

**CORPORATE ENTREPRENEURSHIP AND ITS  
ENVIRONMENTAL DETERMINANTS**

by

**MWENA-BANZA SERGE TAMBWE  
B-Tech Production Management  
(Wits Technikon)**

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# **ABSTRACT**

## **CORPORATE ENTREPRENEURSHIP AND ITS ENVIRONMENTAL DETERMINANTS**

The environment within which organizations operate is becoming more and more complex, uncertain, volatile, and turbulent. A contributing factor to this is the increased integration and globalization of the world economy, which compels management of organizations to search for alternatives for organizational survival and success. Employees inherent talents to act and think creatively and innovatively seem to be that alternative. One of the greatest challenges facing management is to direct the ruling organizational, as well as individuals' value systems and work practices more towards an entrepreneurial behaviour. Thus, the demands of continuous improvement and the setting of competitive advantage will be met.

The goal of this study is to analyse the different determinants and real driving forces in both the internal and the external environments that can either impede or foster corporate entrepreneurship in ABI Midrand which is the organization chosen for this study. The other goals are to ascertain and look at corporate entrepreneurship as a strategic tool in order to sustain organizational competitiveness and innovation; to achieve an understanding of both the macro and the micro environmental factors that will foster or hinder corporate entrepreneurship activity; and to determine whether ABI Midrand is an entrepreneurial organization or not, and come up with recommendations.

The study found that both macro and micro environmental determinants have a significant influence on the stimulation of corporate entrepreneurial behaviours on employees. Furthermore, management has very little control over the external determinants, but a lot can be done about the internal ones since they are within the reach of management and management can influence and drive them.

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# CHAPTER 1

## NATURE AND SCOPE OF STUDY

### 1.1 INTRODUCTION

Nowadays, and throughout the course of history, organisations have never been static; they are and have always been changing. Lately, it seems even if that the rate of that change has accelerated. The past quarter century has produced an immense transformation in the functions, patterns, and cycles of organisations and many of the old conventional rules of business no longer apply. Fundamental assumptions about employees, products, control resources, technologies, and markets have been challenged and in some cases discarded altogether. For many organisations, coping with turbulence in their external environments has become a way of life (Morris & Kuratko, 2002; 3).

In the midst of all of this, intensifying global competition, corporate downsizing and delayering, rapid technological progress, and many other factors have heightened the need for organisations to become more corporate entrepreneurial in order to survive and prosper. Few organisations are exempt. Rather, many organisations are striving to exploit product-market opportunities through innovative and proactive behaviours. ( Dess, Lumpkin & McGee, 2001:85).

For organisations to cope with such a turbulent and ever-changing business environment, management must be aware of tendencies in the macro and micro environments so as to be able to provide a positive climate for creativity and innovation.

Change and adaptability should therefore not be looked at as an option, but rather as a pre-requisite for survival.

## 1.2 PROBLEM STATEMENT

Innovation is a requisite for organisations seeking to remain competitive especially in uncertain and turbulent times. Many organisations are increasingly looking at corporate entrepreneurship as a way of combating the lethargy and bureaucracy that often accompany size. Some large organisations have lost the entrepreneurial spirit that they began with and others are still looking at how to ignite that entrepreneurial spirit (Echols & Neck, 1998: 38). Thus, this has recently led to a growing interest in the use of corporate entrepreneurship as a means for organisations to enhance the innovative abilities of their employees and, at the same time, increase corporate success through the creation of new corporate ventures. However, the involvement of some radical changes in the internal organisational behaviour pattern makes it difficult.

Researchers have attempted to understand the factors that stimulate or impede corporate entrepreneurship; and they examined the effect of an organisation's strategy, organisation and external environment. It appears that the environment plays a profound role in influencing corporate entrepreneurship whereas there is consensus that the external environment is an important antecedent of corporate entrepreneurship.

One of the biggest challenges facing organisations today is the ability to develop their entrepreneurial orientation; especially that this needs to be done taking into account the determinant elements of corporate entrepreneurship such as the political, economic, social and technological environments, of course without forgetting that environment within the business control.

Therefore, corporate entrepreneurship is quickly becoming a weapon of choice for many large organisations. Corporate entrepreneurship is an attempt to take both the mindset and skill set demonstrated by successful start-up entrepreneurs and inculcates these characteristics into the cultures and activities of a large organisation. Corporate entrepreneurship can be a powerful antidote to large organisations' staleness, lack of innovation, stagnated top-line growth, and the inertia that often overtakes the large, mature organisations of the world (Thornberry, 2002:329).

## **1.3 OBJECTIVES OF THE STUDY**

The goal of this dissertation is summarised in one main objective and three sub-objectives.

### **1.3.1 Main objective**

The overall objective of this study is to analyse the different determinants and real driving forces in both the internal and external environments that can either impede or encourage corporate entrepreneurship within Amalgamated Beverage Industries, Midrand factory.

### **1.3.2 Sub-objectives**

The sub-objectives in support of the main objective of this study are to:

- Ascertain and look at corporate entrepreneurship as a strategic management tool in order to sustain organisational competitiveness and innovation, in determining the current corporate entrepreneurial position of Amalgamated Beverage Industries (ABI Midrand),
- Achieve a clear understanding of the external or macro environment in which entrepreneurship will evolve or fail and also identify what are the most critical internal or micro environmental factors promoting or impeding entrepreneurship,
- Determine whether ABI Midrand is a corporate entrepreneurial organisation and if corporate entrepreneurship will indeed improve the way things are being done presently.

## **1.4 SCOPE OF THE STUDY**

### **1.4.1 Field of study**

The field of study falls within the subject discipline of entrepreneurship and more precisely corporate entrepreneurship.

### **1.4.2 Geographical demarcation**

The study is limited to the Republic of South Africa and precisely in the Gauteng Province. It is also limited to a single company, Amalgamated Beverage Industries (Midrand Factory).

## **1.5 RESEARCH METHODOLOGY**

The method used in this study is that of a literature study. A literature survey is conducted on the latest viewpoints concerning entrepreneurship and corporate entrepreneurship. By analysing the available literature, the research objectives are defined, and the literature survey is the primary source of information. The gathered information is then described, interpreted and evaluated on a qualitative basis in order to address the purpose as well as the objectives on this study.

However, an empirical research will also be conducted which will be based on an opinion survey constituted of a questionnaire that will be given to the senior managers at Amalgamated Beverage Industries (ABI Midrand factory) and their assistants to determine how corporate entrepreneurship is perceived, and also to determine how entrepreneurial is the organisation. The results will then be graphically interpreted.

## **1.6 LAYOUT OF THE STUDY**

### **Chapter 2: The overview of Amalgamated Beverage Industries (ABI)**

This chapter presents ABI as an organisation by depicting the ABI's vision and values, and the structure that constitutes ABI. Furthermore, this chapter also discusses over the strength and success, the operating performance of ABI. Since the core product that ABI offers to the consumers is Coca-Cola, a brief history on Coke is also presented.

### **Chapter 3: Nature and environmental determinants of corporate entrepreneurship**

In this chapter, corporate entrepreneurship and entrepreneurship are defined, also the nature of corporate entrepreneurship is presented. This chapter looks also at the two categories of determinants of corporate entrepreneurship namely macro and micro determinants.

The macro or external environmental factors consist of elements outside an organisation that are relevant to its operations. Organisations are not self-sufficient and exchange resources with the environment and depend on it for survival. This chapter is aimed at the identification of those elements that present certain opportunities and threats to an organisation. Also, in this chapter the objective is to identify some of the micro or internal environmental factors, or factors that are within the organisation's control, which may hinder or encourage intrapreneurial behaviours. These determinants are important in shaping the organisation's management in devising successful competitive strategies for the future, which must be highly entrepreneurial.

### **Chapter 4: Empirical research**

This chapter consists of an empirical research during which a questionnaire will be sent to senior managers and their assistants at ABI Midrand in order to determine how they feel about corporate entrepreneurship and also to determine how entrepreneurial ABI is, and if anything can be done to improve it.

### **Chapter 5: Conclusions and recommendations**

Entrepreneurs are looked at as heroes or successful people today, and one of the questions most frequently asked is how established organisations can get some entrepreneurial spirit that is appealing to their employees. A summary with conclusions of the study is given and recommendations are also given.

## CHAPTER 2

### OVERVIEW OF AMALGAMATED BEVERAGE INDUSTRIES (ABI)

#### 2.1 ABI PROFILE

Amalgamated Beverage Industries Limited (ABI) is an organisation with a work-force compliment of just over 4300 employees. ABI is the leading carbonated soft drink business in the South African Breweries Miller (SABMiller) plc group of companies. ABI remains one of the largest producers and trade marketers of the Coca-Cola company brands in the Southern African region.

The company's core skills lie in the manufacture, trade marketing, sales and distribution of a variety of the world's leading soft drink brands, including carbonated soft drinks, sports and energy drinks, bottled water, fruit juice and ice tea.

Over the past twenty-five years, ABI has consistently delivered good returns to its shareholders, with solid compounded growth in headline earnings, dividends and net equity. ABI usually produces good financial results. Yet again for this current year (2004), it was the case indeed. In a year of greater Rand strength, relative economic stability and improvements in consumer disposable income, it is worth highlighting some key areas of the organisation's productive performance such as:

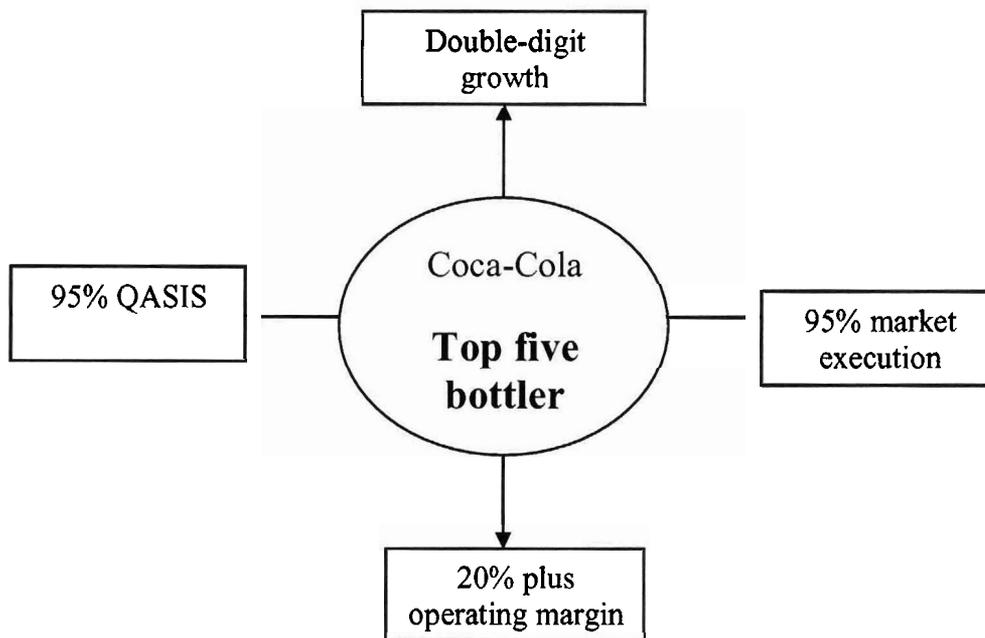
- The 7.8% increase in sales volumes,  
The improvement in gross margin, cash overheads and the consequent increase in trading margin performance; and  
The increased emphasis on corporate sustainability, including employment equity and improved standards for safety, health, environment, and quality.

ABI keeps on seeking opportunities to redefine the way it does its business by continually searching for new avenues of growth. It is committed to becoming an integrated non-alcoholic beverage organisation and to build even better relationships with customers, consumers and the wider community.

### 2.1.1 Organisation's vision.

ABI's vision is to be rated in the top five Coca-Cola bottlers in the world by any appropriate criteria. Furthermore, ABI strives to be a vibrant organisation where everyone believes that good enough is not good enough, where there is a challenge to reach further, knowing that together more can be achieved.

**Figure 2.1: ABI Vision**



**Source: ABI Induction DVD 2004.**

### 2.1.2 Organisation's strategic focus.

The strategic focus of ABI is to:

- Build ABI as the single most efficient manufacturing and distribution organisation,
- Become the benchmark in deriving value from emerging market, and
- Consumer obsessed.

ABI operates against a strategic framework that serves as a balanced scorecard for measuring performance. Broadly, these goals encompass the following:

- Volume growth,
- Customer service,
- Financial efficiency and effectiveness,
- The people, and
- Our corporate brand and reputation.

From the strategic focus, a purpose was developed and it consists of always providing fun filled refreshment with the world's favourite soft drink, ice cold Coca-Cola and all this through customer service excellence.

### 2.1.3 Organisation's values.

The ABI values are built around partnership, relentlessness, connectedness and awareness. **Partnership** means that ABI knows that their success is dependent upon my success, since together we shape the future. **Relentless** means that ABI goes further to understand and meet my needs. If there is not a way, they will find a way. They surpass expectation in fresh and unexpected ways. **Connected** means that ABI's deep local roots bring them closer to people. These insights inspire them to develop preferred solutions. **Awareness** means that they are switched on group of people. Aligned in the knowledge of where they are going and how they are going to get there. The above mentioned values are built on some strong principles that ABI believe in, and they are the following: trustworthiness, innovation, treating people with dignity, and recognition of contribution by all and these have brand and company commitment as a foundation.

## **2.2 ABI STRUCTURE**

When ABI was formed in 1979, the Coca-Cola Company had full ownership of the business. However, following the departure of the Coca-Cola export company in 1989 from South Africa, the control of the company was passed over to South African Breweries who owned 74% of shares and the remaining 26% were shared among employees, the public and other share holders. This big network has a work-force compliment of just over 4300 people and is listed among the twenty best on the Johannesburg Stock Exchange.

ABI has four manufacturing plants namely in Midrand, Pretoria, Devland and Durban. The organisation has two major sale and distribution (S&D) in two regions that are being supplied by the four manufacturing plants; and they service the whole of Gauteng, Kwazulu Natal, Northwest and the Free State, giving ABI the largest industry market share of 60%. Moreover, ABI have operations in the Indian Ocean islands such as the Grand Comores, Comores Island, Mohili, Anjouan, and Mayotte.

ABI's annual sales amount to just under 200 million cases with a customer base of almost 22 million to whom they supply over 21 different products. In addition, ABI owns 32% of the Coca-Cola canners and has acquired New Age Beverage which took over from Pepsi Cola when they had to close down their operations in South Africa. Since NAB bottles only Coke products, this has made ABI the biggest Coca-Cola bottler in the region.

ABI help and assist their customers with the supply of coolers, fountains as well as other soft drink vending, and this is done through a particular division called the Equipment and Service Division.

## **2.3 ABI'S STRENGTH AND SUCCESS**

ABI is a very strong and successful organisation. For the past twenty-five years, its profit margin kept on growing at over 15% annually. ABI's success is built around its strong strategy, especially after embarking on the strategy of corporate re-branding which is an integrated partnership and consists in creating a strong corporate brand that supports organisation vision in the overall

strategy intent, by creating a single and central organisational process to align all our energy around. However, this is being done taking the staff, customers, shareholders, investors, and analysts into account in order to meet their needs.

Performance management process is another point of success for ABI. This is a process that evaluates and assesses the way the individual and organisational objectives are met by various individuals, in order to remain aligned with the organisation vision of reaching further together, since good enough is not good enough anymore within ABI. The organisation also builds its success around continuously encouraging people to be more and more efficient and effective by finding new ways of doing things and being innovative in the various departments. Strong employee training and development programs at all levels also make ABI successful, since ABI believes in human capable people, and in becoming the employer of choice with employees of choice as well.

Maintaining steady volume growth of carbonated soft drinks and of alternative beverages such as juices, energy drinks and bottled water also gives ABI a successful edge over its competitors. With a steady volume growth comes a steady and strong market execution service. This requires every employee regardless his function, to focus on taking customers and their complaints seriously.

Another strength revolves around the new internal meaning given to ABI by its leadership, which stands for Attitude towards transformation, corporate re-branding, customers, stakeholders, that will lead to a positive Behaviour towards our work and create a process of Ignition. Because at ABI we believe that a positive attitude and behaviour will possibly end up igniting like a rocket shooting to the moon.

## **2.4 ABI'S OPERATING PERFORMANCE**

Generally, ABI has sustained good growth in earnings and value for shareholders. This was achieved through strong sales revenue growth on the back of the volume growth achieved, as well as operating cost productivity. Volume growth together with the annual selling price increase, delivered sales revenue growth of 12.9%. Sales revenue growth was slightly suppressed by the

decline in sales revenue from the Islands operations. This decline was mainly due to the strengthening of the Rand against the Euro and exacerbated by the inclusion of fifteen months results for the Islands in the prior year as compared to the twelve months included in the current results. A decline in can contributions also contributed to the lower revenues than one would have expected from the 7.8% volume growth. The primary driver of earnings growth has been ABI's ability to grow gross margin during the year. Average cost of sales on a volume weighted basis increased marginally over the prior year.

The trend over the last few years of raw material price increases at rates above inflation was somewhat reversed in the current year. Plastic resin forms a significant proportion of the imported component of raw material inputs. This component was managed down through effectively taking advantage of the Rand's strength against the US Dollar and the timing of resin purchases to optimise landed cost. In addition, the decline in the market price of sugar has also contributed to the overall containment of raw material input costs.

Manufacturing operating efficiencies also contributed to a containment of the fully absorbed cost of own manufactured product, these efficiencies were achieved both in terms of material input usages, as well as containment of manufacturing overhead costs. As a consequence of the raw material and manufacturing cost efficiencies achieved, gross margins grew by 1.7 percentage points, from 38.4% to 40.1%. Operating costs experienced a significant increase as a result of investments made in the current year, as well as the annualised effect of the prior year investments.

The conversion from the 1000 ml returnable glass containers to the 1250 ml returnable glass containers was completed this year. This conversion together with the volume growth has necessitated a significant growth in investment in the 1250 ml containers. A further investment in returnable containers was made with the launch of the 300 ml pack. This growth in container investment has resulted in an increase in container depreciation of R37.2 million. Two container deposit price increases were affected this year. The recognition of the effect of the deposit price increase on the "in-plant" assets and the "in-trade" assets and liabilities results in a net income statement charge of R11.9 million.

Future container depreciation, however, is reduced due to the increase in the deposit price, more than recovering this cost over the next two years. Redundant equipment to the value of R25.0 million, including coolers that were assessed to be redundant or unaccounted for, have been written off. The 350 ml returnable glass bottles were replaced by the 300 ml ones rendering the 350 ml glass pool redundant. This resulted in a R8.5 million write off. In addition, a change in legislation necessitated a change in the basis for costing the employee leave provision. This resulted in a R7.0 million increase in the leave pay provision. Adjusting for these costs and recognising an increase in variable costs as a result of the sales volume increase, good productivity has been realised in the operating cost base. Trading profit grew by 20.4%. A key measure for ABI in determining its ability to deliver earnings ahead of volume growth is the trading margin percentage. Trading margin has grown from 17.5% in the prior year to 18.7%, representing a material improvement in earnings delivery ahead of volume growth. Adjusted headline earnings grew by 21.1%. Against an inflation benchmark, this represents significant real earnings growth.

