations grow and expand the need for more formal

structures and procedures often creates vast formal structures that are very bureaucratic and often impair innovation or entrepreneurial concepts (Morris *et al.*, 2008: 281).

Pinchot and Pellman (1999: 72) agree that organisations need structure in order to be effective, but further states that an effective structure recognizes that entrepreneurial talent and ideas exists throughout the organization, and pulls them in from all corners. It ensures that innovation does not become the exclusive task of a particular group. They also suggest that a flat open organizational structure with cross functional teams, entrepreneurial processes the best compliment and enhance.

Echols and Neck (1998: 39) state that the structure of an organisation is a primary ingredient necessary for an entrepreneurial climate. Furthermore that entrepreneurial structure is supportive, performance driven with high levels of discipline, and they have a clear mission.

#### **2.11.4 Organizational culture**

Organizational culture can be defined as the formal and informal internal value system of the organization that is shared by the employees of the organization that distinguishes it from other organisations (Moran & Volkwein, 1992: 20). According to Ross (1987: 23), all organisations have culture or a common belief system. MacMillan and McGrath (2000: 303) highlight that leaders must be persistent in modelling the behaviour they want others to adopt and that if leaders do this, people will follow their example.

Martins and Terblanche (2003: 80) stated that organizational culture will hinder or simulate corporate entrepreneurship, creativity and innovation. They have found that the best way for innovation and creativity to be supported is through open and flat organizational structures with open communication. This is so, because it encourages interdependent interaction and investigations. Table 2.2 below lists the key requirements of an entrepreneurial structure as identified by, Timmons, Peters, Cornwall and Pellman.

**Table 2.2: Components of an entrepreneurial structure: Three perspectives**

<u>Timmons (1999)</u>	<u>Peters (1997)</u>	<u>Cornwall and Pellman (1990)</u>
<ul style="list-style-type: none"> <li>• Clarity, being well organized</li> <li>• High standards</li> <li>• Commitment</li> <li>• Responsibility</li> <li>• Recognition</li> </ul>	<ul style="list-style-type: none"> <li>• Listening</li> <li>• Embracing change</li> <li>• Total integrity</li> <li>• Excellence</li> <li>• Involve everyone and everything</li> <li>• Experimentation</li> <li>• Fast paced innovation</li> <li>• Small starts and failures</li> <li>• Visible management</li> <li>Measurement / accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Risk</li> <li>• Earned respect</li> <li>• Ethics of integrity, credibility, trust.</li> <li>• People</li> <li>• Emotional commitment</li> <li>• Work is fun</li> <li>• Empowered leadership</li> <li>• Value wins</li> <li>• Relentless attention to detail, people ,structure and process</li> <li>• Effectiveness and efficiency</li> </ul>

Source adapted from Morris *et al.* (2008)

The components listed above are embedded in the “D.N.A” of entrepreneurial organisations. However it must be considered that most large organisations are very complex and therefore their internal environments are filled with conflicting demands, people and activities operating in different parts of the world in different time zones and geographical environments. It is therefore important for an organization to find a balance between the values that both conflict and coexist in the same organization (Morris *et al.*, 2008: 259).

According to Luchsinger and Bagby (1987: 12), organisations that foster intrapreneurship are characterised by practising enlightened management principles, adopting an entrepreneurial style that avoids bureaucratic barriers and encourage innovation amongst the work force.

To effectively cultivate and foster an entrepreneurial climate in an organisation Pinchot and Pellman (1999: 107) identified six key success factors for organisations. According to Pinchot

and Pellman (1999: 107), entrepreneurship can be cultivated if management strategically manage the following success factors.

### **2.11.5 Entrepreneurial leadership**

Entrepreneurial leaders gain the loyalty of their employees because they treat them well and furthermore gain competitive advantage as a result of good team work. Entrepreneurial leaders see their employees as valuable assets and not just cogs in the machine (Pinchot and Pellman, 1999: 115).

Morris *et al.* (2008: 282) state that people are the biggest stumbling block to entrepreneurship and that the number one priority of management in an organisation should be to change people's perceptions and attitudes towards innovation.

Kuratko and Hodgetts (2004 : 121) state that the most successful intrapreneurs have highly qualified and motivated teams to handle the organisations growth and development. According to Kuratko and Welch (2001: 12), entrepreneurial leaders are strategic, visionary, problem solving, decision making and risk taking individuals who lead others in the work place.

### **2.11.6 Management support**

According to Pinchot and Pellman (1999: 108), management have the power to sponsor and support entrepreneurial projects. Intrapreneurs are individuals who act like entrepreneurs on behalf of the organisation that they represent. It is important for organisations who seek innovation to respond positively to those individuals (Morris *et al.*, 2008: 284).

The effective and strategic management of entrepreneurial growth is one of the most critical requirements for future success of organisations in the modern era. It is therefore important for management of the organisation to maintain an open entrepreneurial frame of mind in order to avoid becoming bureaucratic and thus stifling innovation (Kuratko & Welch, 2001: 72).

### **2.11.7 Tolerance for risks, mistakes and failure**

Morris *et al.* (2008: 411) state that within failure there are seeds of success and that the entrepreneurial organisation should be tolerant of initial failures on the road to successful innovation.

Organisations that learn from mistakes and experiments are the ones who effectively produce new ideas and products that work. When employees are punished for mistakes, they tend to be afraid of taking risks and some cases even cover up their mistakes that might happen. Therefore no organisational learning takes place and innovation is stifled (Pinchot & Pellman, 1999: 107).

According to Ross (1987: 23), risk failure and mistakes are the main ingredients to the recipe for successful innovation. Organisations would not be able to effectively grow and develop products if they are vulnerable to the risk of failure of innovative projects.

### **2.11.8 Flat organisational structure with open communication**

Formal hierarchical organisational structures often evolve naturally as organisations grow and expand. The problem with a hierarchical organisational structure is a narrow span of control by senior management and this limits the decisions that can be made by line functions. This limits the ability of employees to take risks, implement new ideas and test methods. A truly entrepreneurial structure is flat and allows employees to make risks and make decisions (Morris *et al.*, 2008: 281). Barlett and Goshal (1996: 38) suggest that in a flat three tiered organisation, front line employees are players and innovators, middle management are coaches and supporters who integrate tasks and top management energise and shape the organisational purpose and goals.

According to Saetre (2001: 19), organisations with strong bureaucratic structures are more likely to fail at innovation than organisations that have open, flat and organic structures. This happens because bureaucratic structures tend to stifle growth and innovation.

### **2.11.9 Cross functional learning**

Entrepreneurial organisations create opportunities for their employees to be exposed to different departments. They do this by designing cross functional learning projects in order to stimulate innovation. Cross functional learning empowers employees to make decisions and to experiment (Pinchot & Pellman, 1999: 109).

According to Hitt, Nix, Hoskin and Kochhar (1999 : 147), cross functional learning teams place emphasis on integrating the various functional specialties needed for successful new product design and development. This approach is a subset of concurrent engineering, which combines the product development stages into a parallel or overlapping process.

### **2.11.10 Vision and strategic intent**

According to Morris *et al.* (2008: 281), very little would be accomplished without the meaningful direction from the top. Organisations that succeed in fostering an entrepreneurial climate have full commitment and support from senior management into the entrepreneurial programs.

## **2.12 SUMMARY**

The existing literature believes that corporate entrepreneurship is essential in achieving sustained competitive advantage and break through results. It also suggests that institutionalized corporate entrepreneurial programs are achievable in any form or format of business as the core principals are focused on improving on status quo. In other words innovation does not happen only in the conceptualizing of new products or ventures but on every aspect and activity that makes up an organization.

Entrepreneurial actions are widely recognized as the key in achieving sustained competitive advantage. The key to successful use of an entrepreneurial program depends on the integration of these principals into the corporate strategies, systems structure and culture of the organization.

## **CHAPTER 3**

### **RESULTS AND DISCUSSION OF THE EMPIRICAL STUDY**

#### **3.1 INTRODUCTION**

In order to evaluate the current entrepreneurial climate within organisations in Ethekewini, South Africa, executives representing various industries and companies were approached to rate the entrepreneurial climate of the company in which they were employed. In order to assist them six constructs of the original questionnaire designed by Pinchot and Pellman (1999: 107) were given to the respondents to rate on a Likert scale. The following constructs have been tested:

- Entrepreneurial leadership
- Management support
- Tolerance for risks, mistakes and failure.
- A flat organizational structure with open communication.
- Cross functional learning.
- Vision and strategic intent.

The research was exploratory by nature and of general interest, seeking to establish a pattern of organisational behaviour around entrepreneurial practices. Therefore a quantitative approach was selected.

#### **3.2 GATHERING OF DATA**

Since there is no widely recognised sampling frame of South African managers to draw from, the sampling methodology had to be a random convenience sample. In this case, the sample frame consisted of a variety of business leaders/managers and owners in the Ethekewini area, and it presented a large and diverse distributed sampling frame.

The questionnaire designed and used in order to measure how respondents perceive the entrepreneurial climate of the companies in which they are employed, was derived from a questionnaire originally created by Pinchot and Pellman (1999: 107). Respondents have been asked to rate how well their company is performing in a particular area on a Likert rating scale of 1 to 5, where 1 = strongly disagree, and 5= strongly agree. Measurement constructs and items have been identified by (Morris *et al.*, 2008: 8) as the core competencies that are needed in order to create an entrepreneurial climate in an organization. The main constructs identified were, Entrepreneurial leadership, Management support, Tolerance for risks and mistakes, Flat organisational structure, Cross functional learning and Vision with strategic intent. These constructs were supported by 8 to 13 items (62 in total) that measured the degree of prevalence of each construct as perceived by the respondents for their own organisations. The aim of this questionnaire is to indicate the entrepreneurial climate within corporate organisations. A high score in each construct indicates a good orientation towards fostering an entrepreneurial climate.

The process used in order to gather data was distribution of questionnaires to various selected organisations in the Ethekewini area. Respondents were asked to complete a questionnaire on their organisation that they work in. The questionnaires were delivered to the various human resource departments of each organisation and the expectations explained to the resource officers. After completion these questionnaires were collected from each organisation and captures into a database for statistical analysis.

Seven organisations were selected and approached to participate and 140 questionnaires were delivered to these organisations. Three organisations chose not to participate in this study due to an objection towards the nature and sensitivity of the test. Of the seven organisations four participated and 63 usable responses were received.

### **3.3 RESULTS OF DEMOGRAPHICAL INFORMATION**

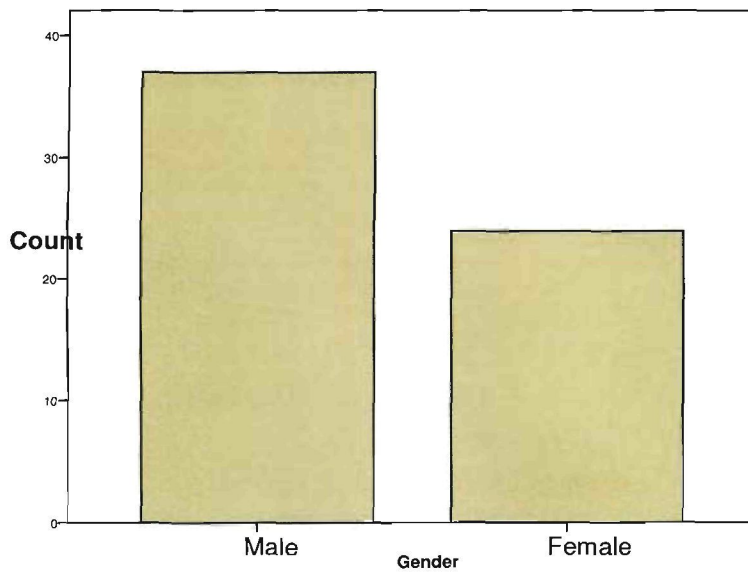
This study was done on organizations in the Ethekewini area of Kwazulu Natal South Africa. Positions occupied in the company by respondents ranged from director to specialist as indicated. Respondents represent financial, manufacturing, food and beverages, public

service, legal, tourism and entertainment. The demographical data that were obtained such as gender, age, area of functionality and position within organisation could have an influence on the result of this study.

### 3.3.1 Gender of respondents

The participants were asked to select their gender in the questionnaire. The purpose of this question was to differentiate between male and female participants in order to determine if differences in gender could influence the outcome of the study. The results of this question are graphically shown below in figure 3.1.

**Figure 3.1: Gender of respondents**



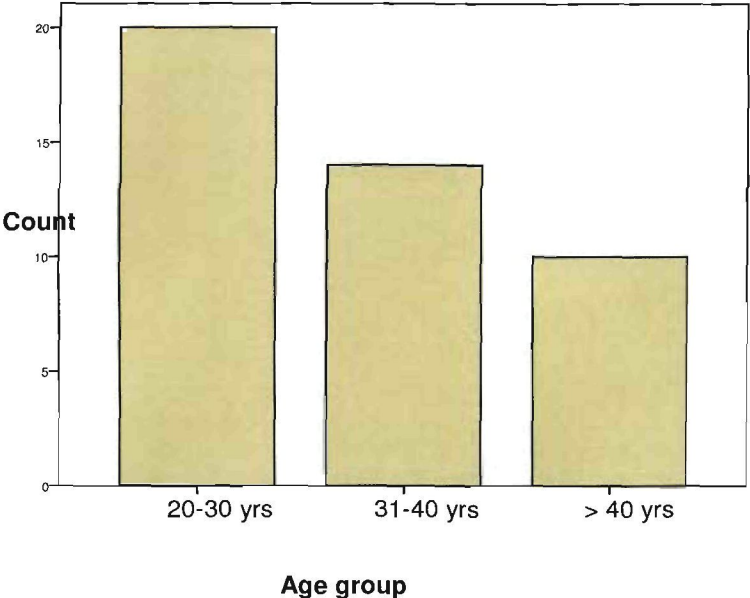
Of the 63 respondents there were clearly more males (58.7%) than females (38.1%) that participated in this study.

### 3.3.2 Age of respondents

Respondents were asked to indicate their age groups in the following categories: 20-30 years, 31-40 years and >40 years. This was done to determine the average age of respondents. The

purpose of this question was to determine if age could have an influence on the results of this study.

**Figure 3.2: Age group of respondents**

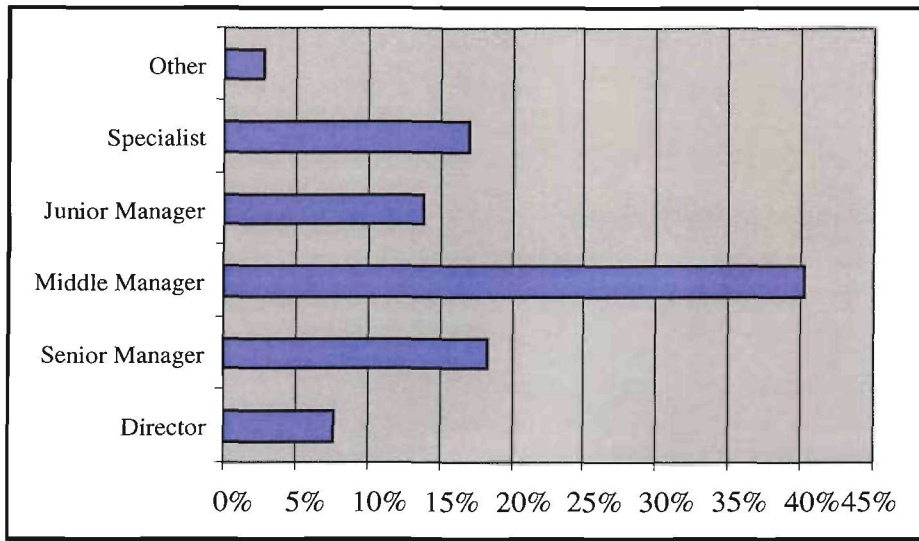


The age groups of respondents in this study were as follows: 20-30 years ( $\bar{x}=3.840$ ), 31-40 years ( $\bar{x}=3.610$ ), and > 40 years ( $\bar{x}=3.530$ ).