On the whole, the reason that motivated me doing my study on ABI is mainly because I work for this organisation and also because this study will help me and the management to see whether we are doing well or not in terms of corporate entrepreneurship. From the light of this study and the findings, anything that needs adjustment or correction will be attended to. Moreover, the findings and recommendations of this study will add value to this vibrant and successful organisation.

## **2.5 BRIEF COCA-COLA HISTORY**

ABI's vision is to be rated among the top five Coca-Cola bottlers worldwide, which means coke is the core product, then followed by other brands. ABI has always been bottling and will always bottle this worldwide well-known brand namely Coca-Cola.

It all started in 1886 when a prohibition law was enacted in Atlanta that persuaded physician and chemist Dr. John Stith Pemberton to rename and rewrite the formula for popular nerve tonic, stimulant and headache remedy, "Pemberton's French Wine Cola," sold at that time by most, if not, of the city's druggists. So when the new Coca-Cola debuted later that year, still possessing "the valuable tonic and nerve stimulant properties of the coca plant and the cola nuts," yet

sweetened sugar instead of wine, Pemberton advertised it not only as a “delicious, exhilarating, refreshing and invigorating” soda-fountain beverage, but also as the ideal “temperance drink.”

Though Pemberton died just two years later after his filing for incorporation of the first Coca-Cola Company, the trade mark he and his partners created more than one hundred years ago can claim wide recognition today than that of any other brand in the world. The Coca-Cola beverage, whose unit sales totalled a mere 3,200 servings in 1886 (nine drinks per day based on twenty-five gallons of syrup sold to drugstores by Pemberton Chemical company), is today called the world’s most popular soft drink, accounting for billions of servings at restaurants in 195 countries.

Such is the commercial legacy of a one time confederate lieutenant colonel who earned his medical degree at the age of nineteen, who served on the first Georgia pharmacy licensing board, who set up a top-rated laboratory for chemical analysis and manufacturing, and who in his dozen-and-a-half years in Atlanta, established eighteen business ventures, including one, the Coca-Cola company, which now can boast 1995 sales in excess of \$15 billion. Notwithstanding Pemberton’s numerous professional and entrepreneurial accomplishments, however, Coca-Cola historians characterise him as “a local pharmacist” who concocted the world’s most craved soft-drink syrup in a three-legged brass pot in his back yard. Coca-Cola was not the creation of an inept, small-time corner druggist, once said archivist Monroe Martin King who has spent twenty-one years researching the life of Dr. John Pemberton, from his childhood in Rome, Ga., to his college days in Macon to his enterprising years in Atlanta.

After his death, one of his associates by the name of Asa Grigg Candler took over and changed the initial formula in 1891-1893, in order to improve the taste of the product, and ensure its uniformity and stability. Later on, Asa Candler hired Pemberton’s former associate Frank Robinson, and the two of them by adding essential ingredients and taking others out, perfected the formula. In fact it was Frank Robinson who created the Coca-Cola name and the logo, convincing the organisation to tie the classic slogan delicious and refreshing into all future advertising.

However, the first Coca-Cola bottle was sold in South Africa in Cape Town from a place called the Home of Café and that was in 1930.

## **CHAPTER 3**

### **NATURE AND ENVIRONMENTAL DETERMINANTS OF CORPORATE ENTREPRENEURSHIP**

#### **3.1 INTRODUCTION**

The practice of corporate entrepreneurship has become the focus of increasing attention from managers and academics alike, as the ability to create innovation has assumed critical importance in rapidly evolving industries. Fostering entrepreneurial behaviours and practices has assumed prime importance in the grand strategies of many organisations where creating innovation is perceived as an important means of establishing and maintaining competitive advantage as well as a method for initiating corporate renewal (Russell, 2001:65). However, a close look at the literature review of corporate entrepreneurship shows that there is no clarity in the terminology used, and according to Sadler (2000:26) there is a significant debate surrounding the search for a definition of corporate entrepreneurship. Since corporate entrepreneurship is viewed by some authors as an extension of individual entrepreneurship within the context of existing organisations (Russell, 2001: 67), it is therefore important to elaborate on the meaning of the term entrepreneurship.

Following the definition of corporate entrepreneurship, the forms of corporate entrepreneurship, the difference between an entrepreneurial organisation and a non entrepreneurial one are introduced, and also some obstacles to corporate entrepreneurship are presented.

Furthermore, organisations do evolve and perform within an environment composed of different determinants influencing them either positively or negatively. A close look at the environment, being macro or micro surrounding the organisation is thus very important. The macro or external environment provides the context or initial conditions that either facilitate or constrain the emergence of corporate entrepreneurial activities. Russell (2001:69) states that the information

from the macro or external environment is presented in the form of “precipitating events” that stimulate corporate entrepreneurial activities and that members of entrepreneurial organisations tend to be sensitive to these events and perceive them as opportunities for pursuing innovative ventures. Conversely, less entrepreneurial or conservative organisations tend not to notice or act upon these opportunities.

Russell (2001:70) is of the opinion that the external environment can either be dynamic or static, and that dynamic environments are likely to provide many precipitating events as changing conditions displace existing bases for competitive advantage and generate the search for innovative source of advantage. Static environments, on the other hand, tend to reinforce existing sources of competitive advantage, providing fewer opportunities for innovative change. Nevertheless, organisations may pursue entrepreneurial activities in all types of environments, however it appears likely that most of them will be concentrated in dynamic, heterogeneous, and hostile environments, since Sadler (2000:30) is of the opinion that hostile external environments typified by precarious industry settings, intense competition, harsh business climates and relative lack of exploitable opportunities have been regarded as positive incubators for corporate entrepreneurship.

Following the above, it is also important to closely look at the micro or internal environmental issues impinging on corporate entrepreneurship directly within organisations. The micro environment comprises the internal environment of an organisation, and its factors form the context within which employees and executives perceive opportunities for new ventures. These organisational variables constitute the context within which corporate entrepreneurship ventures are evaluated, accepted or rejected. Therefore, internal factors are the greatest cause of failure or success of most organisational ventures. Some reasons of failure are the nature of management skills, organisational philosophy and vision, and planning. Analysis of the internal makeup of an organisation should not just concentrate on its internal strengths and weaknesses as is often the case, but should also include a continual search for new opportunities and ideas that exist within its boundaries (Zahra, 1996:268).

## **3.2 NATURE OF CORPORATE ENTREPRENEURSHIP**

### **3.2.1 DEFINING CORPORATE ENTREPRENEURSHIP**

Corporate entrepreneurship is a term used to describe entrepreneurial behaviour within midsize and large organisations (Morris & Kuratko, 2002: 31). Thus, in order to derive a definition of corporate entrepreneurship, a clarification of the term entrepreneurship should first be established.

#### **3.2.1.1 ENTREPRENEURSHIP DEFINED**

There is generally no single accepted definition or model of what entrepreneurship is. O'Neil, Terblanche & Keyter (1997:2) argue that vague and sometimes contradictory definitions of entrepreneurship, as well as perception of the entrepreneur as kind of mystical and complex character, have contributed to the uncertainty of what entrepreneurship is. The word "entrepreneurship" is derived from the French verb "entreprendre" which is defined as a person who undertakes the risk of a new enterprise (Clark et al., 1993:9).

Furthermore, it means "to undertake something, to seek opportunities, to fulfil needs and wants by being innovative and starting businesses" (Clark *et al.* 1993:9). Entrepreneurship is thus the initiation of change and an act of creation. The recognition of entrepreneurs also dates back to the eighteenth century when Richard Cantillon used the term "entrepreneur" to refer to "an originator" (O'Neil, *et al.* 1997: 3). In business terms, an entrepreneur is perceived as a person who:

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

Timmons (1999:27) defines entrepreneurship as a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced.

Therefore, entrepreneurship ends up in the creation, enhancement, realisation, and renewal of value, not just for the owner but also for all participants and stakeholders. At the heart of this process are the creation and/or recognition of opportunities, followed by the will, the courage and initiative to seize these opportunities. It requires a willingness to take risks, both personal and financial, but in a very well calculated fashion in order to constantly shift the odds to one's favour, balancing the risk with the potential reward. Typically, entrepreneurs devise ingenious strategies to marshal their limited resources (Timmons, 1999:27).

The Ewing Marion Kauffman Foundation's Center for Entrepreneurial Leadership defines entrepreneurship as "the ability to amass the necessary resources to capitalise on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control" (Kayne, 1999:3).

However, one definition seems to incorporate all aspects of the entrepreneurial phenomenon and that definition portrays entrepreneurship as the process of creating value by bringing together a unique package of resources to exploit an opportunity (Morris & Kuratko, 2002:22-24). This definition presents four important aspects, namely:

- Entrepreneurship involves a process. It is manageable and can be broken into steps and does not end. It can be applied in any organisation,
- Entrepreneurship creates value where there was none before. This value is then created in the organisation and in the market place,  
Entrepreneurs put resources together in a unique way. Unique combination of money, people, procedures, technologies, materials, facilities, packaging, distribution channels, and any other resources,
- Entrepreneurship is an opportunity driven behaviour. It involves pursuing an opportunity regardless of the resources currently controlled.

### **3.2.1.2 Corporate entrepreneurship defined.**

The term entrepreneurship has been used to describe entrepreneurial efforts and behaviours of people performing outside the context of a set organisation. However various terms are used for the description of entrepreneurial efforts and behaviours within the context of an existing organisation and Sadler (2000:26) is of the opinion that different authors use different terms to describe the same phenomenon. Thus, these entrepreneurial efforts and behaviours within the boundaries of an existing organisation are also known as corporate entrepreneurship; and this label of corporate entrepreneurship has been attached to multiple and sometimes distinct organisational phenomena (Covin & Miles, 2001:48), and the three most common phenomena that are often viewed as examples of corporate entrepreneurship include the following:

An established business enters a new area of business. This phenomenon has typically been referred to as corporate venturing,

- The second phenomenon is where an individual or individuals champion new product ideas within an organisational context. This second phenomenon is best known as intrapreneurship,
- The third and last phenomenon is where an entrepreneurial philosophy permeates an entire organisation's outlook and operations, and the term corporate entrepreneurship is used and refers to the entire organisation and not to individuals.

Following is a detailed discussion on the above mentioned three phenomena that will lead to a definition of corporate entrepreneurship.

#### **❖ The phenomenon of corporate venturing**

This involves the starting of an organisation within an organisation, usually emanating from a core competency process. It also refers to corporate entrepreneurial efforts that lead to the creation of new business organisations within the corporate organisation. These ventures usually involve the creation, nurturing, and development of new product or market opportunity.

Ventures differ from simple line extensions in the sense that they require vast amounts of new learning on the part of the business. New, although not totally foreign, competencies are required, or current ones are leveraged in a totally new way (Thornberry, 2003: 330). Since corporate venturing may or may not reside within the domain of the existing organisation, based on this, corporate venturing can be classified either as external or internal. External corporate venturing refers to corporate venturing activities that result in the creation of semi-autonomous or autonomous organisational entities that reside outside the existing organisational domain. Internal corporate venturing refers to the corporate venturing activities that result in the creation of organisational entities that reside within the existing organisational domain. (Sharma & Chrisman, 2001: 19-20).

#### ❖ **The phenomenon of intrapreneurship**

This phenomenon was first espoused by Pinchot in 1985; and it is an attempt to take the mindset and behaviours that external entrepreneurs use to create and build businesses, and bring these characteristics to bear inside an existing and usually large organisation (Thornberry, 2003: 330). It basically is an organisational process for transforming individual ideas into collective actions through the management of uncertainties (Sharma and Chrisman, 2001: 14).

#### ❖ **The phenomenon of corporate entrepreneurship**

The third and last phenomenon is where an organisation engages in corporate entrepreneurship to increase competitiveness through efforts aimed at rejuvenation, renewal and redefinition of the organisation, its market, and its industry. This phenomenon of corporate entrepreneurship is described by Kemelgor (2002:68) as an organisational-level phenomenon that has a serious commitment to both incremental and radical innovations as strategically important to the competitiveness of the organisation and tactically important to its operations and processes.

Corporate entrepreneurship is a term used to describe entrepreneurial behaviour inside established midsize and large organisations. It is also viewed as the process whereby an individual or a group

of individuals, in association with an established organisation, creates a new organisation or instigate renewal or innovation within the current organisation (Morris and Kuratko, 2002: 31).

As an organisational-level activity, corporate entrepreneurship provides support for the development and exploitation of one or more innovations that are deemed to be strategically and financially consistent with the organisation's mission. The orientation toward innovation should not be confused with the normal marketing and product development efforts of the organisation, which are structurally and process-wise embedded within the ongoing operations of the organisation. Corporate entrepreneurship programmes are usually built around bottom-up processes; these cater to organisational loyalty as well as to the creative/innovative process, and arise from the collective collaborative efforts of innovation-minded players (Kemelgor, 2002: 69).

As a behavioural phenomenon, organisations vary in their conceptualisation of innovation. All organisations fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial (Kemelgor, 2002:70-71). Because corporate entrepreneurship is an organisational-level activity, entrepreneurial organisations are risk-taking, innovative, and proactive. In contrast, conservative organisations are risk averse. They are less innovative and adopt more a: "wait and see" approach or posture.

The position of an organisation on this continuum is referred to as entrepreneurial intensity. According to Kemelgor (2002:72), an organisation's level of entrepreneurial intensity is driven by both its external (or macro) and internal (or micro) corporate context.

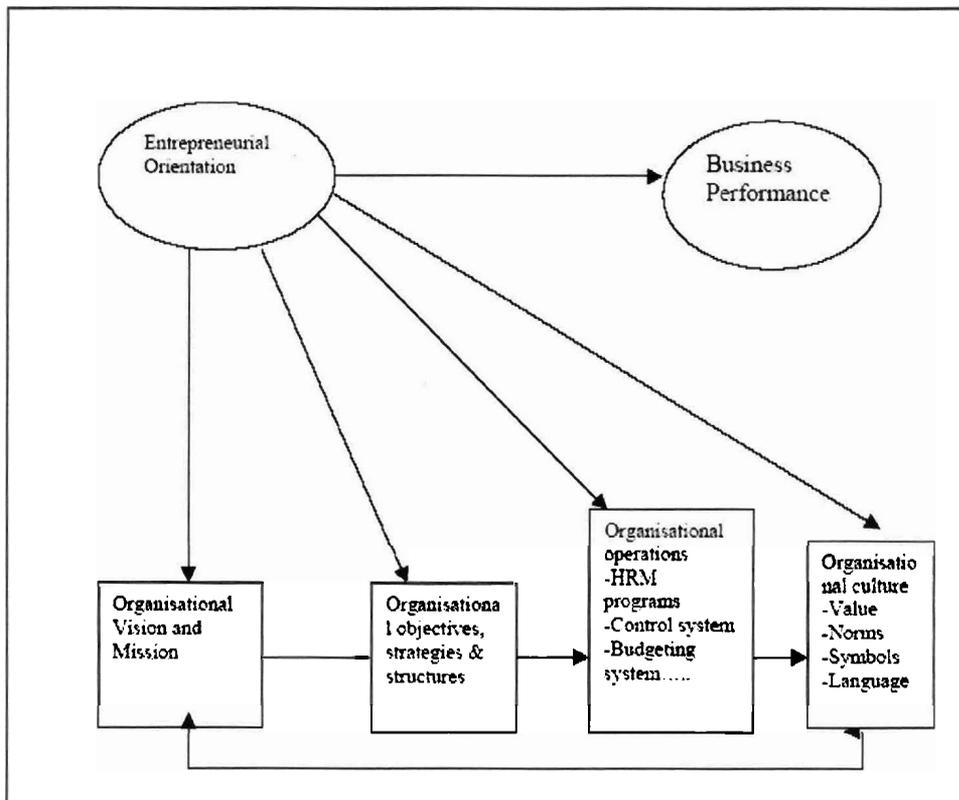
Since competing globally comes with its requirements, therefore, in the context of increasing market globalisation and free trade, organisations must innovate constantly to improve their flexibility, competitiveness and reactivity. Moreover, the infusion of entrepreneurial thinking into large bureaucratic organisations is referred to as corporate entrepreneurship. Consequently, corporate entrepreneurship is seen as a process of profitably creating innovation within an organisation setting. Regardless of the label, corporate entrepreneurship refers to the process of creating new businesses within established organisations, to improve organisational profitability and enhance an organisation's competitive position. (Kuratko & Hodgetts, 1995:95)

Corporate entrepreneurship is thus an attempt to take the mindset and behaviours that external entrepreneurs use to create and build businesses, and bring these characteristics to bear inside an

existing and usually large corporate setting. Organisations wishing to spur innovation and find new market opportunities are most often interested in trying to inculcate some of the entrepreneurial values into their culture in order to foster corporate entrepreneurship.

Corporate entrepreneurship is thus defined as the process whereby an individual or group of individuals, in association with an established organisation, creates a new business or instigates renewal or innovation within the current organisation in order to create or sustain competitive superiority, hence corporate entrepreneurship is approached as an overall orientation within an organisation. In this regard, Morris and Kuratko (2002:32) present a framework of corporate entrepreneurship that approaches entrepreneurship as an overall orientation with an organisation and this is shown in figure 3.1 below.

**Figure 3.1: Fitting corporate entrepreneurship into the organisation.**



**Source: Morris and Kuratko (2002:34).**

This framework basically indicates that entrepreneurial orientation or intensity has a direct influence on the organisation's performance. This is because it is interwoven with the vision and

mission of the organisation, the strategies, objectives, and structures of the organisation, the organisation's operations, and the overall organisational culture. The overall theme behind this framework is a revitalisation of personal creativity, product and process innovation, and ongoing managerial development in organisations. However, it is true that corporate entrepreneurship takes various forms and is manifested in various ways, because organisations do differ significantly from one another in terms of how entrepreneurial they are. The two following sections discuss the different forms of corporate entrepreneurship an organisation may decide to embark upon as well as the entrepreneurial intensity or orientation of an organisation.

### 3.2.2 THE FORMS OF CORPORATE ENTREPRENEURSHIP

Since corporate entrepreneurship can also be considered as the presence of innovation plus the presence of the objective of rejuvenating or purposefully redefining organisations, markets, or industries in order to create or sustain competitive superiority, it is possible to envision at least four forms of this phenomenon and these forms are sustained regeneration, organisational rejuvenation, strategic renewal, and domain redefinition, and all these four forms are depicted in table 3.1 with some of their key attributes.