**3.3.3 Positions occupied by respondents**

Respondents were asked to name the position they held within their organisation. The purpose of this question was to differentiate between the various levels of authority of the respondents who participated in the study.

**Figure 3.3: Positions occupied in the organisation by respondents**



The profile of the respondents as illustrated in Figure 3.3 indicates that there was no clear concentration of respondents in one level of the organisational structure. And therefore a broader more accurate distribution of data was received.

### **3.3.4 Departments respondents work in**

Respondents were asked to indicate the department that they work in. The purpose of this question was to differentiate between the various departments, where the respondents who participated in the study, work.

**Figure 3.4: Department respondents work in**

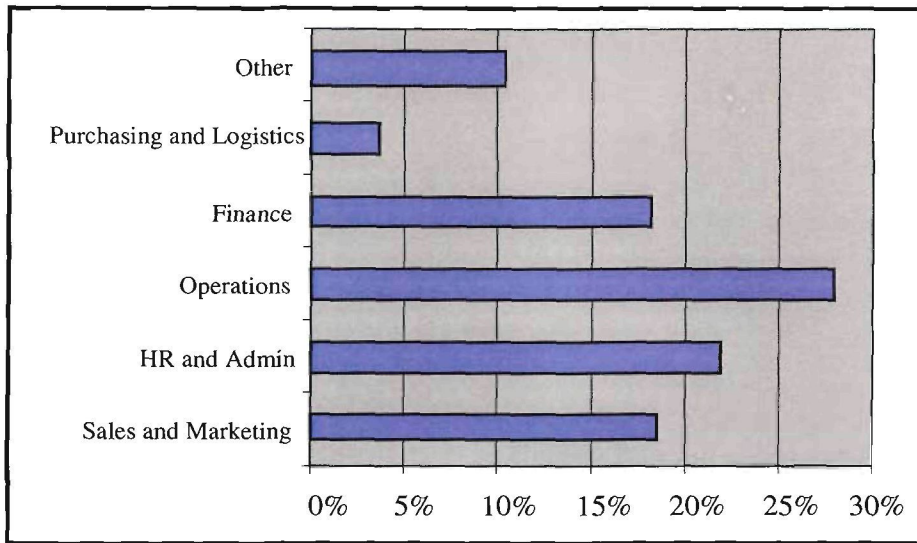


Figure 3.4 indicates a distribution of respondents in all key departments of the organisations that participated in the study. The results of the different departments that participated in this study were as follows: Other (10%), Purchasing and logistics (5%), Finance (18%), Operations (27%), HR and Admin (23%) and Sales and Marketing (17%).

### **3.4 RELIABILITY OF THE QUESTIONNAIRE MEASURING THE CONSTRUCTS**

Coakes and Steed (2003: 140) state that there are a number of different reliability coefficients. One of the most commonly used is the Cronbach alpha coefficient, which is based on the average correlation of items within a test if the items are standardised (SAS Institute, 2005: 295). If the items are not standardised, it is based on the average covariance among the items. A questionnaire that produces different scores every time that it is used on the same person under the same conditions has low reliability (Field, 2005: 666). The Cronbach alpha coefficient can range from 0 to 1. The greater the Cronbach alpha coefficient, the more reliable is the scale. Nunnally and Bernstein (1994: 265) suggest that for acceptable reliability the Cronbach alpha coefficient should be greater than 0.7.

The Cronbach alpha coefficient was calculated for the following constructs, i.e. Entrepreneurial leadership; Management support; Tolerance of risks, mistakes and failure; Flat organizational structure with open communication; Cross functional learning and Vision and strategic intent.

**Table 3.1: Reliability of the constructs measuring entrepreneurial climate**

<b>Construct</b>	<b>Cronbach alpha</b>
Entrepreneurial leadership	0.852
Management support	0.893
Tolerance of risks, mistakes and failure	0.909
Flat organizational structure with open communication	0.924
Cross functional learning	0.944
Vision and strategic intent.	0.931

The results in Table 3.1 suggest that the questionnaire used in this study to measure the entrepreneurial climate in organisations, has acceptable reliability with no one factor measured with a Cronbach Alpha value below the customary cut-off value of 0.70 suggested for internal consistency (Nunnally & Bernstein 1994: 265).

### **3.5 RESULTS AND DISCUSSION OF THE CONSTRUCTS**

According to Bless and Higson-Smith (1995:130), evaluating the measuring instruments that researchers use, is very important. The construct validity of a questionnaire refers to the extent that it measures the theoretical dimensions (Anastasi & Urbina, 1997: 126). To assess the discriminant validity of the six constructs measuring the entrepreneurial climate in organisations, an exploratory factor analysis was conducted using the computer programme SPSS.

The respondents were asked to answer sixty two items that measured six constructs deemed critical requirements for fostering corporate entrepreneurship. The measuring items were rated

on a 5 point scale where a score of 5 indicates strong agreement and a score of 1 indicates strong disagreement.

**Table 3.2: Results of the constructs**

<b>Construct</b>	<b>n</b>	$\bar{x}$	<b>s</b>
Vision and strategic intent	63	3.799	0.816
Entrepreneurial leadership	63	3.759	0.725
Management support	63	3.751	0.860
Tolerance of risks, mistakes and failure	63	3.468	0.784
Cross functional learning	63	3.318	0.870
Flat organizational structure with open communication	63	3.299	0.954

The three constructs, **Vision and strategic intent** ( $\bar{x}=3.799$ ), **Entrepreneurial leadership** ( $\bar{x}=3.759$ ), and **Management support** ( $\bar{x}=3.751$ ), tested the highest in this study. They all obtained average scores above ( $\bar{x} = 3.75$ ) which indicate, that overall, respondents were in agreement.

The construct, **Tolerance of risks, mistakes and failure** ( $\bar{x}=3.468$ ), obtained an average score under 3.5 which indicates that respondents slightly disagree.

The two constructs, **Cross functional learning** ( $\bar{x}=3.318$ ), and **Flat organizational structure with open communication** ( $\bar{x}=3.299$ ), obtained the lowest average scores which indicates that the respondents in this study disagree the most with these two constructs.

The standard deviation for all six constructs ranges from 0.725 to 0.954. This is good.

### 3.5.1 Entrepreneurial leadership

The average responses to each of the eight items measuring this construct, **Entrepreneurial leadership**, are shown below in Table 3.1 below. A 5 point Likert scale (1 = strongly disagree; 5 = strongly agree), was used to test each item. A high number represents agreement with the item and a low number represents disagreement.

**Table 3.3: Average responses of the construct, Entrepreneurial leadership**

Item/Statements	N	$\bar{x}$	s
In our organization, developing ideas for the improvement of the company is encouraged by management.	63	4.143	0.840
Our leaders seek to maximize value from opportunity without constraint to existing models, structures or resources.	63	3.919	0.911
Our organization has people with influence that support, coach, protect and find resources for an entrepreneurial project and its team.	63	3.841	1.035
Our leaders have a good balance between concern for production and concern for people.	63	3.841	1.110
Our leaders lead by example and people are eager to voluntarily follow them.	63	3.794	1.08
Our leaders challenge the status quo and we are inspired by them to think, reason and act in innovative ways.	63	3.754	1.011
People are allowed to make decisions without going through elaborate justification and approval procedures.	63	3.460	1.045
There are several options within the organization for individuals to get financial support for their innovative projects and ideas.	63	3.355	1.202

The majority of the respondents affirm that *In our organization developing ideas for the improvement of the company is encouraged by their management* ( $\bar{x}=4.143$ ). This item scored the highest of all eight items used in this construct. The item, *Our leaders seek to maximize value from opportunity without constraint to existing models, structures or resources* ( $\bar{x} = 3.919$ ), scored the second highest. The items *Our organization has people with influence that support, coach, protect and find resources for an entrepreneurial project and its team* ( $\bar{x} = 3.841$ ), *Our leaders have a good balance between concern for production and concern for people* ( $\bar{x} = 3.841$ ), *Our leaders lead by example and people are eager to voluntarily follow them* ( $\bar{x} = 3.794$ ) and *Our leaders challenge the status quo and we are inspired by them to think, reason and act in innovative ways* ( $\bar{x} = 3.754$ ), also obtained very high scores which indicates a agreement to these items by respondents. The items that obtained the lowest scores signalling disagreement by the respondents were, *People are allowed to make decisions without going through elaborate justification and approval procedures* ( $\bar{x} = 3.460$ ), and *Several options within the organization for individuals to get financial support for their innovative projects and ideas* ( $\bar{x} = 3.355$ ). The standard deviation across all eight items rang from 0.839 to 1.202 which seems to be normal.