**Table 3.1: Some key attributes of the four forms of corporate entrepreneurship**

Form of Corporate	Focus of Corporate	Typical basis for competitive	Typical frequency of	Magnitude of
Entrep	Entrep	advantage	new entrepreneurial act	negative impact if new entrepreneurial is not a success
Sustained Regeneration	New products or new markets	Differentiation	High frequency	Low
Organisational Rejuvenation	The Organisation	Cost leadership	Moderate frequency	Low to moderate
Strategic Renewal	Business Strategy	Varies with specific form manifestation	Less frequent	Moderate to high
Domain Redefinition	Creation and Exploitation of Product-market Arenas	Quick Response	Infrequent	Varies with specific form manifestation and contextual Considerations

Source: Covin and Miles (2001: 57)

- **Sustained Regeneration**

Sustained regeneration is the form of corporate entrepreneurship that is, perhaps, the most generally accepted and recognised as evidence organisation-level entrepreneurial activity. In fact, organisations that engage in sustained regeneration are those that do introduce new products and services, or enter new markets on a regular and continuous basis. Thus, this regular stream of new products and services or new markets introductions is therefore intended to capitalise on latent or under-exploited market opportunities using the organisation's valued innovation producing competencies. Organisations that are successful at the sustained regeneration form of corporate entrepreneurship tend to have cultures, structures, and systems in place that are supportive of innovation. These organisations tend also to be learning organisations that embrace change and willingly challenge competitors in battles for market share. Moreover, at the same time they are also introducing new products and services, or penetrating new markets; these organisations will often be culling older products and services from their lines in an effort to improve overall competitiveness through product life cycle management techniques (Covin & Miles, 1999: 51).

- **Organisational Rejuvenation**

The term organisational rejuvenation is used to refer to the corporate entrepreneurship phenomenon whereby the organisation strives to sustain or better its competitive standing by altering its internal processes, structures, and capabilities. This phenomenon is sometimes referred to as organisational renewal, corporate renewal, or corporate rejuvenation in the corporate entrepreneurship and competitiveness literatures. However, the current use of the term organisational rejuvenation is intentionally limited to corporate entrepreneurial phenomena for which the focus and target of innovation in the organisation per se. Moreover, this position is adopted because it is important to recognise that organisations need not to change their strategies in order to be entrepreneurial. Rather, corporate entrepreneurship may involve efforts to sustain or increase competitiveness through the improved execution of particular, pre-existing business strategies (Covin & Miles, 1999: 52).

- **Strategic Renewal**

The label strategic renewal is used here to refer to the corporate entrepreneurship phenomenon whereby the organisation seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes. Whereas the focal point for organisational rejuvenation is the organisation per se, the focal point for strategic renewal is the organisation within its environmental context and, in particular, the strategy that mediates the organisation-environment interface (Covin & Miles, 1999:52-53).

- **Domain Redefinition**

Finally, domain redefinition is the term used to refer to the corporate entrepreneurship phenomenon whereby the organisation proactively creates a new product-market arena that others have not recognised or actively sought to exploit. By embarking on domain redefinition the organisation, in effect, takes the competition to a new arena where its first or early mover status is hoped to create some bases for sustainable competitive advantage. Moreover, organisations often seek to imprint the early structure of an industry through domain redefinition.

Within the domain redefinition circumstances, the entrepreneurial organisation may be able to create the industry standard or define the benchmark against which later entrants are going to be measured. Thus, organisations that engage in domain redefinition are entrepreneurial by virtue of the fact that they exploit market opportunities in a pre-emptive fashion, redefining where and how the competitive game is played in the process (Covin & Miles, 1999:54).

### **3.2.3 ENTREPRENEURIAL INTENSITY OF AN ORGANISATION**

Corporate entrepreneurship is perceived to be an overall orientation within an organisation where the whole organisation acts in ways that would be described as entrepreneurial. Often, people tend to think of corporate entrepreneurship in either-or terms. However, corporate entrepreneurship is not something an organisation either has or does not have; it is a variable and there is some level of entrepreneurship in every organisation (Morris & Kuratko, 2002: 39). Three underlying dimensions of corporate entrepreneurship need to be taken into account while determining an organisational intensity of entrepreneurship, namely: innovativeness, risk-taking, and pro-activeness.

### 3.2.3.1 Innovativeness

Simply stated, this dimension means to what extent the organisation is doing things that are novel, unique, or different. In addition, innovativeness can take different forms such as new or improved services and processes (Morris & Kuratko, 2002: 40). Innovativeness also reflects the organisation's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes. Although innovations can vary in their degree of radicalness, it represents a basic willingness to depart from existing ways of doing things, or practices and venture beyond the current state of the art. Evidence of organisations innovativeness may take different forms. Generally, innovativeness may occur along a continuum from a simple willingness to either try a new product line or experiment with a new advertising means, to a passionate commitment to master the latest in new products, processes or technological advances (Lumpkin & Dess, 1996:142-144). This is depicted in figure 3.2 and table 3.2.

**Figure 3.2: Innovativeness as it applies to products and services**



**Source: Morris and Kuratko (2002:40)**

**Table3.2: Innovativeness as it applies to processes**

DEGREE OF INNOVATIVENESS	TYPE PROCESSES.
Major new process Minor new process Significant revision of existing process Modest improvement of existing process.	Administrative systems Service delivery systems Production methods Financing methods Marketing or sales approaches Procurement approaches Compensation methods Supply chain management techniques Distribution methods Employee training programs Pricing approaches Information management systems Customer support programs Logistical approaches Hiring methods

**Source: Morris and Kuratko (2002:41)**

Process innovativeness means finding new and better ways of performing tasks, and a lot of organisations invest in acquiring and developing new operational processes in order to have a competitive edge over their competitors.

### **3.2.3.2 Risk-taking**

Anything new involves risk, or some likelihood that actual results will differ from expectations. Risk-taking is inherent in the operations of every organisation and it involves a willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies (Morris & Kuratko, 2002:41).

Since corporate entrepreneurship entails decision-making and risk-taking both at an individual and at an organisational level, it is not done recklessly. It involves a realistic awareness of the risks involved, including financial, technical, market and personal, and an attempt to manage these risks. Dess, Lumpkin & McGee (2001:95) are thus of the opinion that corporate entrepreneurial

organisations are often typified by risk-taking behaviour, such as incurring heavy debt or making large resource commitments, in the interest of getting high returns by exploiting opportunities in the market place.

### **3.2.3.3 Pro-activeness**

The third dimension of corporate entrepreneurship is pro-activeness, which is defined by Lumpkin and Dess (1996:146) as acting in anticipation of future problems, needs, or changes. As such, pro-activeness may be very crucial to a corporate entrepreneurial orientation because it suggests a forward looking perspective that is accompanied by innovative or new venturing activity. Hence, it is associated with assertiveness and viewed as a dimension of strategy making. Entrepreneurial organisations that are pro-active are considered as organisations that act on rather than react on their environments (Morris & Kuratko, 2002:44-45). Pro-activeness is mostly concerned with implementation, with taking responsibility and doing whatever is necessary to bring an entrepreneurial concept to fruition. It usually involves considerable perseverance, adaptability, and a willingness to assume responsibility for failure.

As pro-activeness involves acting on rather than reacting on the environment, it is manifested in three key ways, namely:

- Seeking new opportunities that may or may not be related to the present line of operations,
- Introducing new products and brands ahead of competitors, and
- Strategically eliminating operations that are in the mature or declining stages of the life cycle.

To sum up, a pro-active organisation is thus perceived as a leader and not as a follower, because it has the will and the foresight to seize new opportunities. A pro-active organisation not only seizes the opportunity, but also exploits it to the maximum and strives to bring it to fruition (Morris & Kuratko, 2002:45).

### **3.2.4 UNDERSTANDING THE SIMILARITIES AND DIFFERENCES BETWEEN START-UP AND CORPORATE ENTREPRENEURSHIP**

Entrepreneurship has long been associated with bold individuals who persevere against the odds in creating a new venture. The entrepreneur is often thought of as a type of hero, with celebrity status associated. Yet, in the vast majority of times, entrepreneurship is not so glamorous. Most start-up endeavours are fairly opportunistic and highly individualistic efforts that become very much consuming in terms of the demands imposed on the entrepreneur, and they also tend to produce a fair amount of failures (Morris & Kuratko, 2002:59).

Since entrepreneurship has evolved beyond the level of start-ups, all of the above characteristics raise problems when entrepreneurship is placed within the context of large organisations. For instance, do organisations really want bold, aggressive, risk-taking individuals? Are corporate entrepreneurs really starting up anything when the company exists and has an established market presence? Are stakeholders always willing to let management bet the farm on some entrepreneurial initiatives?

Thus, two consequence questions arise such as:

- Considerable confusion about the nature of corporate entrepreneurship, and
- Certain scepticism about whether entrepreneurship is even possible within large organisation.

Given such confusion and scepticism, it is quite important to now understand both the similarities and the differences between start-up entrepreneurship and corporate entrepreneurship.

#### **3.2.4.1 Similarities between start-up and corporate entrepreneurship.**

Morris and Kuratko (2002:60) present three major similarities between start-up and corporate entrepreneurship, namely:

- Considering the definitions of entrepreneurship, (see paragraph 3.2.1.1) these definitions say nothing about the context within which entrepreneurship occurs. This phenomenon can

thus occur in start-up ventures, small organisations, mid-sized organisations and in large organisations as well,

- Entrepreneurship involves a process. For this reason, it then has steps or stages, is manageable, and ongoing. Moreover, it is a process that can be applied in any organisational context,
- Corporate entrepreneurship is approached as a variable consisting of the underlying dimensions of innovativeness, risk-taking, and proactiveness. These dimensions characterise entrepreneurial efforts no matter where these efforts occur.

Furthermore, understanding these similarities appears to be of great importance because of the following three reasons:

- First, this understanding helps dispense with the notion that corporate entrepreneurship is just a popular management fad and that interest in it will fade once the consultants and popular business writers move to the next new tool, concept, or perspective. Thus, corporate entrepreneurship is a universal concept and lies at the heart of an organisation,
- Second, it is vital that both the senior management that commits the organisation to an entrepreneurial path and the employees within the organisation who are expected to carry out the entrepreneurial mission understand this phenomenon. Corporate entrepreneurship is real, and it entails risks, failure is likely, and the psychological, emotional, and financial emotions can be significant,
- Third, virtually most of the research on entrepreneurship has emphasised the start-up context. The commonalities between start-up and corporate entrepreneurship suggest that organisations can learn much from the start-up context, rather than discarding those insights as irrelevant (Morris & Kuratko, 2002:60-62).

The table below presents these similarities in more detail.

**Table 3.3: Similarities between start-up and corporate entrepreneurship**

<ol style="list-style-type: none"><li>1. Both involve opportunity recognition and definition.</li><li>2. Both require a unique business concept that takes the form of a product, service, or process.</li><li>3. Both are driven by an individual champion who works with a team to bring the concept to fruition.</li><li>4. Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and pro-activeness with patience.</li><li>5. Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time.</li><li>6. Both entail a window of opportunity within which the concept can be successfully capitalised upon.</li><li>7. Both are predicated on value creation and accountability to a customer.</li><li>8. Both find the entrepreneur encountering resistance and obstacles, necessitating both perseverance and an ability to formulate innovative solutions.</li><li>9. Both entail risk and risk-management strategies.</li><li>10. Both require the entrepreneur to develop creative strategies for leveraging resources.</li><li>11. Both involve significant ambiguity.</li><li>12. Both require harvesting strategies.</li></ol>
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**Source: Morris and Kuratko (2002:61)**

#### **3.2.4.2 Differences between start-up and corporate entrepreneurship**

Entrepreneurship is often conceptualised in terms of risks and rewards, and both have distinct nuances within an organisational setting. While the types of risk (financial, market, supplier, competitive, etc.) are similar, at issue is the party who actually takes the risks and responsibility (Morris & Kuratko, 2002: 62). Similarly to the similarities, a number of differences also exist between start-up and corporate entrepreneurship and these are illustrated in the table below.

**Table 3.4: Differences between start-up and corporate entrepreneurship**

<b>Start-up entrepreneurship</b>	<b>Corporate entrepreneurship</b>
Entrepreneur takes the risk	Business assumes the risk, other than career-related risk.
Entrepreneurs own the concept and the organisation.	The organisation owns the concept, and typically the intellectual rights around the concept.
Entrepreneur owns all or much of the organisation.	Entrepreneur may have no equity in the organisation or a very small percentage.
Potential rewards for the entrepreneur Are theoretically unlimited.	Clear limits are placed on the rewards entrepreneurs can receive.
One misstep can mean failure.	More room for errors, the organisation can absorb errors.
Vulnerable to outside influence.	More insulated from outside influence.
Independence of the entrepreneur.	Interdependence of champion with many others; may also have to share credit with several people.
Flexibility in changing course, Experimenting or trying new ideas.	Rules, procedures, and bureaucracy hinder the entrepreneur's ability to manoeuvre.
High speed of decision making.	Longer approval cycle.
No safety net.	Dependable benefit package.
Little security.	Job security.
Few people with whom to talk.	Extensive network for bouncing around ideas.
Limit scale and scope, at least Initially.	Potential for sizeable scale and scope fairly quickly.
Sever resource limitations.	Access to finance, R&D, production facilities for trial runs, established sales force, an existing brand, existing distribution channels, database, customers.

**Source: Morris and Kuratko (2002:63)**

Sustainable corporate entrepreneurship is however more likely where managers recognise and understand the implications of these differences. These implications can be drawn for the

motivation and attitudes, time horizons, accountability, and risk orientation of the corporate entrepreneur (Morris & Kuratko, 2002: 66).

- **Motivation and attitudes**

While the corporate entrepreneur enjoys and likes what he does for his organisation, his motivation has more to do with the desire to create something successful, to bring to fruition an idea that he or she really believes in, put his or her own mark on something that will make a substantive contribution to the organisation (Morris & Kuratko, 2002:66). Despite their frustration with the bureaucracy, corporate entrepreneurs still enjoy the security of the organisation and they also identify with it.

- **Time horizons**

Corporate entrepreneurs find themselves with a number of conflicting pressures that need to be balanced, and one of the key conflicts concerned is time. Though corporate entrepreneurs are self-driven, with self-imposed timelines and performance benchmarks, yet the timeline for moving a project through to completion is almost always at odds with the normal monthly, quarterly, and annual performance review cycles of the organisation (Morris & Kuratko, 2002:67). Therefore, the challenge facing corporate entrepreneurs is to be able to perform satisfactorily on the normal performance measures, while meeting self-imposed goals for project development and completion, and ensuring that self-imposed goals exceed anything that senior management would ever have expected.

- **Accountability**

Start-up entrepreneurs like to think of themselves as their own bosses. However, most of the time they have other stockholders or partners to whom they are accountable, and may also be beholden to bankers, suppliers, and distributors. On the contrary, the corporate entrepreneur finds himself in a different set-up, whereby he has a set of masters, reports to a boss and is also accountable to the

sponsor and to any of the senior managers whose departments might have lent support along the way (Morris & Kuratko, 2002:67).

- **Risk orientation**

Although corporate entrepreneurs remain within an organisation instead of going alone, they are not risk averse as many people might think. Since the organisation is effectively assuming much of the risk that surrounds the concept, the corporate entrepreneur might actually tend taking even greater risks than the start-up entrepreneur, because it is the organisation's money to lose although the corporate entrepreneur's job is at stake. It is true that corporate entrepreneurs are not risk averse; however, they are moderate risk takers. Usually they look at a situation very carefully and identify all the associated risk factors, and they develop strategies for managing and mitigating these risks. Furthermore, they also craft approaches for communicating the risks and risk management strategy to key managers within the organisation (Morris & Kuratko, 2002:68).

Before concluding this chapter, a brief comparison between a corporate entrepreneurial organisation and non-corporate entrepreneurial organisation needs to be established.

### **3.2.5 DIFFERENCES BETWEEN AN ENTREPRENEURIAL AND A NON-ENTREPRENEURIAL ORGANISATION**

There are definitely some differences between a corporate entrepreneurial organisation and non-corporate entrepreneurial one. The table below displays these differences based on some business characteristics considered such as how strategy allows entrepreneurial activities or not, how is risk approached and considered, how is the culture within, what the structure looks like and how are the channels of communication, how is decision making done, how are the people treated and how is creativity viewed.

**Table 3.5: Differences between a corporate entrepreneurial and a non-corporate Entrepreneurial organisation**

<b>Business Characteristics</b>	<b>Corporate entrepreneurial organisation</b>	<b>Non entrepreneurial organisation</b>
<b>Strategy</b>	Actively seeks out new ventures. Protects current niches worth saving through adaptation.	Defensive. Protection of present niche is primary concern. Variations through acquisitions and mergers.
<b>Risk</b>	If approached intelligently, key to growth, adaptation and survival	Something to be minimised.
<b>Culture</b>	Affective components also important. Culture serves to nurture adaptation and innovation.	Objective and analytical. Culture serves to protect status quo.
<b>Structure &amp; Communication</b>	Informal structures and horizontal communication dominate actions.	Formal lines of authority and channels of communication are of great importance.
<b>Decision Making</b>	Top management establishes vision and mission. Input from below is encouraged and utilised.	Top management or owners set narrow parameters for business. May or may not allow input from below.
<b>People</b>	Viewed as a key resource to be protected used to its fullest.	Viewed as an abundant resource that is easily replaced.
<b>Creativity</b>	Something to be fostered developed and encouraged.	Something to be tolerated.

Source: Cornwall and Perlman (1990:18-19)

### 3.2.6 A FRAMEWORK TO UNDERSTAND THE OBSTACLES TO CORPORATE ENTREPRENEURSHIP

Like any other concept that needs to be implemented in an organisation, corporate entrepreneurship faces challenges or obstacles that can constrain it. In reality, there are hundreds of factors that can hinder developments of corporate entrepreneurship, and make it seem like a hopeless dream. Despite these obstacles, corporate entrepreneurship still happens even in the most stifling and bureaucratic of organisations. However, of importance is to first identify the obstacles that represent the greatest threat to new concepts or ideas (Morris & Kuratko, 2002:172).

Morris and Kuratko (2002:173) identify six categories of obstacles namely managerial systems, structures, strategic direction, policies and procedures, people, and the corporate culture, and they are displayed in the table below.

**Table 3.6: Categories of obstacles to corporate entrepreneurship**

<b>Managerial systems</b>	<b>Organisational structure</b>	<b>Strategic direction</b>	<b>Policies &amp; procedures</b>	<b>People</b>	<b>Organisational culture</b>
Misdirected reward and evaluation systems	Too many hierarchical levels	Absence of innovation goals	Long, complex approval cycles	Fear of failure	Ill-defined values
Oppressive control systems	Overly narrow span of control	No formal strategy for entrepreneurship	Extensive documentation requirements	Resistance to change	Lack of consensus over priorities
Inflexible budgeting systems	Responsibility without authority	No vision from the top	Overreliance on established rules of thumb	Parochial bias	Lack of fit
Overly rigid, formal planning systems	Top-down management systems	Lack of commitment from senior executives	Unrealistic performance criteria	“Turf” protection	Values that conflict with entrepreneurial requirements
	Restricted communication channels	No entrepreneurial role models		Complacency & short term orientation	
	Lack of accountability			Inappropriate skills/talents	

**Source: Morris and Kuratko (2002:173)**

These obstacles presented above in table 3.7 are not exhaustive, however, they present an indication of the more pervasive problem areas an organisation needs to be able to identify, know and understand.