### 3.5.2 Management support

The respondents were asked to rate the, **Management support** for entrepreneurial processes in their organisation on the same 5 point scale rating eight items for this construct. A score of 5 indicated a strongly agree and a score of 1 signals a strong disagreement. Table 3.4 below lists the results.

**Table 3.4: Average responses of the construct, Management support**

Item/Statements	N	$\bar{x}$	s
My manager helps me get my work done by removing obstacles and roadblocks.	63	4.016	1.07
In this organization people are rewarded in relation to the excellence of their job performance.	63	4.095	1.043
Those employees who come up with innovative ideas on their own receive management encouragement for their activities.	63	3.936	1.022
My supervisor will give me special recognition if my work performance is especially good.	63	3.841	1.167
In this organization effective entrepreneurs are generally rewarded.	63	3.794	1.124
Originators of new ideas find it easy to implement because of influential people to support them.	63	3.603	1.056
An employee with a good idea is often given free time to develop that idea.	63	3.436	1.288
Project teams in our organization have considerable freedom to make decisions and act on them without needing to ask for permission.	63	3.274	1.333

According to the participants in this study the item, *My manager helps me get my work done by removing obstacles and roadblocks* ( $\bar{x} = 4.016$ ), and *In this organization people are rewarded in relation to the excellence of their job performance* ( $\bar{x} = 4.095$ ), obtained the highest scores.

The following constructs also tested favourable with the respondents, *Those employees who come up with innovative ideas on their own receive management encouragement for their activities* ( $\bar{x} = 3.936$ ), *My supervisor will give me special recognition if my work performance is especially good* ( $\bar{x} = 3.841$ ), *In this organization effective entrepreneurs are generally rewarded* ( $\bar{x} = 3.794$ ), and *Originators of new ideas find it easy to implement because of influential people to support them* ( $\bar{x} = 3.603$ ).

The two items, *An employee with a good idea is often given free time to develop that idea* ( $\bar{x} = 3.436$ ), and *Project teams in our organization have considerable freedom to make decisions and act on them without needing to ask for permission* ( $\bar{x} = 3.274$ ), obtained the lowest scores in this construct. Out of all eight items only two tested below ( $\bar{x} = 3.5$ ) this indicates that the respondents agree to strongly agree that management support is provided in their organisations. The standard deviation for the eight items ranged from 1.07 to 1.33 which is normal to high.

### 3.5.3 Tolerance of risks, mistakes and failure

In this construct respondents were asked to rate **Tolerance of risks, mistakes and failure** by scoring twelve items on a five point scale where a rating of five indicates a strong agreement to towards the question asked and a one score indicates a strong disagreement towards the question. The items listed in table 3.5 below measure an organizations tolerance for risk, mistakes and failure.

**Table 3.5: Average responses of the construct, Tolerance of risks, mistakes and failure**

Item/Statements	n	$\bar{x}$	s
I have much autonomy on my job and left on my own to do my own work	63	3.921	1.021
In this organization rewards and encouragement is emphasized rather than criticism	63	3.694	1.236
People are given considerable opportunity for independence and freedom in how they do their work	63	3.667	1.078
There is considerable desire among people in the organization for generating new ideas	63	3.656	1.196
Our organization is quick to use improved work methods that are developed by workers	63	3.597	1.03263
If you make a mistake in this organization you will be forgiven	63	3.492	1.105
Good management of projects involving risk and unpredictability is highly valued, even when things don't always turn out according to plan	63	3.444	1.133
Our organization has been built up by taking calculated risks at the right time	63	3.387	1.136
Experiments are acceptable in the marketplace, not only in the lab	63	3.339	1.115
We have taken some big risks occasionally to keep ahead of the competition in the business we're in	63	3.318	1.105
This organization supports many small and experimental projects realizing that some will undoubtedly fail	63	3.238	1.058
Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track	63	2.919	1.205

The highest score obtained was ( $\bar{x} = 3.921$ ) for the item, *I have much autonomy on my job and left on my own to do my own work* ( $\bar{x} = 3.921$ ), this is a moderate agree from the respondents.

The majority of items in this construct obtained scores between ( $\bar{x} = 3.4$ ) and ( $\bar{x} = 3.6$ ) they are, *In this organization rewards and encouragement is emphasized rather than criticism* ( $\bar{x} = 3.694$ ), *People are given considerable opportunity for independence and freedom in how they do their work* ( $\bar{x} = 3.667$ ), *There is considerable desire among people in the organization for generating new ideas* ( $\bar{x} = 3.656$ ), *Our organization is quick to use improved work methods that are developed by workers* ( $\bar{x} = 3.597$ ), *If you make a mistake in this organization you will be forgiven* ( $\bar{x} = 3.492$ ), and *Good management of projects involving risk and unpredictability is highly valued, even when things don't always turn out according to plan* ( $\bar{x} = 3.444$ ).

Five items obtained scores between ( $\bar{x} = 2.9$ ) and ( $\bar{x} = 3.3$ ) they are, *Our organization has been built up by taking calculated risks at the right time* ( $\bar{x} = 3.387$ ), *Experiments are acceptable in the marketplace, not only in the lab* ( $\bar{x} = 3.339$ ), *We have taken some big risks occasionally to keep ahead of the competition in the business we're in* ( $\bar{x} = 3.318$ ), *This organization supports many small and experimental projects realizing that some will undoubtedly fail* ( $\bar{x} = 3.238$ ) and *Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track* ( $\bar{x} = 2.919$ ).

Out of the twelve items one obtained a score above ( $\bar{x} = 4$ ), six achieved a score between ( $\bar{x} = 3.4$ ) and ( $\bar{x} = 3.6$ ), five items obtained scores between ( $\bar{x} = 2.9$ ) and ( $\bar{x} = 3.4$ ). This indicates that the respondents are of the opinion that the organisations in this study are moderately tolerant to risk failure and mistakes.

#### **3.5.4 Flat organizational structure with open communication**

In this construct nine items measuring, **Flat organizational structure with open communication**, were tested. Respondents were asked to answer questions by rating them on a five point scale. On the scale a five registers a strong agreement towards the item and a one indicates a strong disagreement towards the item. The results are listed below in table 3.6.

**Table 3.6: Average responses of the construct, Flat organizational structure with open communication**

Item/Statements	n	$\bar{x}$	s
Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions.	63	3.597	1.15176
In this organization people are inspired to push their boundaries and to think "out-of-the-box"	63	3.525	1.34915
Our organization has an open communication structure in which all employees participate.	63	3.444	1.26718
The process for accessing and acquiring resources to pursue new opportunities is streamlined to realize quick approval.	63	3.323	1.12751
We regularly ask our customers what they think of our service and product offerings.	63	3.290	1.2725
Top management is aware of and receptive to my ideas and suggestions.	63	3.270	1.1246
This organization provides the chance to be creative and try my own methods of doing the job.	63	3.206	1.13818
I have the freedom to use some of my time to explore new ideas and hunches without having to ask permission.	63	3.110	1.28084
An employee with a good idea is often given free time to develop that idea.	63	2.937	1.10531

The items that obtained the top three scores were, *Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions* ( $\bar{x} = 3.597$ ), *In this organization people are inspired to push their boundaries and to think "out-of-the-box"* ( $\bar{x} = 3.525$ ), and *Our organization has an open communication structure in which all employees participate* ( $\bar{x} = 3.444$ ).

Scores of below ( $\bar{x} = 3.4$ ) were achieved by the following items, *The process for accessing and acquiring resources to pursue new opportunities is streamlined to realize quick approval* ( $\bar{x} = 3.323$ ), *We regularly ask our customers what they think of our service and product offerings* ( $\bar{x} = 3.290$ ), *Top management is aware of and receptive to my ideas and suggestions* ( $\bar{x} = 3.270$ ), *This organization provides the chance to be creative and try my own methods of doing the job* ( $\bar{x} = 3.206$ ), *I have the freedom to use some of my time to explore new ideas and hunches without having to ask permission* ( $\bar{x} = 3.110$ ), and *An employee with a good idea is often given free time to develop that idea* ( $\bar{x} = 2.937$ ).

The scores for the top three items were fairly low which indicates that his construct could be a weakness for this study group.

### 3.5.5 Cross functional learning

In order to test the construct of **Cross functional learning**, twelve items were used. The respondents rated these items on a five point scale where a rating of five indicates a strong agreement to towards the question asked and a one indicates a strong disagreement towards the question. The items listed in table 3.7 below measure the nature of cross functional learning in organizations.

**Table 3.7: Average responses of the construct, Cross functional learning**

Item/Statements	n	$\bar{x}$	s
Our organization provides ample opportunities for learning growth.	63	3.667	1.23131
Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions.	63	3.607	1.05323
People are encouraged to talk to employees in other departments of this organization about ideas for new projects.	63	3.460	1.13344
Innovative and new ideas are a regular occurrence in our organization.	63	3.413	1.1449
In this organization it is easy to build coalitions of active sponsors to help projects succeed.	63	3.295	1.02216
Cross-functional teams are characterized by diversity based on project skills requirements.	63	3.290	1.16488
Individuals with successful innovative projects receive additional rewards and compensation for their ideas and efforts.	63	3.270	1.1246
Project teams have choices in recruiting and selecting new team members.	63	3.254	1.14959
People are keen to share knowledge without regard for crossing departmental or functional boundaries.	63	3.242	1.18301
I am allowed time at work to safely divert from my assigned tasks to explore new ideas I believe have potential.	63	3.143	1.09039
Cross-functional team members are left to make decisions without interference from functional superiors who are not part of their team.	63	3.127	1.07
We use cross-functional teams or cross-business-unit teams effectively.	63	3.080	1.16815

Throughout this section there is an element of doubt and lack of clarity that the respondents indicated. The scores ranges from ( $\bar{x} = 3$  to 3.6), with only two items obtaining an average score over ( $\bar{x} = 3.5$ ). They were, *Our organization provides ample opportunities for learning growth* ( $\bar{x} = 3.667$ ), and *Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions* ( $\bar{x} = 3.607$ ).

Ten items obtained average scores under ( $\bar{x} = 3.5$ ). They were, *People are encouraged to talk to employees in other departments of this organization about ideas for new projects* ( $\bar{x} =$

3.460), *Innovative and new ideas are a regular occurrence in our organization* ( $\bar{x} = 3.413$ ), *In this organization it is easy to build coalitions of active sponsors to help projects succeed* ( $\bar{x} = 3.295$ ), *Cross-functional teams are characterized by diversity based on project skills requirements* ( $\bar{x} = 3.290$ ), *Individuals with successful innovative projects receive additional rewards and compensation for their ideas and efforts* ( $\bar{x} = 3.270$ ), *Project teams have choices in recruiting and selecting new team members* ( $\bar{x} = 3.254$ ), *People are keen to share knowledge without regard for crossing departmental or functional boundaries* ( $\bar{x} = 3.242$ ), *I am allowed time at work to safely divert from my assigned tasks to explore new ideas I believe have potential* ( $\bar{x} = 3.143$ ), *Cross-functional team members are left to make decisions without interference from functional superiors who are not part of their team* ( $\bar{x} = 3.127$ ), and *We use cross-functional teams or cross-business-unit teams effectively* ( $\bar{x} = 3.080$ ).

The standard deviation for all twelve items ranges from 1.0 to 1.23 which is normal to high.

### **3.5.6 Vision and strategic intent**

This construct **Vision and strategic intent**, was measured by thirteen items. Respondents were asked to answer questions by rating them on a five point scale. On the scale a score of five registers a strong agreement towards the item and a one indicates a strong disagreement towards the item. The results are listed below in table 3.8.

**Table 3.8: Average responses of the construct, Vision and strategic intent**

<b>Item/Statements</b>	<b>n</b>	<b><math>\bar{x}</math></b>	<b>s</b>
Our leaders take a long term view of our organization.	63	4.15	1.102
Our organizational vision and strategies are clear to me.	63	4.048	1.03843
Our leaders share their vision with all levels of the organization.	63	4	1.07763
A great deal of resources is spent in determining customer needs.	63	3.873	1.2114
This organization has a specific value system which we all know.	63	3.873	1.12869
Product and service innovation are driven by a strong customer orientation.	63	3.823	1.10919
Customers are treated as very important stakeholders and not just another transaction to be processed.	63	3.794	1.25927
Our organizations announced vision inspires me.	63	3.698	1.17274
Great effort has been made to clarify what the vision and strategy mean to us in our department.	63	3.698	1.02603
In this organization management decisions are aligned and supportive to the vision and strategies.	63	3.683	1.189
The vision and strategies often help me in setting priorities.	63	3.661	1.20032
We regularly ask our customers what they think of our service and product offerings.	63	3.629	1.11963
Our organization involves customers in service and product development.	63	3.548	1.0966

All the items this construct achieved average scores above ( $\bar{x} = 3.5$ ) this indicates that the respondents agree and strongly agreed to most of the items listed in the construct. Five of the items achieved average scores above ( $\bar{x} = 3.8$ ). They were, *Our leaders take a long term view of our organization* ( $\bar{x} = 4.15$ ), *Our organizational vision and strategies are clear to me* ( $\bar{x} = 4.048$ ), *Our leaders share their vision with all levels of the organization* ( $\bar{x} = 4.00$ ), *A great deal of resources is spent in determining customer needs* ( $\bar{x} = 3.873$ ), *This organization has a specific value system which we all know* ( $\bar{x} = 3.873$ ), and *Product and service innovation are driven by a strong customer orientation* ( $\bar{x} = 3.823$ ).

Seven items were scored between ( $\bar{x} = 3.5$ ) and ( $\bar{x} = 3.79$ ), they are, *Customers are treated as very important stakeholders and not just another transaction to be processed* ( $\bar{x} = 3.794$ ), *Our organizations announced vision inspires me* ( $\bar{x} = 3.698$ ), *Great effort has been made to clarify what the vision and strategy mean to us in our department* ( $\bar{x} = 3.698$ ), *In this organization management decisions are aligned and supportive to the vision and strategies* ( $\bar{x} = 3.683$ ), *The vision and strategies often help me in setting priorities* ( $\bar{x} = 3.661$ ). *We regularly ask our customers what they think of our service and product offerings* ( $\bar{x} = 3.629$ ), and *Our organization involves customers in service and product development* ( $\bar{x} = 3.548$ ).

This construct obtained the highest scores for the items rated by the respondents which are clear indications that the organisations in this study group are successful in sharing their vision with their employees.

### 3.6 RELATIONSHIP BETWEEN DEMOGRAPHIC VARIABLES AND CONSTRUCTS

Statistical significance tests have the tendency to yield small p-values (indication of significance) as the size of the data set increases. The effect size, however, is independent of sample size and is a measure of practical significance (Ellis & Steyn 2003: 51). In this study, effect sizes (d-values) were calculated between the mean values to examine the relationship between the constructs, that is, **Entrepreneurial leadership, Management support, Tolerance of risks, mistakes and failure, Flat organizational structure with open communication, Cross functional learning, and vision and strategic intent** (refer to Table 3.1) and the demographic variables **gender** and **age** distribution. The effect sizes are shown in Table 3.9.