### **3.3 MACRO ENVIRONMENTAL DETERMINANTS**

The external or macro environment within which the organisation performs plays a very important role in influencing corporate entrepreneurship activities. The external environment provides a context or initial conditions that can either facilitate or impede corporate entrepreneurship activities in an organisation. This environment is constituted of some elements that can either facilitate or hinder corporate entrepreneurship, namely the economic environment, the social and cultural environment, the technological environment, Political environment, and the customers.

### 3.3.1 THE ECONOMIC ENVIRONMENT

According to Russell (2001:66), corporate entrepreneurial ventures in emerging economies (characterised by high rates of change and uncertainty) are more successful than those initiated in more mature economies. The economic environment furthermore determines to a great extent the availability of resources, labour, materials as well as capital that a corporate entrepreneur can have at his disposal in order to innovate a particular product or develop new ways of rendering services. South Africa, with an economy which is becoming more and more turbulent since the return into the global village, therefore presents opportunities for innovation and corporate entrepreneurship to take place in order for local organisations to grow and become competitive.

However, adverse economic conditions can hurt and hamper corporate entrepreneurship activities by biasing the thinking and actions of top managers toward survival and near-term results, and these conditions can make it difficult for an organisation to implement the concept of growth in the pursuit of new opportunities (Sathe, 2003:52-53).

Consequently, Fourie (1995:26) is of the opinion that most corporate entrepreneurs who failed to get their projects implemented, cited an unfavourable economic climate as being the reason for failure. An external unfavourable economic climate such a high inflation rate is a real barrier to corporate entrepreneurial success and the economic climate, however, on its own offers no guarantees of economic progress or of successful corporate entrepreneurship.

Mare (1996:17) has further identified the following economic factors that influence the level of corporate entrepreneurial activity:

- The presence of an economic recession that could lead to borderline organisations not succeeding,
- A high double-digit inflation rate that limits the implementation of new ideas and new businesses, as this leads to a decrease in the amount of expendable income. It can also make the cost to finance new developments too expensive,
- The influence of high standards, legal limitations and bureaucracy could retard the economic development and stifle corporate entrepreneurial initiatives, and

- A strong monetary policy over the long term has a restricting influence on the financing of new businesses.

The economic factors need to support and facilitate the fundamental attractiveness of an organisational opportunity.

On the whole, environmentally based precipitating events may provide opportunities for corporate entrepreneurship; but unless these events are noticed and acted upon by organisational members, entrepreneurship will not occur.

### **3.3.2 SOCIAL AND CULTURAL ENVIRONMENT**

Social values are the foundations of people's lives and they drive all the other aspects of life such as political, technological and even economical. Social values also set the guidelines that determine how most organisations will operate. Social structures that foster attitudes of individual freedom and an orientation towards self-direction are conducive to corporate entrepreneurial initiatives. Also, social interactions are quite significant because they affect the stock of knowledge available in a community. In this case, individuals benefit from the organisation's experience of other individuals in their community; they become more productive and hence more inclined to get involved in corporate entrepreneurial activities (Stoner & Freeman, 1999:90).

However, there is an assertion that says there is a greater predisposition or propensity toward entrepreneurship in some societies than in others and this points towards the implicit role of culture in the theory of entrepreneurship. Thomas and Mueller (2002:3) are of the opinion that at the society level, differences in entrepreneurial activity can be explained by cultural factors. Furthermore, Thomas and Mueller (2002:3) emphasise that societies that reinforce achievement would exhibit greater levels of entrepreneurial propensity and spirit than societies that do not. Thus, the potential for and frequency of corporate entrepreneurship has also been shown to be associated to a greater or lesser extent with the occurrence of certain culture specific variables.

As for South Africa, both the white and the black communities, until quite recently, have been somehow hostile to entrepreneurial activities. They are not prepared to take any risk, preferring the comfort zone of security. The way this can affect corporate entrepreneurship is that people in organisations are afraid of taking up projects and of trying new ideas, therefore preferring to do things just the way they are used to do and therefore thinking of securing their employ and salaries. Another aspect that might affect corporate entrepreneurship is the stigma of failure which is considered as bad luck and incompetence, especially in the black culture and society (Van Rensburg, 1995:36).

Carsrud and Johnson (1999:21-31) assert that in societies where the primary concern is at an individual level, rather than at a more collective level, reward systems are more likely to encourage risk taking, pro-activity and innovation. Individual goal setting, independence and personal ambition are not only recognised, but are also encouraged in societies with individualistic social structures. Further, social systems that facilitate the development of networks are conducive to entrepreneurial activity. Hence, a change in the mindset of individuals in societies is needed and this requires education from childhood so that people will grow up with that attitude of being inclined to accept and take up challenging tasks and projects as well as playing vital roles in corporate entrepreneurial activities within organisations.

### **3.3.3 THE TECHNOLOGICAL ENVIRONMENT**

Technology can be defined as the tools, devices, and knowledge that help transform inputs into outputs. Technology affects every facet of the organisation and as a result, just as the contemporary organisational environment can be characterised as the age of entrepreneurship, so too can it be characterised as the age of technology. In fact, corporate entrepreneurs drive the commercialisation of new technologies, and technological developments greatly enhance the level of entrepreneurial activities. Technology is an important trigger for entrepreneurial activities within organisations, in that it represents both opportunities and threats, such as it helps shortening product life cycles, which suggest organisations have a smaller window of opportunity, or time period, in which they can act on an innovative opportunity (Morris & Kuratko, 2002:142).

Technology has been and will always be the prime stimulus for corporate entrepreneurship in organisations. Most major organisations owe their origin and their continued existence to the successful application of technology in evolving new products or services and improved manufacturing processes (Morris & Kuratko, 2002, 143). Thus, technology and corporate entrepreneurship go hand in hand and this helps foster corporate entrepreneurship especially when the corporate entrepreneur is able to keep abreast with any technological development and see how and what can be implemented in the organisation since technology makes it possible for new processes and products to be developed.

New production processes, lines or equipments, even employee time management technologies, if used properly they give a competitive edge; therefore the corporate entrepreneur must know what and when to embark on any of these for the success and competitive edge of the organisation. Furthermore, new technology spurs corporate entrepreneurship and innovation, but it is difficult to foresee its effects. As technology changes more rapidly, the risk of missing a technology trend increases. Those who ignore these trends end up becoming the followers and even losing market share. However, those who anticipate and attend to technology trends rapidly find new business opportunities in markets that others view as “mature”, and move from “measured” markets to “created” markets (Sathe, 2003:53).

#### **3.3.4 THE POLITICAL ENVIRONMENT**

The political environment in South Africa is relatively stable, with government regulations basically encouraging business development, hence corporate entrepreneurship is also attached to this. However, government regulations and their resultant bureaucratic procedures can hinder good innovative ideas especially if the government is too much interfering in the organisations' operations. Nevertheless, on the other side government regulations can also facilitate corporate entrepreneurship by encouraging the development of new technologies, products, and solutions (Sathe, 2003:47).

The political environment, through government regulations and policies either facilitate corporate entrepreneurship by encouraging innovation or hinder it with bureaucratic procedures and delays, sometimes it does both of them.

### **3.3.5 Customers**

Customers can become competitors and constrain or encourage corporate entrepreneurial thinking. If a new initiative competes with a customer's product, existing business with that customer may be held hostage. There is always the possibility that the customer may choose to bring the development or manufacture of a product in-house, especially if it is a leading edge product. Then, he will expect some good innovation and the best product. The opposite can also happen whereby a company making a competing product in-house may become a customer. Customer pressures can facilitate or hinder new business creation as well as innovation. Moreover, as demanding customers spur innovation, the ones who are slow to or not innovative will hamper it. In conclusion, customer pressures for better and leading edge products and services encourage organisations to act more innovatively, but the very same pressures can also dampen innovative spirit (Sathe, 2003:52-53).

## **3.4 MICRO ENVIRONMENTAL DETERMINANTS**

The micro environment comprises the internal environment of an organisation. Micro environmental factors form the context within which employees and top management perceive opportunities for new ventures. Hence these organisational variables constitute the context within which corporate ventures are measured, accepted or rejected. Thus, the following are some of these variables that are going to be looked at in more detail: The organisational strategy, the organisational structure, the organisational resource and its human resources practice, as well as the organisational culture.

### 3.4.1 CORPORATE ENTREPRENEURIAL STRATEGY

The pursuit of an entrepreneurial strategy represents a policy decision to seek competitive advantage through innovation on a sustained basis. Russell (2001:70) points out that those strategies are unlike conventional planning models. A strategy based on innovation is inherently uncertain, since neither the outcome nor the means to achieve a desired result for any given innovative venture can be determined in advance. Therefore, strategy makers cannot use conventional methods of organisational control such as outcome-based objectives or behaviour regulation through procedures and rules in order to manage the innovation process. Corporate entrepreneurial strategy is increasingly seen and recognised as a strategic option organisations opt to pursue once triggers from the external environment present the need for change and strategic adaptation. This concept is thus defined as a set of commitments and actions framed around entrepreneurial behaviour and processes that the organisation designs and uses to develop current and future competitive edge in promising technological or product market arenas (Ireland, Kuratko & Covin, 2003: 1).

Furthermore, the choice of using corporate entrepreneurial strategy as a primary means of strategic adaptation reflects the organisation's decision to really seek competitive advantage principally through innovation and entrepreneurial behaviour and practices on a sustained basis. Corporate entrepreneurial strategy is thus a fundamental orientation toward the pursuit of opportunity and growth that exists when it is embraced throughout the organisation and defines the essence of the organisation's functioning.

Hence, policy makers are then restricted to three options namely:

- The design of an organisational environment conducive to the autonomous generation of entrepreneurial initiatives, and this entails the strategic creation of structures and culture that facilitate and foster entrepreneurial behaviour,
- Providing a sense of overall direction for innovative initiatives through an entrepreneurial vision that encourage corporate entrepreneurial activity, and
- Ensuring that promising ventures receive necessary resources as they move through the uncertain development process (Russell, 2001:71).

Covin and Miles (2001:48) also provide a construct termed entrepreneurial posture that captures several top management behaviours related to corporate entrepreneurship. Their conceptualisation of entrepreneurial posture includes three components which are:

- Strategic management's propensity to support risky ventures,
- The extent and frequency of product innovation, and
- The pioneering nature of management or the tendency to engage in competition with industrial rivals.

Therefore, entrepreneurial posture represents an overall strategic philosophy regarding the role and function of innovation in an organisation's grand strategy. The concept of entrepreneurial posture as a philosophical position is important to a model of corporate entrepreneurship since it captures the propensity of strategic managers to encourage entrepreneurial efforts by organisational participants and to provide the resources and organisational contexts that facilitate and foster corporate entrepreneurship. Thus, the strategic managers who aspire to create competitive advantage based on innovation are more effective by creating local contexts that inspire and encourage organisational participants to generate entrepreneurial ideas on their own rather than attempting to directly manage new venture activities (Covin & Miles, 2001:71).

Following the above, this construct of entrepreneurial posture should be adopted as a policy variable that summarises the beliefs and attitudes of strategic managers regarding corporate entrepreneurship, and it has the following behavioural tendencies:

- The propensity of strategic managers to provide organisational resources to entrepreneurial ventures,
- The pioneering nature of strategic management, i.e. , their tendency to engage in proactive competition,
- The propensity of strategic managers to support frequent innovation across a range of value-chain activities, and
- The propensity of strategic managers to create and support organisational contexts that facilitate and foster corporate entrepreneurial behaviours and activities.

Encouraging innovative and risk taking behaviour by employees who are close to the market in an environment of flexibility and adaptability are the hallmarks of corporate entrepreneurship behaviour. Opportunity recognition, planning flexibility, and locus planning are the strategic management practices that need to be encouraged because they affect one or more of the dimensions of corporate entrepreneurship and an organisation's entrepreneurial intensity (Kemelgor, 2002:71).

#### **3.4.1.1 Opportunity recognition**

Opportunity recognition is facilitated by an organisation's ability to scan its relevant environment and detect critical events and trends. If an organisation is truly entrepreneurial, it must gather information and analyse it in order to develop and maintain successful innovation strategies. For organisations to be more continuously innovative, they must then keep on constantly monitoring and analysing their relevant environments in order to also be competitive. Thus these organisations must adopt short planning horizons and develop scanning mechanisms that provide for new products and services (Kemelgor, 2002: 71-72). Scanning one's relevant environment for opportunities also facilitates the risk taking and proactive dimensions of corporate entrepreneurial behaviour, which in turn ends up fostering corporate entrepreneurial behaviour.

Barringer and Bluedorn (1999, 423) are of the opinion that scanning, as a means of partial uncertainty absorption, may lower the perception of risk associated with a potential entrepreneurial venture, increasing the likelihood the organisation will engage in the venture. Entrepreneurial managers may also realise that scanning is their bridge to remaining competitive. An organisation in a turbulent environment must be continually innovative to remain competitive, which requires extensive scanning to recognise and exploit environmental changes.

#### **3.4.1.2 Planning flexibility**

Organisations in highly complex environments need flexible planning systems due to the frequency of change that occurs in their environments. These organisations need also to maximise their performance by adopting a flexible approach to planning.

Planning flexibility may be defined as an organisation's ability to change its strategic plan as environmental opportunities and threats emerge. In this way, an organisation can alter its strategic plan quickly as new opportunities emerge and changes in the environment occur. The essence of corporate entrepreneurship is capitalising on environmental change. Organisations that seek to survive and prosper, especially in rapidly changing and turbulent environments, need to have a flexible and responsive planning system in place in order to also cater for and encourage corporate entrepreneurial activity. Their entrepreneurial initiatives need to be well designed within the parameters of good planning and not simply a reaction to such change. Such flexibility facilitates communication across functional boundaries and a high level of corporate entrepreneurship intensity (Kemelgor, 2002:72).

In contrast, planning flexibility may undermine the effectiveness of conservative organisations. Because these organisations are not innovative, they typically seek to obtain their competitive advantage through reliability in executing repetitive transactions and routine activities. Therefore, in this kind of setting a flexible planning system runs the risk of disrupting rather than facilitating an organisation's business activities (Barringer & Bluedorn, 1999:425).

#### **3.4.1.3 Locus of planning**

The term locus of planning refers to the depth of employee involvement in an organisation's strategic planning activities. Organisations can be characterised as having either a shallow or a deep locus of planning. A deep locus of planning suggests a high level of employee involvement from virtually all levels within the organisation and this suggests that employee participation in the planning process surrounding the potential innovation may facilitate opportunity recognition throughout the organisation by maximising viewpoints; a diversity of perspectives can impact upon the resultant strategic plan. On the contrary, a shallow locus of planning denotes a fairly exclusive planning process, typically involving only the top managers in an organisation (Barringer & Bluedorn 1999:426).

The deeper the locus of planning, the more autonomy is enhanced within the organisation. This enhanced autonomy provides the independence to pursue new ideas with vision, persistence and

relentless innovation. The resultant entrepreneurial culture, one that values continuous innovation does not permit negative inertia to develop. The entrepreneurial dynamism reflected in internal flexibility and responsiveness to changing circumstances contributes to high innovative efficiency (Autio & Yli-Renko, 1998: 71-92).

### **3.4.2 ORGANISATIONAL STRUCTURE**

The concept of organisational structure and its relationship to innovation has been broadly interpreted through many different variables. Both the innovation and corporate entrepreneurship literatures, however, are in consensus in associating a great level of innovative venturing with organic versus mechanistic structures. Two variables are commonly used to differentiate between organic and mechanistic structures namely decentralisation and formalisation (Russell, 2001:72).

Positive associations between decentralised structures and innovation have been explained in terms of increased autonomy and control over resources, which enable managers to initiate and test more innovative ventures, therefore fostering corporate entrepreneurship. Moreover, decentralisation implies that employees have a greater degree of participation in decisions regarding innovative ventures. Increased participation in these decisions is likely to increase organisational participants' commitment to the innovation, making its implementation more effective (Russell, 2001:72).

Formalised structures on the other hand, have been found to be negatively correlated with innovation and hence impeding corporate entrepreneurship. Russell (2001:72) notes that in a formalised context, work-related behaviours are largely controlled by strict rules and procedures, allowing little opportunity for creativity and innovation. Informal structures, however, tend to be characterised by low emphasis on work rules and formal procedures, providing increased autonomy to experiment with innovative solutions and permitting relatively easy exchange of information across organisational boundaries. This characteristic is likely to facilitate the openness and exchange of ideas and information among organisational participants that is required for the successful development of innovative ventures and also of fostering corporate entrepreneurship.

Sadler (2000:30) adds that traditional organisations on the other hand depend upon bureaucratic structures to ensure that work is completed efficiently by removing error and idiosyncrasy and reinforcing conformity and obedience. Bureaucratic or mechanised structures rely on centralised decision making, formalised rules and highly specialised tasks. These features of bureaucracy inhibit an organisation's capacity to foster corporate entrepreneurship.

### **3.4.3 ORGANISATIONAL RESOURCES AND HUMAN RESOURCES PRACTICES**

Organisational resources are broadly defined to include money, time, people, equipment and competencies. Entrepreneurial ventures are resource-consuming activities and therefore, an organisation's ability to foster corporate entrepreneurship and pursue innovation will be constrained by available resources. The opportunity to use resources for corporate entrepreneurial ventures and innovation cannot be exercised unless the resources exist (Russell, 2001:72).

However, (Sathe, 2003:58) affirms that corporate entrepreneurship is not resource-driven, because resources follow attractive opportunities rather than the other way round. Nevertheless, opportunities will remain dreams without sufficient resources to pursue them.

According to Jones et al, 1995:86-87, the following human resources practices promote and facilitate corporate entrepreneurship:

- Organisations with a more corporate entrepreneurial orientation tend to encourage higher levels of employee involvement in the appraisal process. These organisations are more concerned with evaluating results rather than the methods used to achieve them,
- These organisations complement the entrepreneurial emphasis by building a greater tolerance for failure into their appraisal process and evaluating performance; and they do not punish innovative mistakes or failures,
- In compensation practices, they tend to base payrolls on market comparisons and providing significantly greater opportunities in the form of performance based pay incentives,
- These organisations are characterised by providing rewards contingent on performance, providing challenge and meddling the ideas of innovative people known to others in the

organisation hierarchy. They also greatly reward entrepreneurial behaviours in order to encourage it throughout the entire organisation,

- More time and effort is spent on orienting new employees and helping them adapt to organisation's culture,
- Training in these organisations is more likely to be approached as an on going activity linked to an employee's career.