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

- Gender: Male; female
- Age of respondents: 20-30 years, 31-40 years and > 40 years.

A natural way to comment on practical significance is to use the standardised difference between the means of two populations, that is, the difference between the two means divided by the estimate for standard deviation,  $d = \frac{|\bar{x}_{diff}|}{s_{diff}}$ , where  $|\bar{x}_{diff}|$  is the difference between the average scores of active and inactive family members without taking the sign into consideration and  $s_{diff}$  is the standard deviation of the difference.

Effect sizes (d) will be interpreted, according to Cohen's guidelines, as follows: small effect (d = 0.2), medium effect (d = 0.5) and large effect (d = 0.8). Results with medium effects can

be regarded as visible effects and with  $d \geq 0.8$  as practically significant, since it is the result of a difference having a large effect (Field 2005: 32; Ellis & Steyn 2003: 51-53;).

Table 3.9 shows the relationship between factors and demographic variables, with mean ( $\bar{x}$ ), standard deviation ( $s$ ), statistical significance ( $p$ ) and effect sizes ( $d$ ).

**Table 3.9: The relationship between the constructs and the gender of respondents**

Construct	Gender	n	$\bar{x}$	s	p	d
Entrepreneurial leadership	male	37	3.980	0.675	0.003	0.78
	female	24	3.429	0.710		
Management support	male	37	4.010	0.899	0.005	0.69
	female	24	3.388	0.640		
Tolerance of risks, mistakes and failure	male	37	3.492	0.869	0.775	0.07
	female	24	3.432	0.669		
Flat organizational structure with open communication	male	37	3.372	1.068	0.379	0.21
	female	24	3.150	0.748		
Cross functional learning	male	37	3.426	0.949	0.199	0.31
	female	24	3.128	0.749		
Vision and strategic intent	male	37	3.990	0.851	0.014	0.62
	female	24	3.467	0.670		

As indicated in table 3.9, there are three statistical significant ( $p < 0.05$ ) differences in the evaluation between the male and female respondents with regard to the following constructs: **Entrepreneurial leadership** ( $p = 0.003$ ), **Management support** ( $p = 0.005$ ), and **Vision and strategic intent** ( $p = 0.014$ ).

Table 3.9 shows that with regard to the calculation of effect sizes, the results can be summarised as follows: The variable, **Gender** of the respondents have a medium to large effect ( $p > 0.50$ ) on the following constructs; **Entrepreneurial leadership** ( $d = 0.78$ ), **Management support** ( $d = 0.69$ ), and **Vision and strategic intent** ( $d = 0.62$ ). A small effect was indicated for; **Tolerance of risks, mistakes and failure** ( $d = 0.07$ ), **Flat organizational structure with open communication** ( $d = 0.21$ ), and **Cross functional learning** ( $d = 0.31$ ).

The results indicate practically significant differences between the perceptions of male and female employees regarding, **Entrepreneurial leadership, Management support and Vision and strategic intent**. The results also indicate that male respondents are practically

significant more positive about, **Entrepreneurial leadership, Management support and Vision and strategic intent**, in comparison with female respondents.

An analysis of variance (ANOVA) is used to analyse situations where there are multiple independent variables. In these situations ANOVA indicates how these independent variables impact each other and what effects these impacts have on the dependant variable (Field, 2005: 309). An ANOVA analysis was done to determine if the age group of respondents had an effect on the mean scores of the constructs measured in this study.

**Table 3.10: Mean differences between the demographical variable, Age group and the entrepreneurial climate constructs**

<b>Constructs</b>	<b>df</b>	<b>F</b>	<b>p</b>
Entrepreneurial leadership	43	0.676	0.514
Management support	43	0.983	0.383
Tolerance of risks, mistakes and failure	43	0.007	0.993
Flat organizational structure with open communication	43	1.128	0.333
Cross functional learning	43	0.120	0.887
Vision and strategic intent.	43	0.460	0.634

Table 3.10 above indicates that there are no significant statistical differences ( $p < 0.05$ ) between the age groups of respondents for the constructs used in this study to measure the entrepreneurial climate. No effect sizes were thus calculated to determine the practical significance of the differences in the mean scores between the age groups for the constructs measuring the entrepreneurial climate in the participating organisations.

### **3.7 SUMMARY**

Six factors that measuring the entrepreneurial climate in organisations, **Entrepreneurial leadership, Management support, Tolerance for risks, mistakes and failure, Flat organizational structure with open communication, Cross functional learning, Vision and strategic intent**, were used in this study. The Cronbach alphas for each of the six factors exceeded 0.70, this suggest that the questionnaire used in this study to measure the

entrepreneurial climate in organisations, has acceptable internal reliability with no one factor measured with a Cronbach Alpha value below the customary cut-off value of 0.70 suggested for internal consistency (Nunnally & Bernstein 1994: 265).

The constructs, **Entrepreneurial leadership, Management support Vision and strategic intent**, obtained the highest level of support by the respondents which indicate that the respondents agree with the items contained in each construct. The constructs **Tolerance for risks, mistakes and failure** and **Cross functional learning**, were rated the lowest by the respondents in this study. This indicates that the respondents did not agree to the items measuring these constructs.

There were no significant statistical differences indicated in the responses to the measurement items and constructs, by the respondents in relation to age. However it must be noted that gender did play a role in the scores given by the respondents to the following constructs: **Entrepreneurial leadership, Management support, Vision and strategic intent** (p-values < 0.05). The results show that for the above listed constructs, male respondents agreed with the items measured to a greater extent than the female respondents.

# **CHAPTER 4**

## **CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 INTRODUCTION**

The main aim of this study was to explore corporate entrepreneurship and to gain insight into the entrepreneurial climate within South African companies more specifically the Ethekewini Metro. This was done through a literature study in Chapter 2 which was compared to the data gathered in Chapter three. Data was gathered through questionnaires completed by 63 respondents from various organisations in Ethekewini.

The study identified that some companies value entrepreneurial behaviour differently, depending on a number of factors, such as organisational culture, structure, reward systems and support. In Ethekewini most organisations have shown strong awareness towards some of the concepts in the entrepreneurial process. However most organisations lack a holistic approach.

The general barriers are typically systems and controls, low tolerance for risks mistakes and failure, hierarchical steep structures, poor communication, poor training and a lack of internal cross functional learning.

### **4.2 CONCLUSIONS**

From the literature study it is clear that modern organisations are under more pressure by global market forces to strive for sustained competitive advantage. This poses a new challenge to the modern organisation and that is to innovate or create new ideas that could exploit untapped opportunities in global markets.

Today the modern manager is constantly looking for new ideas and methods in order to motivate staff to think innovative, out of the box and creative (Kenney, 2007: 1). By fostering an entrepreneurial climate, organisations can more accurately allocate their resources to create a lifetime value more profitable to organisations and their customers.

The aim of this study was to obtain a general insight with regard to the entrepreneurial climate in organisations specific to the Ethekwini metropolitan municipality, South Africa, and not to present the views of academic writers only. The overall organisational perspective was measured with a tool that tested the requirements for fostering an entrepreneurial climate.

This compiled data was analysed by using descriptive statistics and were presented graphically in Chapter 3 to illustrate the entrepreneurial climate in organisations specific to the Ethekwini metropolitan municipality, South Africa. No substantial differences were indicated based on the age of the respondents but regarding gender significant differences in responses were indicated by respondents.

Six constructs were used to measure the entrepreneurial climate of organizations in the Ethekwini metropolitan municipality. These constructs were originally identified by Pinchot and are entrepreneurial leadership, management support, and tolerance for risk, mistakes and failure, flat organizational structure, cross functional learning, vision and strategic intent. The results were discussed in detail in chapter three. The conclusions drawn from the results will be discussed below.

Within the study population the general view is that organizations in Ethekwini have strong entrepreneurial leadership emphasis. Employees are aware of the concept and organizations are driven by strong entrepreneurial leadership. However we find that even though entrepreneurial initiatives are encouraged that organizations in the Ethekwini area of South Africa are not providing financial aid to employees towards the development of innovative ideas and projects. Therefore organizations are not yet fully exploiting untapped opportunities in the market.

This is supported by the low scores in the following measurement items:

- There are several options within the organization for individuals to get financial support for their innovative projects and ideas.
- Our leaders seek to maximize value from opportunity without constraint to existing models, structures for resources.

It was general consensus among the respondents that organizations in Ethekekwini offer management support for creative and innovative ideas. The majority agreed that management in their organizations is supporting innovation. It was pointed out by the research that time constraints result in un- developed ideas. Furthermore was found that organizations fail to empower employees to make decisions by not providing them with the freedom to do so. This is supported by the low scores in the following measurement items:

- An employee with a good idea is often given free time to develop that idea.
- Project teams in our organization have considerable freedom to make decisions and act on them without needing to ask for permission.

All the other items within this construct then had positive responses.

The pattern that emerged from the data is that in most cases organizations fail to tolerate risk, mistakes or failure. The majority of the population agreed that risk tolerance is not strong within their organizations. This is supported by the low scores in the following measurement items:

- Our organization has been built by taking calculated risks at the right time.
- Good management of projects involving risk and unpredictability is highly valued, even when things don't always turn out according to plan.
- We have taken some big risks occasionally to keep ahead of the competition in the business we're in.
- This organization supports many small and experiential projects realizing that some will undoubtedly fail.
- Experiments are acceptable in the marketplace, not only in the lab.
- Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.

Most organizations view the organizational structure as a functional tool and it is hardly ever used as a method in order to achieve a strategic goal. It is therefore often left out of the equation when innovation is the objective. This is clearly shown by the data as there was an even split between all the choices of each item in this construct.

In the Ethekekwini district this construct tested the worst of all six. From the data gathered it is clear that organizations in Ethekekwini do not allow for cross functional team work and is clearly indicated by the low scores achieved by the following items:

- Individuals with successful innovative projects receive additional rewards and compensation for their ideas and efforts.
- People are keen to share knowledge without regard for crossing departmental and functional boundaries.
- We use cross-functional teams or cross-business-unit teams effectively.
- People are encouraged to talk to employees in other departments of this organization about ideas for new projects.
- Cross-functional team members are left to make decisions without interference from functional superiors who are not part of their team.
- I am allowed time from work to safely divert from my assigned tasks to explore new ideas I believe have potential.
- Project teams have choices in recruiting and selecting new team members.
- Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions.
- Innovative and new ideas are a regular occurrence in our organization.
- Cross-functional teams are characterized by diversity based on project skills requirements.
- In this organization it is easy to build coalitions of active sponsors to help projects succeed.

This construct is definitely one of the strengths of the organizations in the Ethekekwini area as the responses indicate that they either agree or strongly agree with majority of the questions within this construct. The conclusion drawn based on the data gathered is that organizations in Ethekekwini have clear long term goals and objectives that are adequately shared with employees.

### 4.3 RECOMMENDATIONS

From the research done it could be argued that in Ethekwini, South Africa organisations are trapped in the traditional management approach where focus seems to be much higher on new customer acquisition and control than on customer retention through enhanced satisfaction and innovation. Even if a market has been successfully identified and segmented, it has no use unless the organization understands what value or benefits customers within each of the segments are looking for. These value propositions should form the basis of a strategic plan.

In the modern organization it is the responsibility of every leader to create a suitable environment for innovation. Focus must be shifted from the traditional formal management structures towards truly open and tolerate systems in order for organizations in the Ethekwini area to become truly entrepreneurial. From the research it is clear that organizations achieve limited climates for innovation. Poor cross functional learning, tolerance of risk and failure are the biggest barriers to successful innovation in the Ethekwini.

In order to establish an entrepreneurial climate in the organisation management need to get involved, the important element here is to generate full commitment towards entrepreneurial goals. Commitment to organisational goals by management of the organisation is vital in order to achieve success. Everything in an organization is driven by its leaders. Therefore the leadership of organizations should actively be involved in the strategic innovative initiatives or campaigns.

Although modern organizations seem to have sound long term strategic goals, they fail to successfully translate these strategies to all levels of the organisation. After management commits itself towards entrepreneurial goals, these goals have to be shared with the rest of the organisation. Effective communication is very important during this process and as a tool management can use seminars or workshops in order to effectively transfer the information.

The ideas and areas management are interested to develop should form part of an extensive strategic plan where the risks associated, returns and time frames of projects are analysed and explained. Strategic environments where employees can learn from one another and where they can take calculated risks should be formed.

Organizations also fail to remunerate innovators more for successful projects. A recommendation is that organizations link the results of projects to their bonus structures.

This would motivate the creative thinkers in the organization to strive for successful projects and thus establish a win-win scenario. This would force the organisation to be more productive with fewer resources and would encourage employees to work harder and to compete more with one another.

The fear of disaster or major financial loss is often the root cause of low tolerance for risk and failure. Organizations should create a safe environment for their employees to test and experiment outside the normal framework of their duties. This limits the impact of failed ideas. It is therefore vital that the organisational structure allows for open lateral communication and cross functional activities.

Communication is vital in the process of successful innovation. To achieve this organisations must work on their structure and where possible avoid steep hirarical reporting structures. This slows the process down which could lead to a missed opportunity.

Lastly any organisation that is serious about continues reingeneering and innoavtion should design a test that contains cecks and balances which could be measeured on a on going bases in order to indicate the progress made on entrepreneurial goals.

#### **4.4 ACHIEVEMENT OF THE STUDY'S OBJECTIVES**

The primary objective of this study was to gain insight into corporate entrepreneurship and to assess the current entrepreneurial climate in organisations in South Africa today. This was achieved through a literature review in chapter two and the study provided adequate insight into the definition of corporate entrepreneurship. Further field research was done and the ideal sample of respondents was identified as 140 participants from seven organisations. Sixty three questionnaires could successfully be used. A total of sixty three respondents from four different organisations participated in the research done.

Furthermore, to determine how it is currently perceived by business executives, current and future trends in markets and those elements that are vital for cultivating an entrepreneurial climate in order to achieve sustainable competitive advantage as part of a business strategy.

The outcome of this study was to make recommendations to organisations on how to foster an entrepreneurial climate based on results obtained from an empirical study and compared to a literature review on corporate entrepreneurship. This was achieved.

#### **4.5 RECOMMENDATIONS FOR FUTURE RESEARCH**

The study was performed in the Ethekekwini region of South Africa. It is thus an obvious limitation that the results of this exploratory study pertain to business and entrepreneurs in this region. Care should thus be taken not to extrapolate the findings into other regions of South Africa. It is, therefore, suggested that qualitative research should be expanded into other geographical regions of South Africa and to investigate their possible interpretation of corporate entrepreneurial terms and climate. Such research will provide a more accurate assessment of the entrepreneurial climate of South Africa.

#### **4.6 SUMMARY**

In this study a broader understanding of the entrepreneurial climate in Ethekekwini Metropolitan Municipality of South Africa was obtained. Entrepreneurship was defined by means of a literature study and the empirical data was explained using the literature as bases.

The research revealed that employees are no longer just tools or positions in organisations that get the work done. Good, well stimulated and strategically applied employees are the most valuable of assets to the modern organisation. Globalisation is forcing organisations to reinvent their products and services on a daily bases in order to stay competitive in the rapid and ever-changing markets.

It is yet to be seen how the so called “Global village” will transform the way we do business in the years to come. One thing is certain and that is people and creative inspiration will continue to play a major role.