Human resources systems can thus be designed to promote and reinforce corporate entrepreneurial behaviours in employees. The challenge for human resources managers is to identify the desired levels of corporate entrepreneurship or human resources practices required in promoting corporate entrepreneurial behaviour.

#### **3.4.4 ORGNISATIONAL CULTURE**

Effective management of corporate entrepreneurship involves managing a culture which includes all staff as self-perceived corporate entrepreneurs, applauding failures as well as success and the provision of screening mechanisms to aid innovative direction and process. Policies and programs must be established to develop a corporate entrepreneurial spirit driven by a managerial vision directed towards opportunities rather than problems (Sadler, 2000: 30-31).

Corporate entrepreneurship can only be fostered within an organisational context conducive to innovation, and the following stimulating features facilitate the appropriate organisational context:

- Resources for innovation,
- Frequent communications across departmental lines and among people with dissimilar views,
- Moderate environmental uncertainty and mechanisms for focusing attention on changing conditions,
- Cohesive work groups with open conflict resolution mechanisms that integrate creative personalities into mainstream,
- Structures that provide access to innovation role models and mentors,
- Moderate personnel turnover, and
- Psychological contracts that legitimise spontaneous innovative behaviour.

Moreover, Russell (2001:71) states that organisational culture plays a very important and fundamental role in shaping and motivating corporate entrepreneurial activity. He goes on saying that in the absence of meaningful formal controls, there is a type of control called the clan control, which is effective in managing uncertain social processes. This clan control operates through internalised values and informal rules that are capable of guiding organisational processes and behaviours in uncertain contexts such as innovation. Clan control is essentially another term that describes the effects of organisational culture.

Russell (2001:71-72) then ended up mentioning eight dimensions of culture that may affect the corporate entrepreneurship process. The values and norms encapsulated in these dimensions tend to establish an organisational environment in which corporate entrepreneurship is considered an accepted and appropriate response to organisational problems. Furthermore, organisational norms tend to reinforce behaviours that assist organisational members in navigating the uncertain waters of corporate entrepreneurial activities.

The eight cultural dimensions that can help foster corporate entrepreneurship are:

- Value for innovation as a practice and as a source of competitive advantage,
- Norms encouraging creativity among organisational members,
- Norms encouraging the search for innovation opportunities from external sources,
- Norms that facilitate resource support for innovative ventures,
- Norms that support information-sharing between individuals and groups regardless of organisational position,
- Norms that promote tolerance for failure when ideas or projects are not successful,
- Norms that encourage the open-minded consideration of new ideas and projects, and
- Norms that support the implementation of corporate entrepreneurial activities regardless of the individual or group's involvement in the development of a venture.

The following are some inherent aspects of the organisational culture:

#### **3.4.4.1 Management support**

Corporate entrepreneurship is not a quick fix. Developing an appropriate climate requires a commitment over a period of time. First, top management has to identify the organisation's strengths and weaknesses. Second, top management commitment is very crucial and essential. Without top management commitment over a period of years, corporate entrepreneurship will be just another management fad that appears, glows brightly and then fades. Therefore, management support is the extent to which the management structures itself to encourage employees to believe that innovation is in fact part of the role set for all members of the organisation. This element relates to the willingness of managers to facilitate corporate entrepreneurial behaviour (Jacobs, 1999:33).

Some employees are individuals who have both the vision to see an idea and the practical sense and energy to drive that idea from concept to final product. If these corporate entrepreneurs do not get the support and encouragement from management, they become frustrated and leave the company or become nagging negative forces in the company. Corporate entrepreneurship is one way to harness excess energy and therefore has to be cultivated. An innovative organisation should be able to tap into the ability and seize the moment when an employee is fired up with entrepreneurial flair.

#### **3.4.4.2 Sponsorship or mentorship in corporate entrepreneurship**

No corporate entrepreneurial team or endeavour could long survive without the services of a sponsor, a person of some clout who coaches, protects, and marshals resources for the team. Sponsors provide "air cover" and suggest strategies for winning allies rather than making enemies. With a good sponsor, the team can focus on making the innovation work rather than on approvals and internal policies. (Pinchot & Pellman, 1999:3-4).

Therefore, every successful team generally has several sponsors. As the team's initiative evolves, new sponsors are needed to release new kinds of resources or levels of spending. New functions, businesses, and geographies become involved, and the team reaches out for other new sponsors

who can help in those new areas. Though sponsors must have the position and clout to keep the organisation immune system from destroying corporate entrepreneurs, that very rank and power may also intimidate the intended beneficiaries.

Awe may lead corporate entrepreneurs to make major mistakes if they take their sponsors' offhand suggestions as commands or if they keep the sponsors in the dark about unpleasant truths, and this will end up impeding proper development of corporate entrepreneurial behaviour. To guard against such disasters, sponsors must move closer to a peer relationship with the teams they are sponsoring. Sponsors must learn to spend time with their teams without taking over. To do this, sponsors are encouraged to find ways to lower their status while with the team by asking questions, participating in the discussions and leading them through (Pinchot & Pellman, 1999:7).

Sponsors must be able to help foster corporate entrepreneurial activities and behaviours by keeping corporate entrepreneurs in large organisations in more ways than just keeping them from being fired; the existence of sponsors and protectors is perhaps the most important aspect in corporate entrepreneurial climate as they may have the ability to solve most of the basic barriers to entrepreneurial activity, being:

- Lack of resources as most corporate entrepreneurs cannot authorise their own activities or budgets,
- Lack of funding at every set-back, and
- Political attacks, since their support deters those who could attack (Pinchot, 2000: 147-150).

Mentors appear to have a fairly common quality of desire to see innovation happening. They are more concerned with career strategies than with business strategies. A mentor should therefore possess the desire to advance the organisation through the corporate entrepreneur's development. Most sponsors do more than just to protect and fund. They also help corporate entrepreneurs think through and execute their enterprise. By definition, sponsors are generally entrepreneurial in that they take risks to make a vision of something new to happen within the organisation.

Sponsors are the basic antidotes to the bureaucratic inertia of the organisation and the nearly endless official innovation processes that exist in most large organisations. In traditional organisation, when people get in trouble, they are often left to struggle and extricate themselves alone. While in entrepreneurial organisations, sponsors are there to help someone through a tough time, therefore encouraging and fostering an entrepreneurial spirit within organisations. (Pinchot, 2000: 159)

#### **3.4.4.3 Corporate entrepreneurship programs**

One of the reasons, according to Fourie (1995:4) why corporate entrepreneurship is not seen more and more in South African organisations could perhaps be that a large number of organisations do not know what to do with the corporate entrepreneurial spirit. The result is that the potential corporate entrepreneurs end up frustrated and subsequently leave the organisation.

If programs were available on how to manage corporate entrepreneurship, both from the company's management as well as the employee's or corporate entrepreneur's point of view, this would assist corporate entrepreneurship to foster in organisations. Unless a corporate entrepreneurial culture exists in an organisation, the corporate entrepreneur will walk up against bureaucratic walls, which he or she may find impenetrable.

Fourie (1995:56) maintains that a corporate entrepreneurship program will create a different kind of environment in which:

- People with ideas are encouraged to step forward and talk about them,
- People who want to do something with ideas, and who have the will, energy and determination to see them through are allowed to pursue them,
- The company gives corporate entrepreneurs the space and freedom they need to assess, test and modify their ideas,
- Everyone accepts small failures as the essential forerunners of big successes.

Stevens (1998:48) refers to corporate entrepreneurship programs as “integral parts of the culture of companies whose life blood depends on new development”.

For instance the 15 % rule at 3M allows research and development employees to spend 15% of their time on their own ideas that led to some products well needed and utilised on the market. A management approach that gives free rein to individual employees and good ideas encourages innovation and fosters corporate entrepreneurship.

Hence, an organisation with an entrepreneurial approach encourages the person who introduces an idea to follow through. Even if the idea does not have merits, the organisation benefits from having nurtured a corporate entrepreneur. After all, a corporate entrepreneur who quickly and inexpensively proves that an idea will not work and why, has also served the organisation well. In this way, if an idea has merits, the company benefits with a new product or service. The result of such corporate entrepreneurial endeavours is that new ideas begin to snowball throughout the organisation, and employees' morale and motivation surge (Stevens, 1998: 55-56).

Unless top management commits themselves to an entrepreneurial culture, not only in words but also in action, corporate entrepreneurship programs are doomed. Corporate entrepreneurship has to be cultivated and nurtured.

#### **3.4.4.4 Training**

One of the best ways to enliven the corporate entrepreneurial spirit in an organisation is to use training to launch a number of visible entrepreneurial teams that can be counted on to succeed. Almost all organisations have many potential corporate entrepreneurs with good ideas on how the organisation could move towards its vision. Given some help, coaching, and support, many of them will succeed. This training should focus on the immediate needs of corporate entrepreneurship in overcoming internal and external barriers.

Pinchot and Pellman (1999:29) acknowledge that most of would-be corporate entrepreneurs need a bit of help in some subjects and that these training programs will have some implications:

Needs:

- Recognising and bringing out their intrapreneurial nature,
- Discovering customers' needs,

- Taking the measure of competition,
- Positioning their offering in the competitive marketplace,
- Selling and managing the sales process,
- Getting support in a large organisation,
- Developing a high performance team, and
- Creating a business plan

Implications:

- Identify potential corporate entrepreneurs or champions early in their careers,
- Sponsor intrapreneurial projects,
- Establish both diversity and order in an organisation's strategic activities,
- Reward success, and
- Develop new managerial approaches and innovative administrative arrangements so that corporate entrepreneurs and their organisation co-operate effectively,
- Do not punish failure.

### **3.5 SUMMARY**

Today, entrepreneurship has evolved beyond the classic start-up notion to include organisations of all types, in all stages. Thus, corporate entrepreneurship can occur as well fail to occur either in new or old organisations; in small or large ones; in fast or slow growing ones; in private or public ones; in all geographic points, all stages of a nation's development, regardless of politics (Timmons, 1999:27).

In this chapter, a discussion of the nature of corporate entrepreneurship was introduced. The concept of entrepreneurship was first discussed since there is a lot of disagreement about its meaning, and then corporate entrepreneurship was also discussed in more detail. Three phenomena of corporate entrepreneurship namely corporate venturing, intrapreneurship, and corporate entrepreneurship were also explained.

Corporate entrepreneurship involves the starting of an organisation within an organisation, and usually emanates from a core competency process. As for intrapreneurship, it merely means an individual or a group of them in an organisation who behave in an entrepreneurial manner. The last phenomenon, corporate entrepreneurship refers to where the entire organisation behaves in ways that are generally described as entrepreneurial. However, the first two phenomena are considered to be included in the third one namely corporate entrepreneurship since this one is an all-inclusive phenomenon. Since corporate entrepreneurship is perceived to be an overall orientation within an organisation especially when the whole organisation acts in ways that would be described as entrepreneurial, three underlying dimensions of corporate entrepreneurship need to be taken into account while determining an organisational intensity of entrepreneurship, and these dimensions are innovativeness, risk-taking, and proactiveness.

Moreover, organisations must be aware of the various obstacles to corporate entrepreneurship and managers must understand them in order to properly implement corporate entrepreneurship.

As said previously, corporate entrepreneurship occurs in a real world surrounded by different environmental determinants. Hence this chapter also covered the external or macro environmental determinants of corporate entrepreneurship. Prior to discussing each factor in detail, it was said that there are some environmentally based precipitating events that may provide opportunities for corporate entrepreneurship, but unless these events are noticed and acted upon by organisational participants, corporate entrepreneurship will be neither possible nor will it foster.

However, corporate entrepreneurs seldom have any control over the state of external factors and in most cases, they can to a certain extent prevent negative influences and the organisation should be able to notice those precipitating events conducive to corporate entrepreneurship.

Although these environmental influences are admittedly interdependent, each represents a relatively distinct orientation that has a different impact on corporate entrepreneurship. As for factors within the control of the organisation also called internal or micro determinants, innovation is perceived to be one of the critical dimensions that characterise and distinguish key corporate entrepreneurial orientation because it reflects an important means by which individuals pursue new opportunities. However, corporate entrepreneurship occurs in a real world environment that is

characterised by turbulence and uncertainties. Innovation is also an unpredictable, ambiguous and uncertain adventure. Bureaucracy is another intricate infrastructure that management will also try by all means to condition employees that stability and control are the most important attributes of good management.

Furthermore, there are three driving forces behind corporate entrepreneurship namely opportunity recognition, resource requirement, and management support programs. Opportunity recognition is a critical factor for corporate entrepreneurial success because an idea is not necessarily an opportunity. There are more ideas than business opportunities, and opportunities are created because of changing and turbulent environments. The challenge facing corporate entrepreneurs is the recognition of an opportunity buried in an often chaotic and turbulent market. In grasping opportunities, most organisations with vast resources are tempted to commit resources heavily.

However, success is unrelated to massive resources commitment. Thus, corporate entrepreneurs should seek to control resources rather than owning them as they are guided by the strategic imperative to do more with less in managing the resources at their disposal in order to execute the opportunity. Furthermore, corporate entrepreneurship programs not just encourage employees to innovate, but also empower them to make ideas work and encourage the whole organisation to become more commercially aware by acting more entrepreneurially. Corporate entrepreneurship is designed to uncover and channel entrepreneurial talent wherever it may lurk within an organisation.

Finally, sponsoring entrepreneurial ideas is prevalent in situations where a high level of internal management support for innovation exists and also encourages individuals with a high need for achievement to be more likely engaged in entrepreneurial activities. Hence, a successful management support program needs to train these sponsors as well. Also senior management needs to be supportive and help corporate entrepreneurs deal with corporate bureaucracy and gain access to resources. Moreover, a proper training program for the work-force to be exposed to corporate entrepreneurship deems necessary

## **CHAPTER 4**

### **EMPIRICAL RESEARCH**

#### **4.1 INTRODUCTION**

In order to confirm and further enhance and substantiate the literature study findings discussed up to now, an opinion survey was conducted consisting of four main sections. Section 1 revolves mainly around some general information regarding the applicant, section 2 revolves around the corporate entrepreneurial orientation of Amalgamated Beverage Industries Midrand (ABI) which is the organisation being studied; section 3 revolves around the macro environmental determinants and their influence on corporate entrepreneurial activities within ABI, and the last section revolves around the micro environmental determinants influencing corporate entrepreneurship within ABI.

Respondents' job category included the Factory Manager or Manufacturing Manager, Supply Chain Manager, Warehouse Manager, Engineering Manager, Quality Manager, Retail Academy Manager, Process Support Manager, Safety Health and Environment Manager, Three Line Managers, Plant Chemist, Management Account Manager, Marketing Representative or PRO, and 5 first line managers or head of department assistants.

The survey questionnaire was presented to twenty individuals using electronic media, and all of them responded by the cut-off date. All head of departments targeted have been with the organisation for longer than three years to the exception of the supply chain manager who has been with the organisation for almost six months. All first line managers have also been with the organisation for more than three years as well.

#### **4.2 OPINION SURVEY DESIGN**

An opinion survey questionnaire consisting of four main sections was designed in Microsoft Word and e-mailed to all the targeted respondents as an attachment. The body text of the e-mail

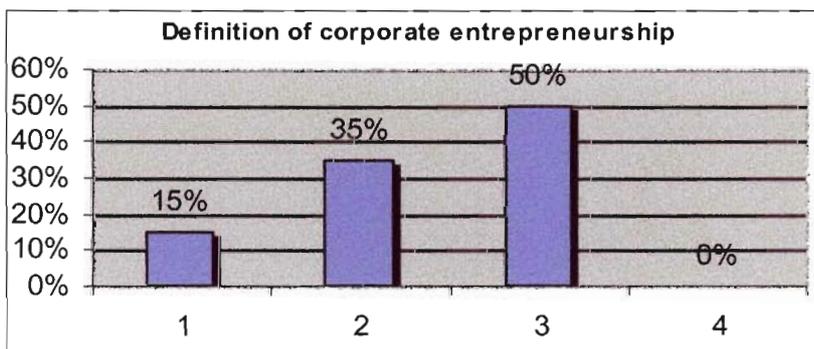
explained the purpose of the survey and also gave instructions about how to complete the questionnaire. Section 1 had two sub sections, section 2 five sub sections, section 3 two sub sections and section 4 six sub sections. Each sub section consisted of different statements. Respondents merely had to follow the instructions, print or complete the survey electronically by placing an “X” in the appropriate blocks selected, and either return a hard copy or e-mail back an electronic copy. (See annexure A for a detailed questionnaire).

Twenty respondents were selected and targeted for the purpose of this study. Two weeks were allocated for the completion of the study and all twenty respondents returned their responses on time.

### 4.3 OPINION SURVEY RESULTS

The processing of the raw data was done in the following manner. The first aim was to obtain scores for each statement in the survey in order to have a detailed view for each section and sub section where applicable. From there a percentage for each statement was then worked out, and graphs were then created for results interpretation.

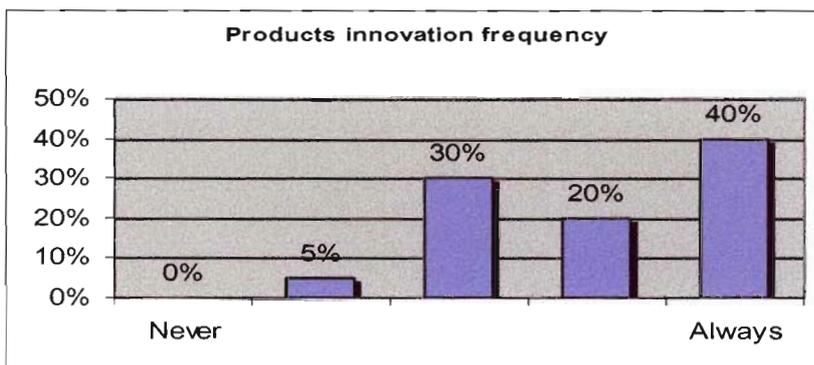
**Figure 4.1: Definition of corporate entrepreneurship**



From figure 4.1 above fifty percent of respondents perceive corporate entrepreneurship as an organisational phenomenon that has serious commitment to both incremental and radical innovations as strategically important for an organisation to be competitive. Thirty five percent of

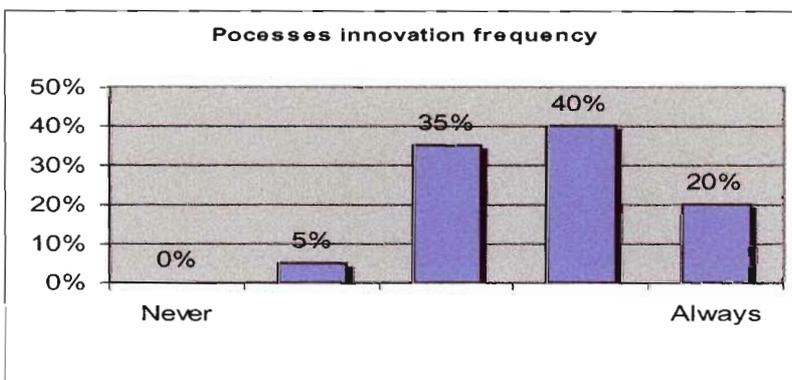
respondents perceive it as an attempt to take the mindset and behaviours that external entrepreneurs use to create and build businesses, and fifteen percent perceive it as starting an organisation within an organisation.

**Figure 4.2: Product innovation frequency**



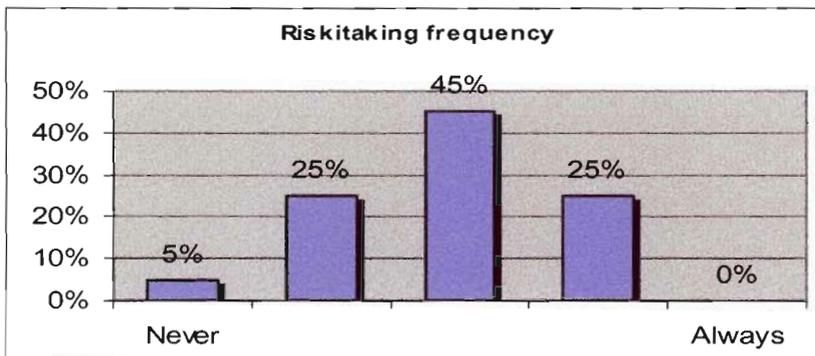
The above figure shows that forty percent of respondents perceive ABI Midrand to always come up with new products, while twenty percent perceive this to be less than always. Thirty percent of respondents feel that ABI Midrand only comes up with new products and only five percent perceive this to be very seldom.

**Figure 4.3: Process innovation frequency**



As for process innovation, figure 4.3 above shows that only twenty percent of respondents perceive ABI Midrand to always come up with new processes while forty percent of respondents perceive this to be less than always. Thirty five percent feel that ABI Midrand only comes up with new processes only sometimes, and five percent perceive this to be very seldom.

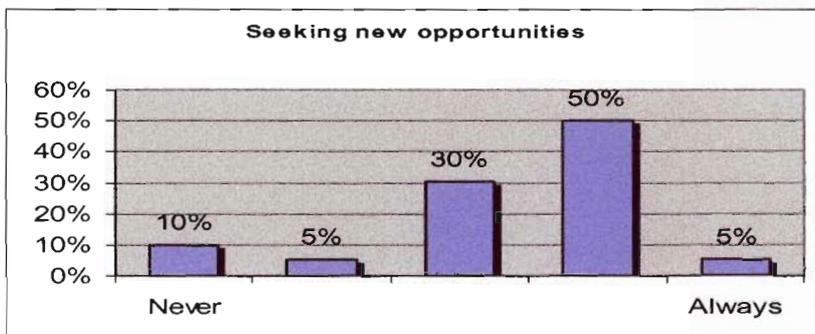
**Figure 4.4: Risk-taking frequency**



When it comes to risk-taking, figure 4.4 above shows that no one ever always takes risk within ABI Midrand, with only twenty percent of respondents having the tendency of always taking risk, while forty five percent of respondents sometimes take and sometimes never taking risks, with thirty percent falling on the side of never taking risks.

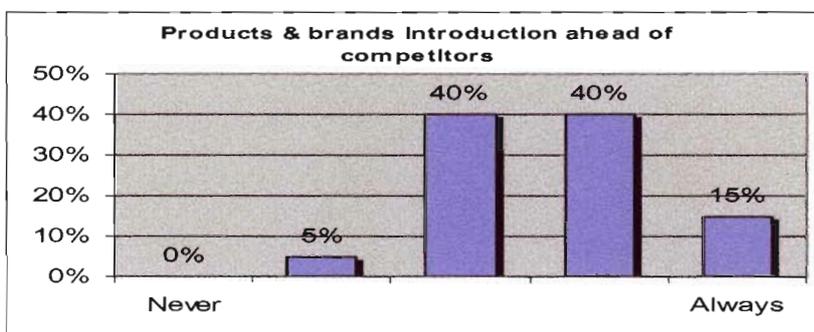
**Figure 4.5: Seeking new opportunities**

The next three graphs fall under pro-active behaviour of ABI Midrand:



When it come to seeking new opportunities, fifty five percent of respondents fall to the extreme right hand side of the continuum meaning that ABI Midrand always seek new opportunities, with only thirty percent feeling that sometimes ABI does seek new opportunities and sometimes ABI does not seek new opportunities and only fifteen percent tend to fall to the extreme left side of the continuum meaning that ABI Midrand never seeks new opportunities.

**Figure 4.6: Products and brands introduction ahead of competitors**



More than half of respondents (55%) perceive ABI Midrand to always introduce its products and brands ahead of its competitors, against only five percent of respondents having the tendency of perceiving ABI as never introducing its products and brands ahead of its competitors, and forty percent feeling that sometimes ABI Midrand does introduce its products and brands ahead of its competitors and competitors and sometimes ABI Midrand does not.

**Figure 4.7: Strategic elimination of operations in the mature or declining stages of the life cycle**

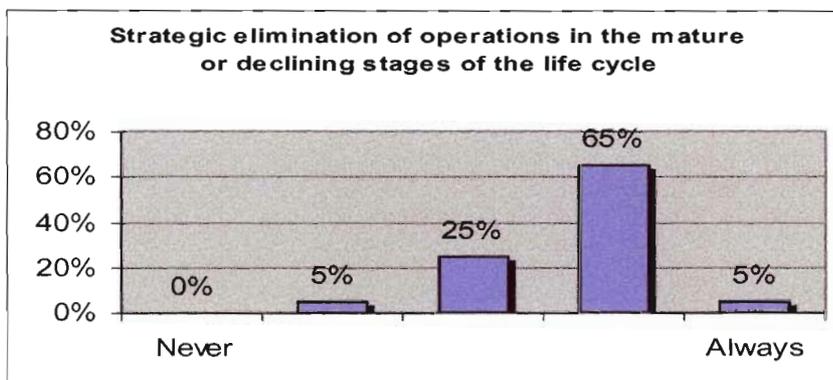


Figure 4.7 shows that seventy percent of the respondents have the tendency of saying that ABI Midrand strategically eliminates operations in the mature or declining stages of the life cycle, while only five percent tend to say that ABI Midrand does not do it, and twenty five percent of respondents saying that sometimes ABI Midrand does it and sometimes not.

Corporate entrepreneurship, like any other development or system encounters obstacles. Therefore, the next twenty eight graphs pertain to the obstacles of corporate entrepreneurship subsection:

- **Managerial systems**

**Figure 4.8: Misdirect reward and evaluation systems**

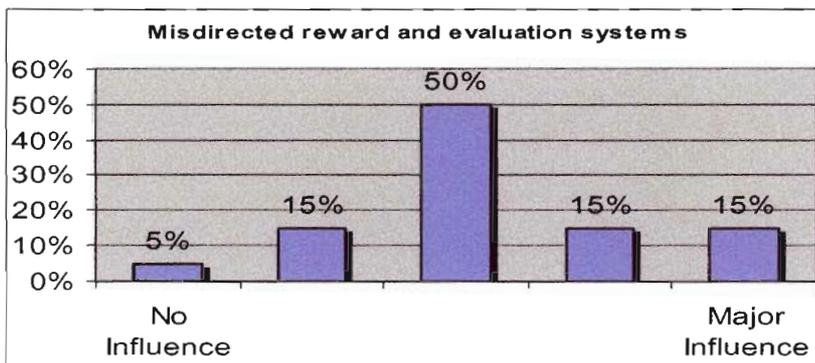
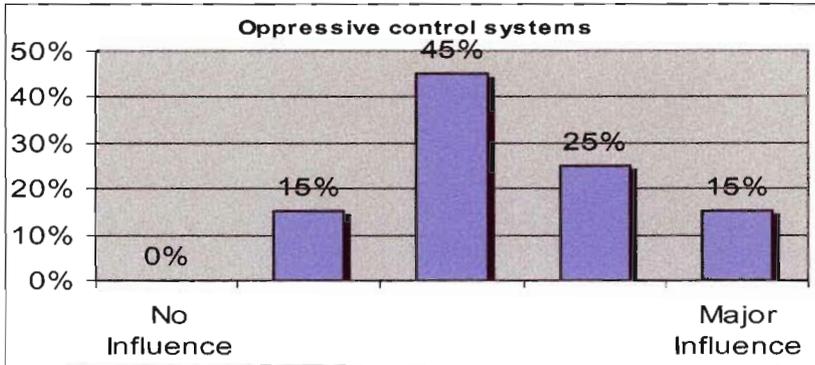


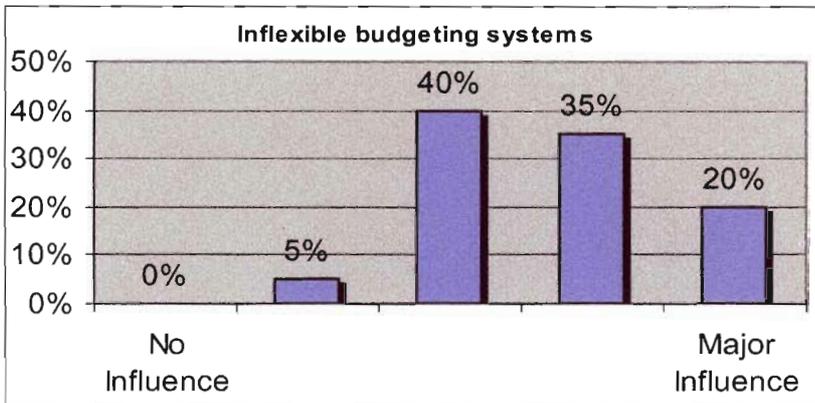
Figure 4.8 above shows that the majority is respondents perceive misdirected reward and evaluation system to have some influence as obstacle to corporate entrepreneurship activity within ABI Midrand while thirty percent perceive this to have a major influence, and twenty percent to have much less of an influence.

**Figure 4.9: Oppressive control systems**



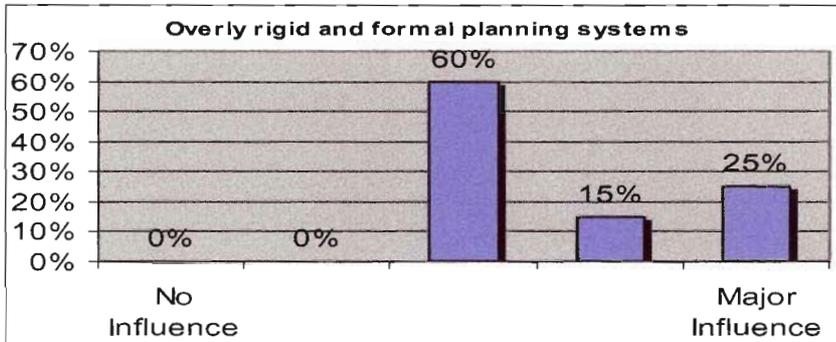
According to figure 4.9 above, the majority of respondents perceive oppressive control systems to have some influence as obstacle to corporate entrepreneurship activity within ABI Midrand while forty percent perceive this to have a major influence, and fifteen percent perceive this to have much less influence.

**Figure 4.10: Inflexible budgeting systems**



According to figure 4.10, fifty five percent of respondents perceive inflexible budgeting systems to have a major influence on corporate entrepreneurship activities in ABI Midrand and only five percent perceive this to have no influence at all, while forty percent perceive this to have some influence.

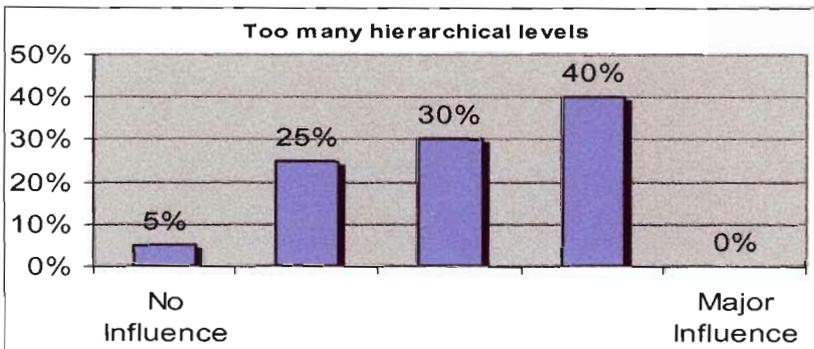
**Figure 4.11: Overly rigid formal planning systems**



According to figure 4.11 above, forty percent of respondents perceive that too much rigid planning systems do constitute a major influence to corporate entrepreneurship activities in ABI Midrand, and sixty percent perceive this to have some influence.

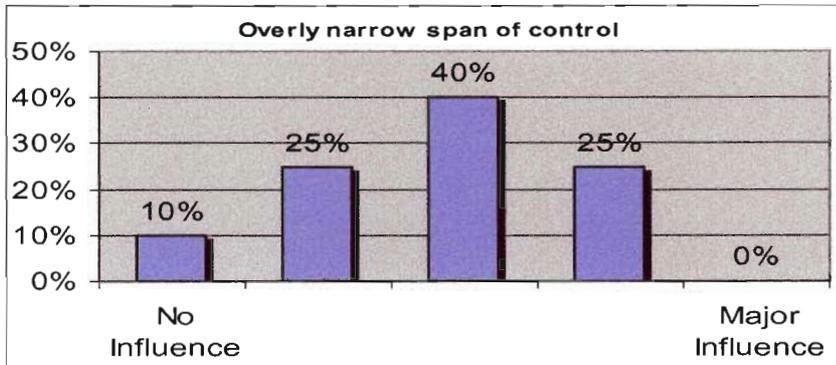
- **Organisational structure**

**Figure 4.12: Too many hierarchical levels**



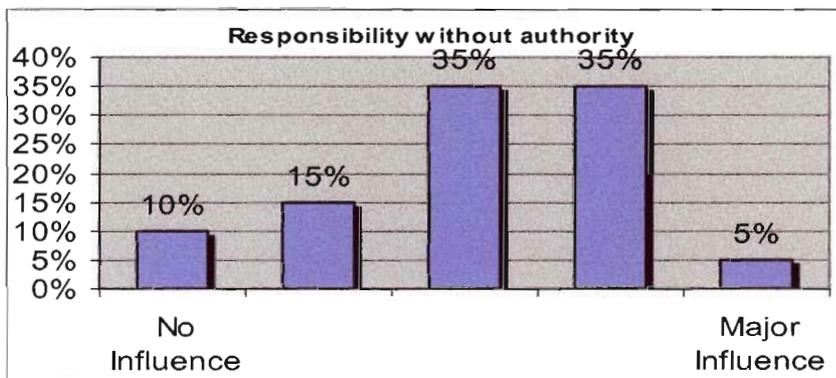
According to figure 4.12 above, forty percent of respondents perceive that there are too many hierarchical levels and hence they do have a major influence, while five percent perceive them not to have any influence and twenty five percent perceive them to have some influence.

**Figure 4.13: Overly narrow span of control**



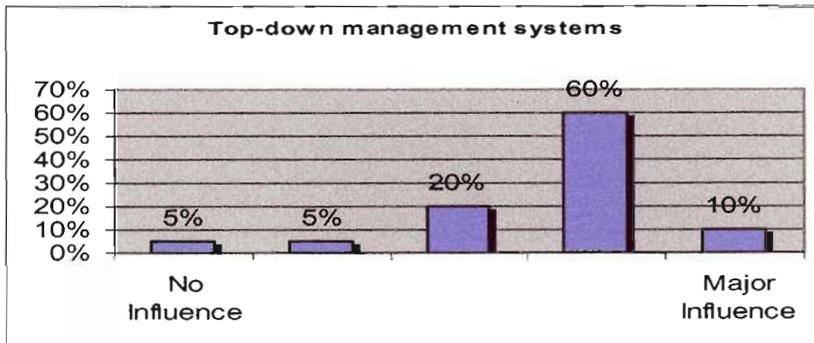
From figure 4.13 above, the majority of respondents perceive an overly narrow span of control to have some influence as obstacle to corporate entrepreneurship in ABI Midrand, while thirty five percent perceive this to have no influence and twenty five percent to have much influence.

**Figure 4.14: Responsibility without authority**



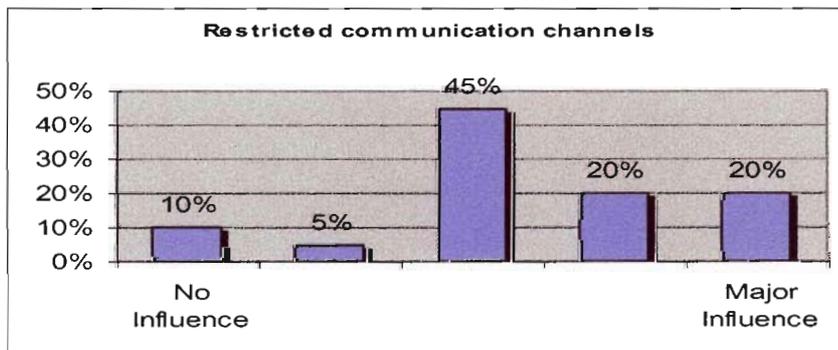
According to figure 4.14, responsibility without authority does not have a major influence on corporate entrepreneurship activities in ABI Midrand with twenty five percent of respondents confirming it, while only five percent said it has a major influence.

**Figure 4.15: Top-down management systems**



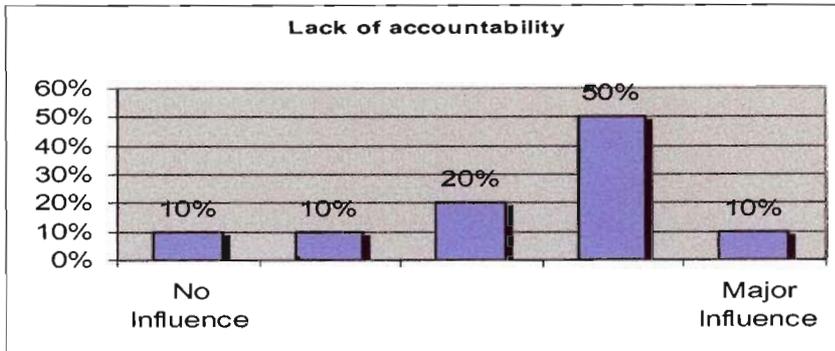
Top-down management systems do somehow have an influence on corporate entrepreneurship activities in ABI Midrand with ten percent of respondents perceiving it that way against five percent perceiving that they do not have an influence at all, while sixty percent had the tendency of saying that they indeed have a major influence against only a mere five percent tending to say that they do not have an influence at all.