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# APPENDIX 1: QUESTIONNAIRE

Code number:

# ***ENTREPRENEURIAL CLIMATE 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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# **ENTREPRENEURIAL CLIMATE QUESTIONNAIRE**

Dear Respondent

Corporate entrepreneurship is becoming increasingly important for the competitiveness of organisations that face dynamic competition unleashed by globalisation as well as by local competitors. Internal environmental factors play a crucial role in translating entrepreneurship into performance. Corporate entrepreneurship (intrapreneurship) with concomitant creativity and high rates of responsiveness should be the preferred mode of operations in the moderate corporate organisation.

With the 2007 Global Entrepreneurship Monitor (GEM) Report again indicating that South Africa performs poorly in comparison to other emerging economies in terms of entrepreneurial activity and development, attention should be focused on interventions which support and encourage business initiatives and development.

Very little to no research has been conducted on corporate entrepreneurship in South Africa. Corporate entrepreneurship should therefore emphasise the establishment of business models, processes and structures in the corporate organisation so as to increase the level of corporate entrepreneurship in the various departments within these organisations.

This questionnaire attempts to measure the entrepreneurial climate in your organisation in order to determine whether it is conducive to foster an intrapreneurial spirit, as well as to indicate possible barriers or trigger factors. Your contribution is highly valued and appreciated.

**Please complete every question / statement to ensure the validity and reliability of the study.**

## **GENERAL INSTRUCTIONS**

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

Use the following key to indicate your preference:

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

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

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly agree	Strongly Agree
<b>A03</b>	People are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5

## SECTION A: ENTREPRENEURIAL CLIMATE

The questionnaire consists of 62 statements. Please indicate to what extent you agree or disagree with each statement. Please mark the applicable block with a cross (X).

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A01	In our organisation, developing ideas for the improvement of the company is encouraged by management.	1	2	3	4	5
A02	There are several options within the organisation for individuals to get financial support for their innovative projects and ideas.	1	2	3	4	5
A03	People are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5
A04	Our leaders challenge the status quo and we are inspired by them to think, reason and act in innovative ways.	1	2	3	4	5
A05	Our leaders have a good balance between concern for production and concern for people.	1	2	3	4	5
A06	Our leaders lead by example and people are eager to voluntarily follow them.	1	2	3	4	5
A07	Our leaders seek to maximise value from opportunity without constraint to existing models, structures or resources.	1	2	3	4	5
A08	Our organisation has people with influence that support, coach, protect and find resources for an entrepreneurial project and its team.	1	2	3	4	5
A09	My manager helps me get my work done by removing obstacles and roadblocks.	1	2	3	4	5
A10	An employee with a good idea is often given free time to develop that idea.	1	2	3	4	5
A11	Project teams in our organisation have considerable freedom to make decisions and act on them without needing to ask for permission.	1	2	3	4	5
A12	Originators of new ideas find it easy to implement because of influential people to support them.	1	2	3	4	5
A13	Those employees who come up with innovative ideas on their own receive management encouragement for their activities.	1	2	3	4	5
A14	My supervisor will give me special recognition if my work performance is especially good.	1	2	3	4	5
A15	In this organisation effective entrepreneurs are generally rewarded.	1	2	3	4	5
A16	In this organisation people are rewarded in relation to the excellence of their job performance.	1	2	3	4	5
A17	Our organisation has been built up by taking calculated risks at the right time.	1	2	3	4	5
A18	Our organisation is quick to use improved work methods that are developed by workers.	1	2	3	4	5
A19	People are given considerable opportunity for independence and freedom in how they do their work.	1	2	3	4	5
A20	Good management of projects involving risk and unpredictability is highly valued, even when things don't always turn out according to plan.	1	2	3	4	5
A21	There is considerable desire among people in the organisation for generating new ideas.	1	2	3	4	5

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A22	In this organisation rewards and encouragement is emphasized rather than criticism.	1	2	3	4	5
A23	I have much autonomy on my job and left on my own to do my own work.	1	2	3	4	5
A24	This organisation supports many small and experimental projects realising that some will undoubtedly fail.	1	2	3	4	5
A25	Experiments are acceptable in the marketplace, not only in the lab.	1	2	3	4	5
A26	If you make a mistake in this organisation you will be forgiven.	1	2	3	4	5
A27	Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.	1	2	3	4	5
A28	An employee with a good idea is often given free time to develop that idea.	1	2	3	4	5
A29	Top management is aware of and receptive to my ideas and suggestions.	1	2	3	4	5
A30	This organisation provides the chance to be creative and try my own methods of doing the job.	1	2	3	4	5
A31	Our organisation has an open communication structure in which all employees participate.	1	2	3	4	5
A32	The process for accessing and acquiring resources to pursue new opportunities is streamlined to realise quick approval.	1	2	3	4	5
A33	Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions.	1	2	3	4	5
A34	We regularly ask our customers what they think of our service and product offerings.	1	2	3	4	5
A35	I have the freedom to use some of my time to explore new ideas and hunches without having to ask permission.	1	2	3	4	5
A36	In this organisation people are inspired to push their boundaries and to think "out-of-the-box"	1	2	3	4	5
A37	Individuals with successful innovative projects receive additional rewards and compensation for their ideas and efforts.	1	2	3	4	5
A38	People are keen to share knowledge without regard for crossing departmental or functional boundaries.	1	2	3	4	5
A39	We use cross-functional teams or cross-business-unit teams effectively.	1	2	3	4	5
A40	People are encouraged to talk to employees in other departments of this organisation about ideas for new projects.	1	2	3	4	5
A41	Our organisation provides ample opportunities for learning growth.	1	2	3	4	5
A42	Cross-functional team members are left to make decisions without interference from functional superiors who are not part of their team.	1	2	3	4	5
A43	I am allowed time at work to safely divert from my assigned tasks to explore new ideas I believe have potential.	1	2	3	4	5
A44	Project teams have choices in recruiting and selecting new team members.	1	2	3	4	5
A45	Employees are encouraged to stay abreast of developments in their functional fields and to share their knowledge across functions.	1	2	3	4	5

		Strongly Disagree	Slightly Disagree	Neither agree nor disagree	Slightly Agree	Strongly Agree
A46	Innovative and new ideas are a regular occurrence in our organisation.	1	2	3	4	5
A47	Cross-functional teams are characterised by diversity based on project skills requirements.	1	2	3	4	5
A48	In this organisation it is easy to build coalitions of active sponsors to help projects succeed.	1	2	3	4	5
A49	Our leaders take a long term view of our organisation.	1	2	3	4	5
A50	Our leaders share their vision with all levels of the organisation.	1	2	3	4	5
A51	Our organisational vision and strategies are clear to me.	1	2	3	4	5
A52	A great deal of resources are spent in determining customer needs.	1	2	3	4	5
A53	Our organisations announced vision inspires me.	1	2	3	4	5
A54	This organisation has a specific value system which we all know.	1	2	3	4	5
A55	Product and service innovation are driven by a strong customer orientation.	1	2	3	4	5
A56	Great effort has been made to clarify what the vision and strategy mean to us in our department.	1	2	3	4	5
A57	Our organisation involves customers in service and product development.	1	2	3	4	5
A58	We regularly ask our customers what they think of our service and product offerings.	1	2	3	4	5
A59	The vision and strategies often help me in setting priorities.	1	2	3	4	5
A60	Customers are treated as very important stakeholders and not just another transaction to be processed.	1	2	3	4	5
A61	In this organisation management decisions are aligned and supportive to the vision and strategies.	1	2	3	4	5
A62	We have taken some big risks occasionally to keep ahead of the competition in the business we're in.	1	2	3	4	5

## SECTION B: BACKGROUND INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated. Tick or highlight the applicable block.

<b>B01</b>	Indicate your age group	≤ 29	30 - 39	40 - 49	50 - 59	60+
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<b>B02</b>	Indicate your gender	Male	Female
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<b>B03</b>	Indicate your position in the organisation					
	Specialist					
	Junior managers					
	Middle manager					
	Top (senior) manager					
	Director					
	Other: (Specify):					

<b>B04</b>	Indicate the department you work in					
	Human resource management and administration					
	Finance					
	Sales and marketing					
	Operations					
	Purchasing and logistics					
	Other: (Specify):					