**Figure 4.16: Restricted communication channels**



Restricted communication channels do have a major influence on corporate entrepreneurship activities within ABI Midrand with twenty percent of respondents strongly confirming it against ten percent and another twenty percent tending to confirming it against only a mere five percent, while forty five percent fell in the middle of the continuum.

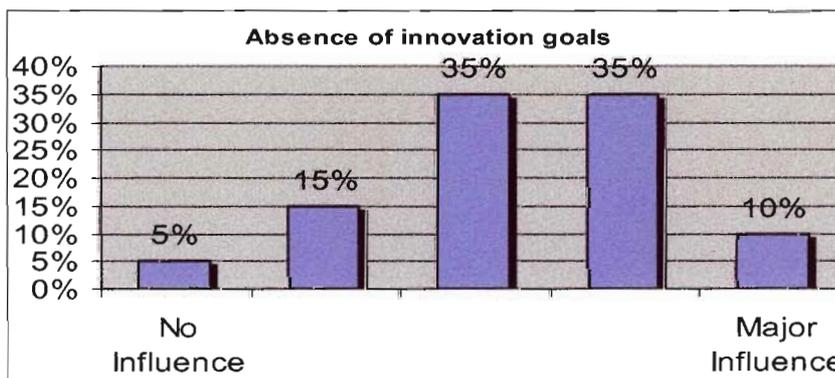
**Figure 4.17: Lack of accountability**



According to figure 4.17, twenty percent of respondents perceive lack of accountability to have no major influence as an obstacle to corporate entrepreneurship activity in ABI Midrand, while sixty percent perceive it to have a major influence and twenty percent perceive it to have some influence.

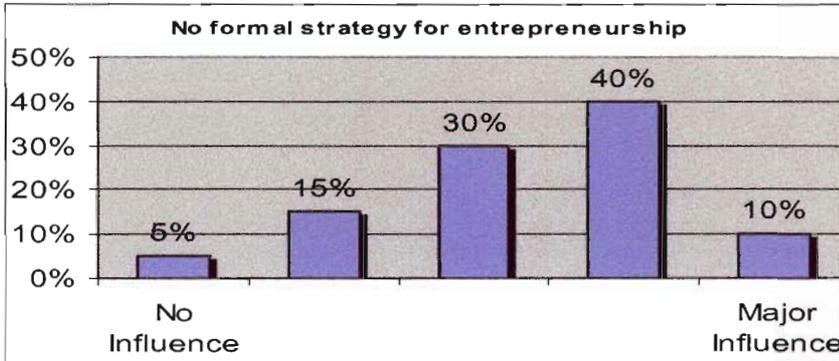
- **Strategic direction**

**Figure 4.18: Absence of innovation goals**



From figure 4.18 above, thirty five percent of respondents perceive absence of innovation goals to have some influence on corporate entrepreneurship activity in ABI Midrand, while twenty percent perceive this to have much less influence and forty percent perceive this to have a major influence.

**Figure 4.19: No formal strategy for entrepreneurship**



According to figure 4.19 above, thirty percent of respondents perceive no formal strategy for entrepreneurship to have some influence on corporate entrepreneurship activity in ABI Midrand while twenty percent perceive this to have much less influence and forty percent perceive it to have much more influence.

**Figure 4.20: No vision from the top**

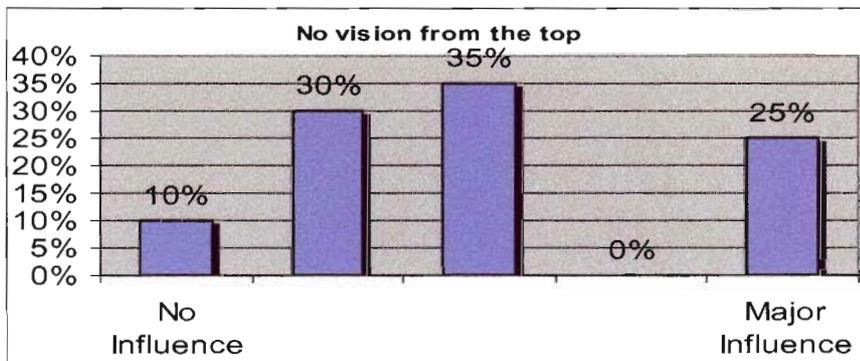


Figure 4.20 above shows that forty five percent of respondents perceive no vision from the top to have much less influence as an obstacle to corporate entrepreneurship activity in ABI Midrand, while thirty five percent perceive this to have some influence and twenty five percent to have a major influence.

**Figure 4.21: Lack of commitment from senior executives**

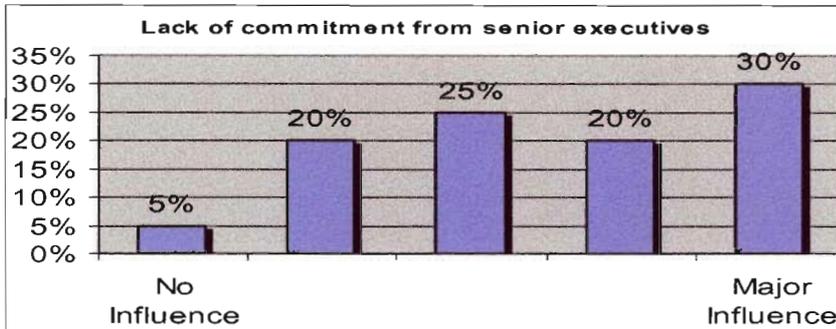
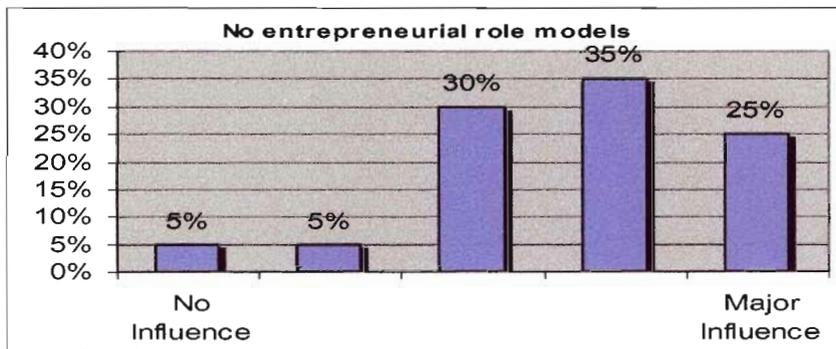


Figure 4.21 above shows that twenty five percent of respondents perceive lack of commitment from senior executives to have some influence on corporate entrepreneurship activity in ABI Midrand, while fifty percent perceive this to have a major influence and twenty five percent to have a much less influence.

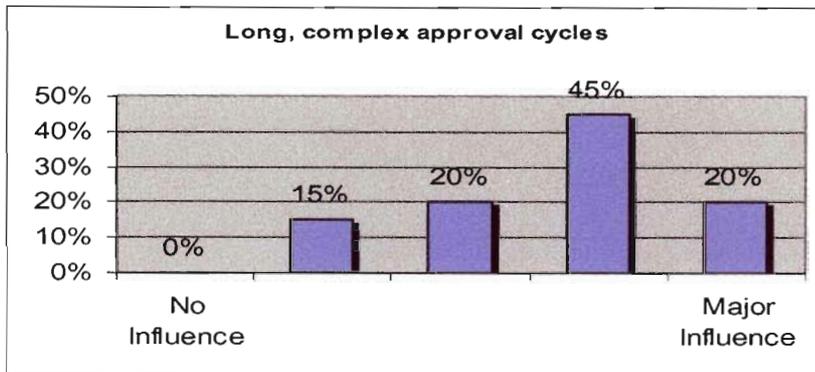
**Figure 4.22: No entrepreneurial role model**



People usually need a role model to look at and imitate, and if there is none, it makes it difficult at times. Figure 4.22 confirms this with twenty five percent of respondents perceiving that a lack of entrepreneurial role model constitutes a major obstacle to corporate entrepreneurship activities in ABI Midrand, with a thirty five percent tendency of confirming it against only five percent perceiving that it has no influence and another five percent tending to saying that it does not have any influence.

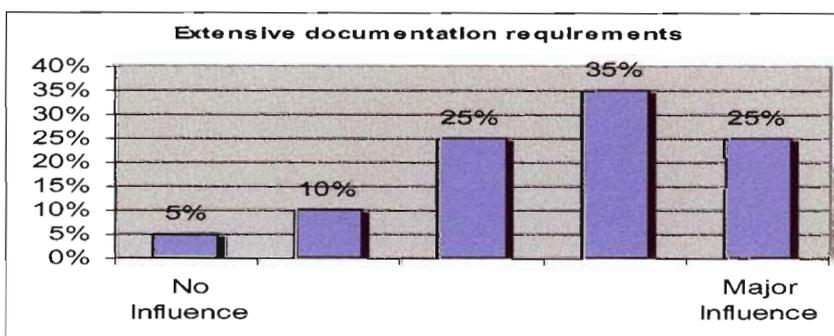
- **Policies and procedures**

**Figure 4.23: Long, complex approval cycles**



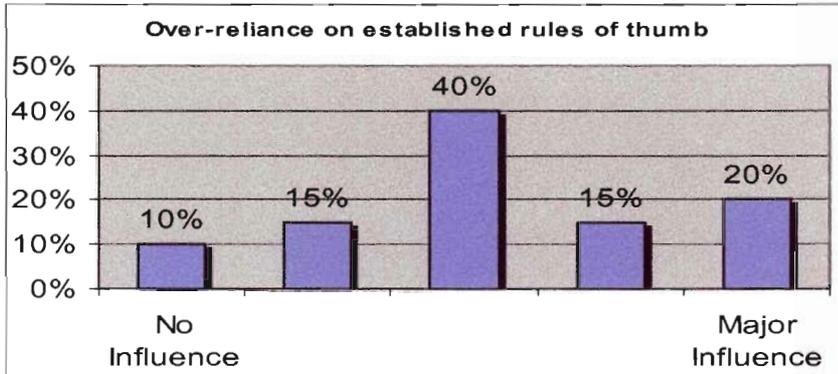
According to figure 4.23 above, indeed long and complex approval cycles do have a major influence on corporate entrepreneurship and this has been proved by the twenty percent of respondents perceiving it that way with forty five percent tending to confirming it against only a fifteen percent tending to say that it does not have an influence on corporate entrepreneurship activities in ABI Midrand.

**Figure 4.24: Extensive documentation requirements**



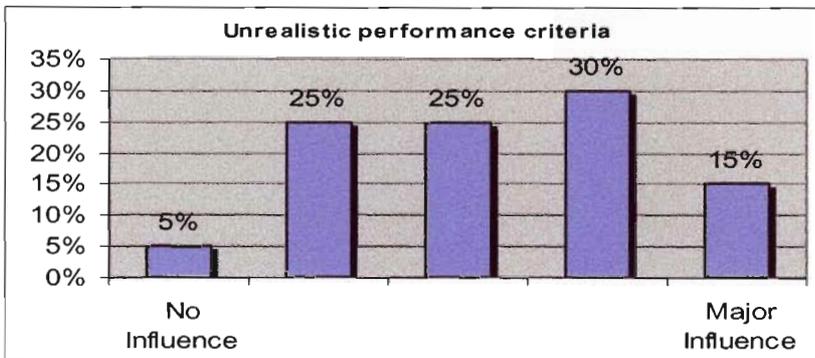
According to figure 4.24 above, extensive documentation requirements have a major influence on corporate entrepreneurship in ABI Midrand; twenty five percent of respondents confirmed it against only five percent, with thirty five percent of respondents having the tendency of confirming it against only ten percent having the other tendency.

**Figure 4.25: Over-reliance on established rules of thumb**



From figure 4.25 above, twenty percent of respondents feel that an over-reliance on established rules of thumb has a major influence on corporate entrepreneurship activities in ABI Midrand against ten percent and an even response having the tendency of confirming either of no influence and major influence, and another forty percent perceiving it as having some influence.

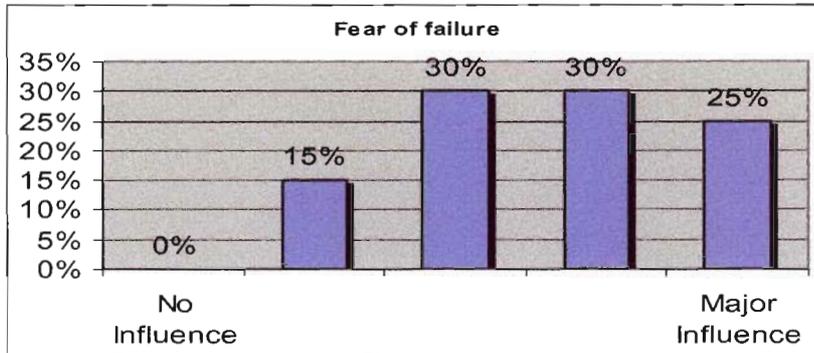
**Figure 4.26: Unrealistic performance criteria**



According to figure 4.26, twenty percent of respondents perceive unrealistic performance criteria to have some influence over corporate entrepreneurial activity within ABI Midrand, while forty five percent perceive this to have a major influence , and thirty percent perceive it to have less of influence.

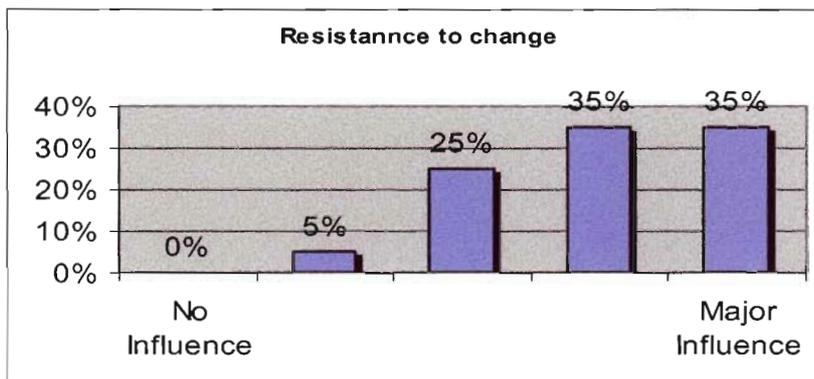
- People

**Figure 4.27: Fear of failure**



According to the figure above, twenty five percent of respondents indicate that fear of failure constitutes a major obstacle to corporate entrepreneurship activities in ABI Midrand and only fifteen percent had the tendency of saying that it does not have an influence against thirty percent having the tendency of confirming that it is indeed a major obstacle.

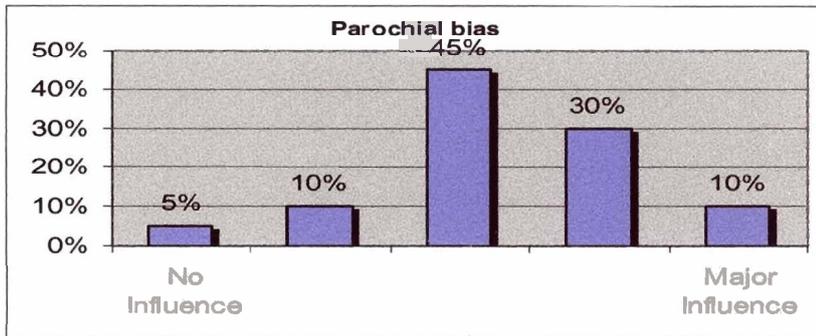
**Figure 4.28: Resistance to change**



People who fear failure will also prefer to remain in their comfort zone fearing the unknown and resisting change. Figure 4.28 confirm this with thirty five percent perceiving resistance to change as a major obstacle to corporate entrepreneurship activities in ABI Midrand, with only five percent

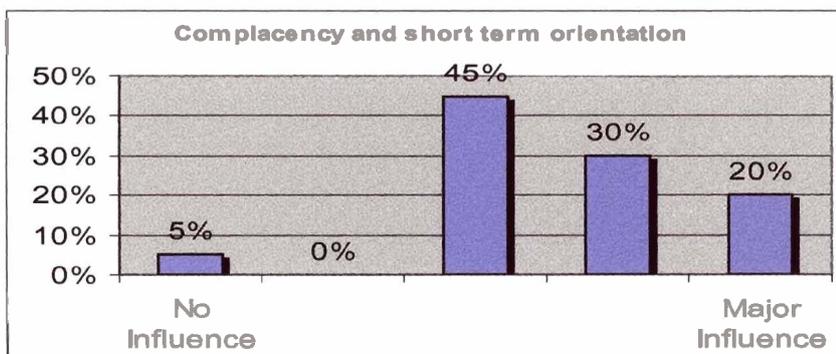
tending to say that it does not have an influence, while thirty percent tended to say that it does have a major influence.

**Figure 4.29: Parochial bias**



According to figure 4.39 above, the majority of respondents perceive parochial bias to have some influence as obstacle to corporate entrepreneurship, while forty percent perceive this to have a major influence, and only fifteen percent perceive this to have much less of an influence.

**Figure 4.30: Complacency and short term orientation**



According to figure 4.30 the majority of respondents feel that complacency and short term orientation has some influence as obstacle to corporate entrepreneurship within ABI Midrand, while fifty percent perceive this to have a major influence, and only five percent perceive this to have much less influence.

**Figure 4.31: Inappropriate skills/talents**



A lack of proper skills or talents to perform a task will definitely impede any evolution or development. Figure 4.31 above confirms it by showing that thirty five percent of respondents perceive inappropriate skills or talents as being a major obstacle to corporate entrepreneurship activities in ABI Midrand against a mere five percent perceiving the contrary, while twenty five percent have the tendency of confirming it also, against only ten percent.

### **Organisational culture**

**Figure 4.32: Ill-defined values**

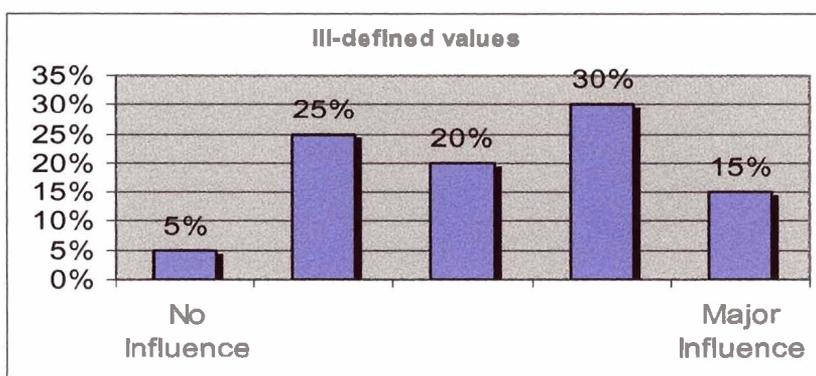
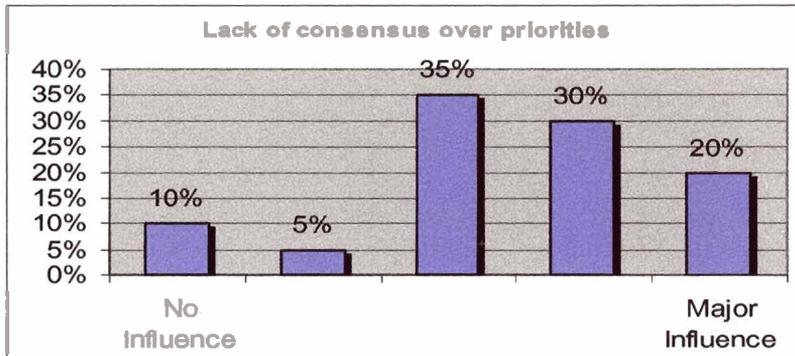


Figure 4.32 above shows that twenty percent of respondents perceive ill-defined values to have some influence as an obstacle to corporate entrepreneurship in ABI Midrand, while forty five

percent view this as having a major influence, and thirty percent as having much less of an influence.

**Figure 4.33: Lack of consensus over priorities**



A lack of consensus over priorities is definitely an obstacle and has a major influence on corporate entrepreneurship activities within ABI Midrand, as figure 4.33 depicts it with twenty percent of respondents confirming it against ten percent saying that lack of consensus over priorities does not have an influence on corporate entrepreneurship activities. Thirty percent of respondents have the tendency of attesting that lack of consensus over priorities does have an influence against a mere five percent, the majority of respondents feel that this has some influence.

**Figure 4.34: Lack of fit**

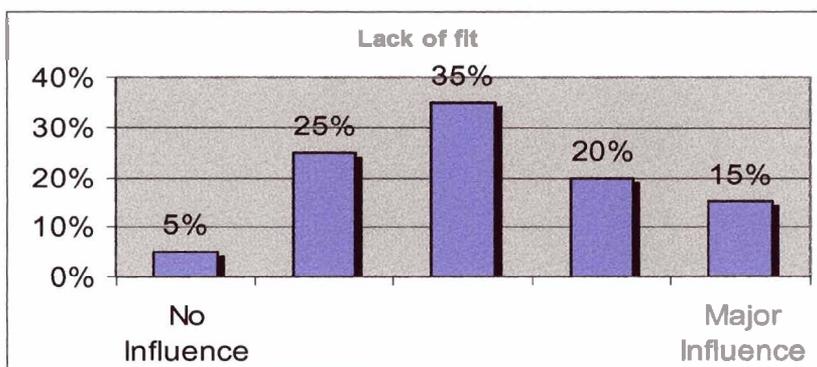
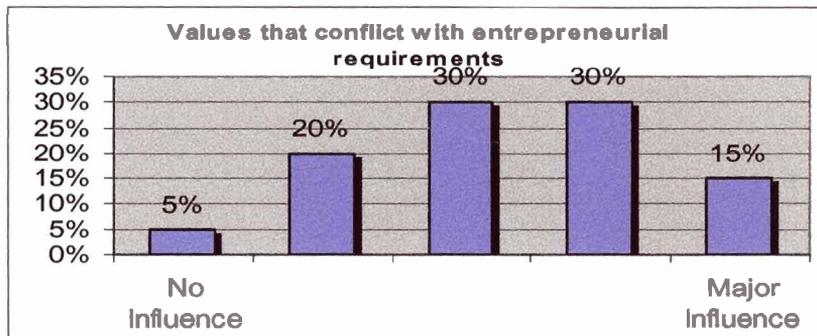


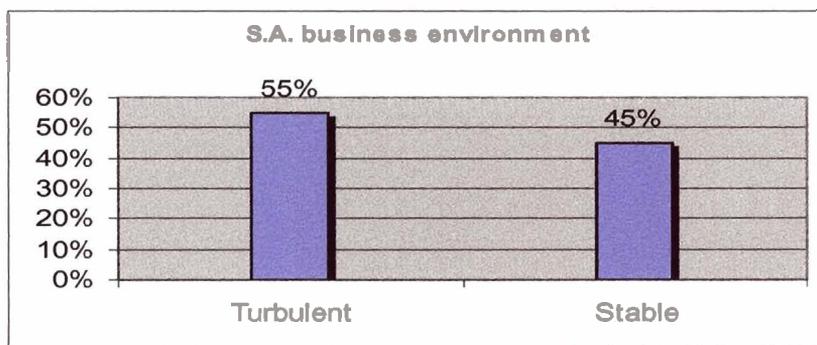
Figure 4.34 shows that lack of fit indeed has a major influence over corporate entrepreneurship activities in ABI Midrand with the majority of respondents perceiving this to have some influence, thirty five percent perceiving this as having a major influence and thirty percent as having no influence.

**Figure 4.35: Values that conflict with entrepreneurial requirements**



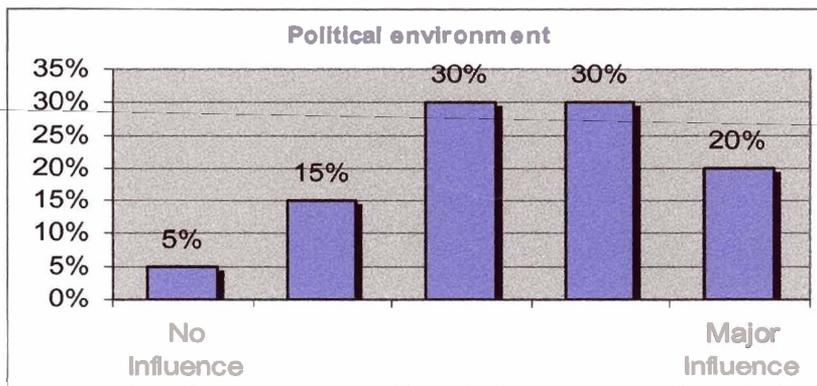
According to figure 4.35 above, fifteen percent of respondents feel that ABI Midrand has values that conflict with entrepreneurial requirements against only five percent, and another thirty percent tend to confirm it against twenty percent, while thirty percent feel that this has some influence. The next seven graphs fall under the section of the macro environmental determinants.

**Figure 4.36: South African business environment**



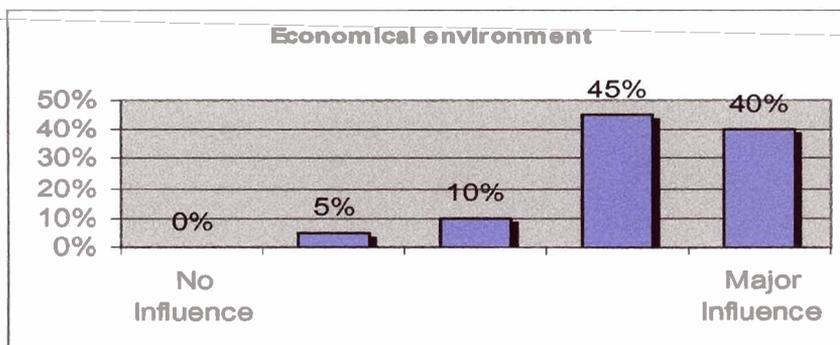
From figure 4.36 above, perception of the South African business environment prove to be quite balanced with fifty five percent of respondents perceiving the South African business environment to be turbulent, and forty five percent perceiving it to be stable.

**Figure 4.37: Political environment**



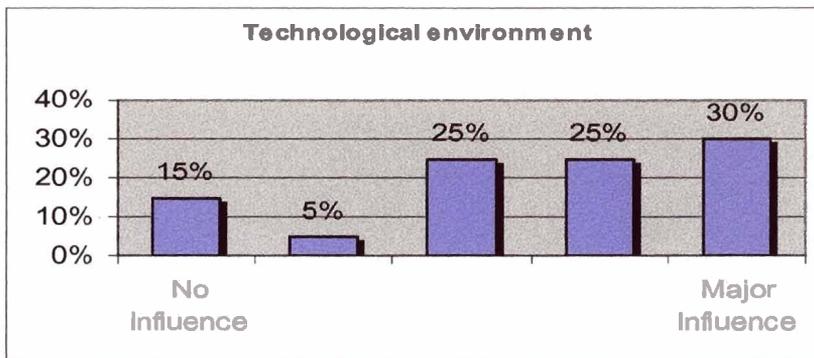
Fifty percent of respondents feel that the political environment has a major influence on corporate entrepreneurial activities within ABI Midrand, while only twenty percent feel that the political environment has no influence at all on corporate entrepreneurial activities, and thirty percent feel that it has some influence.

**Figure 4.38: Economic environment**



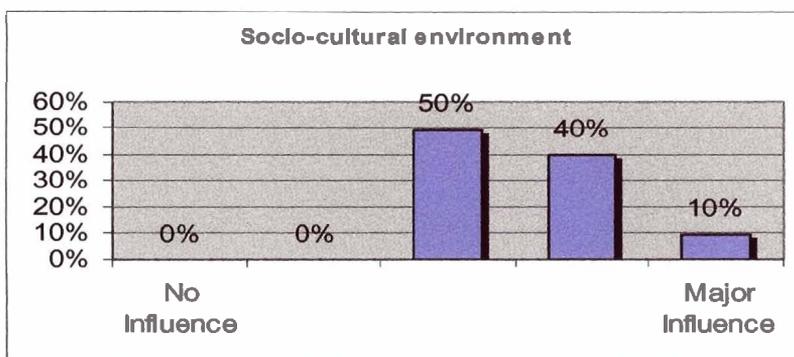
From figure 4.38 above, forty percent of respondents confirmed that the economic environment has a major influence on corporate entrepreneurial activities within ABI Midrand, forty five percent having the tendency of confirming that the economic environment has a major influence and only five percent having the tendency of saying that the economic environment does not have any influence over corporate entrepreneurial activities in ABI Midrand and only ten percent saying that it has some influence.

**Figure 4.39: Technological environment**



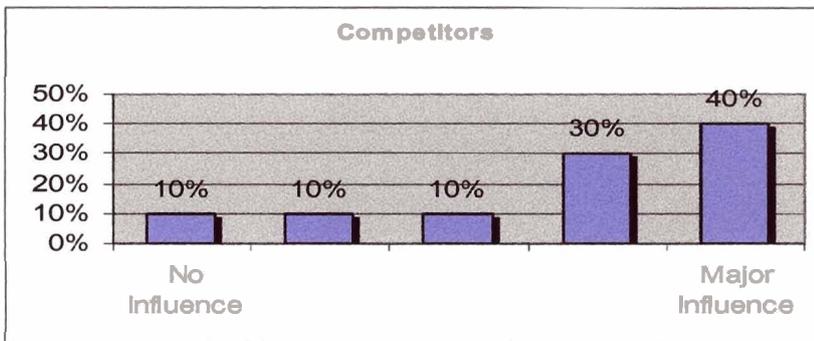
From figure 4.39 above, technological environment constitutes another major obstacle to corporate entrepreneurial activities in ABI Midrand with thirty percent of respondents perceiving it that way against fifteen percent, and twenty five percent having the tendency of attesting it against only five percent.

**Figure 4.40: Socio-cultural environment**



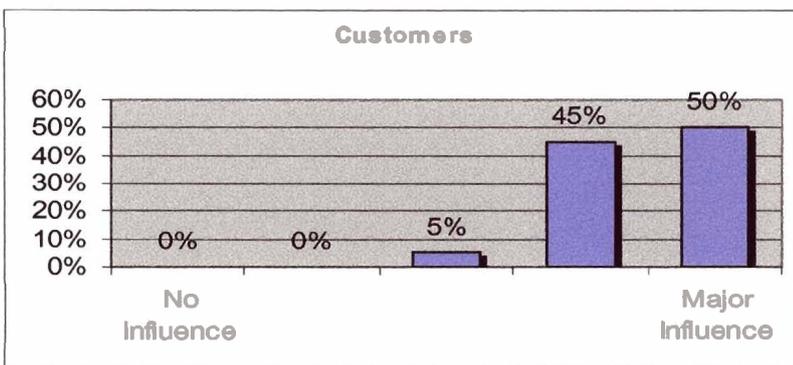
Socio-cultural environment has a major influence over corporate entrepreneurial activities in ABI Midrand according to figure 4.40 where ten percent of respondents view it that way, with forty percent having the tendency to confirm it as well against none on the other side, and the majority viewing it as having some influence.

**Figure 4.41: Competitors**



According to figure 4.41 above, seventy percent of respondents perceive competitors to have a major influence as an obstacle to corporate entrepreneurship within ABI Midrand, while only twenty percent perceive this to have a much less influence.

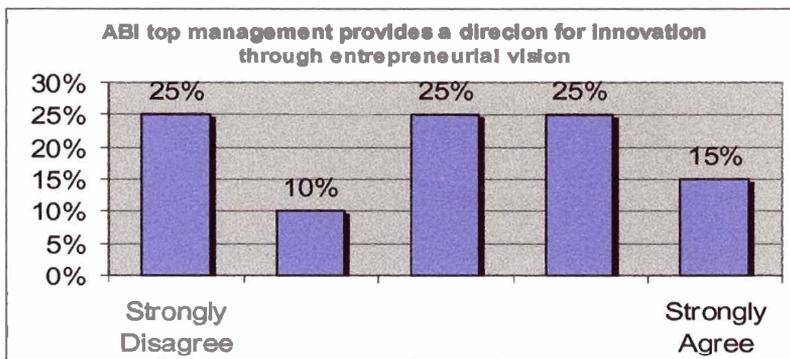
**Figure 4.42: Customers**



According to figure 4.42 customers are perceived to be a major obstacle to corporate entrepreneurial activities in ABI Midrand with ninety five percent of respondents confirming it.

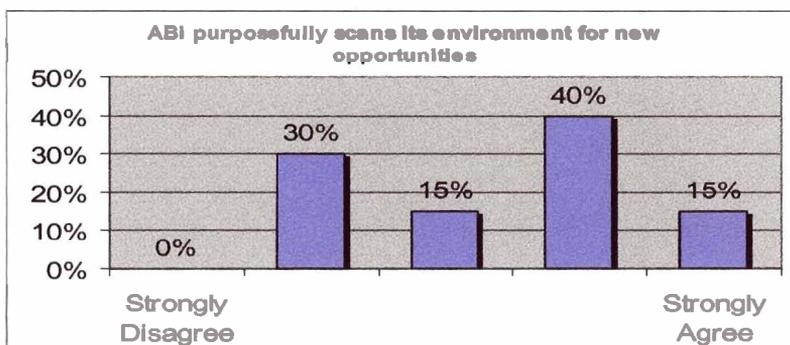
The next twenty four graphs pertain to the micro environmental determinants of corporate entrepreneurship.

**Figure 4.43: ABI top management provides a direction for innovation through entrepreneurial vision**



According to figure 4.43 above, fifteen percent of respondents strongly agree that top management of ABI provides a direction for innovation through entrepreneurial vision, while twenty five percent incline to agree, and another twenty five percent are neutral. Twenty five percent of respondents strongly disagree that this is the case, while ten percent incline to disagree.

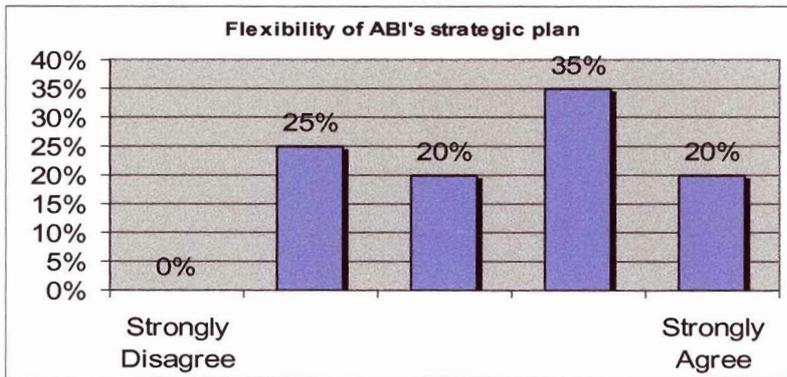
**Figure 4.44: ABI purposefully scans its environment for new opportunities**



From figure 4.44 above, fifteen percent of respondents strongly agree that ABI purposefully scans its environment for new opportunities while forty percent incline to agree, and thirty percent

incline to disagree, and fifteen percent are neutral. Thirty percent incline to strongly disagree that this the case, while none strongly disagree.

**Figure 4.45: Flexibility of ABI’s strategic plan**



A plan needs to be flexible in order to adapt to new developments and twenty percent of respondents strongly agree that ABI’s strategic plan is flexible, with another thirty five percent having the tendency of also strongly agreeing against only twenty five percent having the tendency of disagreeing. Twenty percent are however neutral.

**Figure 4.46: ABI’s employees are involved in the strategic planning activities**

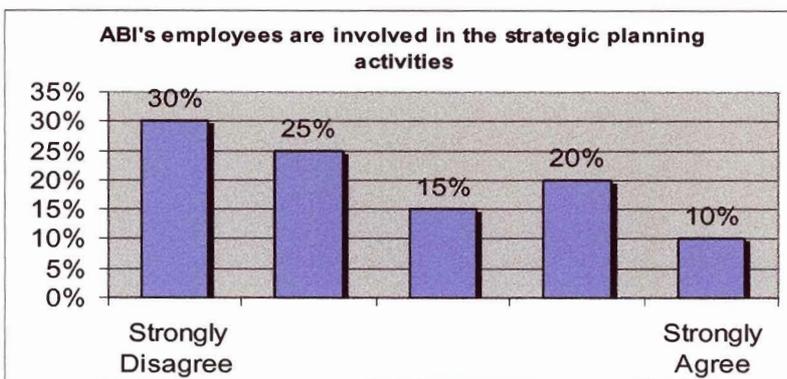
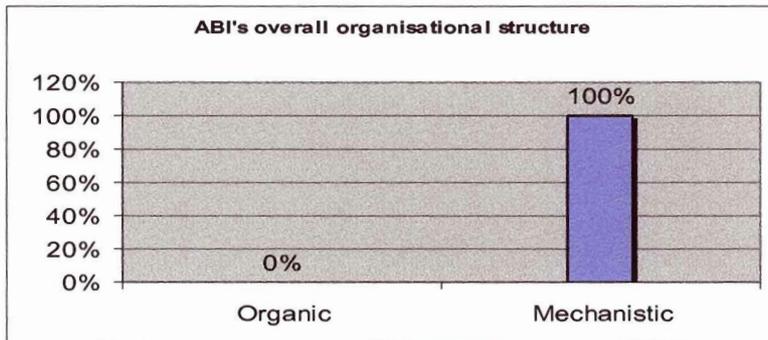


Figure 4.46 above shows that thirty percent of respondents strongly disagree that employees in ABI get involved in the strategic planning activities, against ten percent who agree with twenty

five percent having the tendency of strongly disagreeing against twenty percent, with a fifteen percent of respondents being neutral.

**Figure 4.47: ABI's overall organisational structure**



According to figure 4.47 above, all the respondents said that ABI's overall organisational structure is mechanistic.

**Figure 4.48: Decision-making process in ABI**

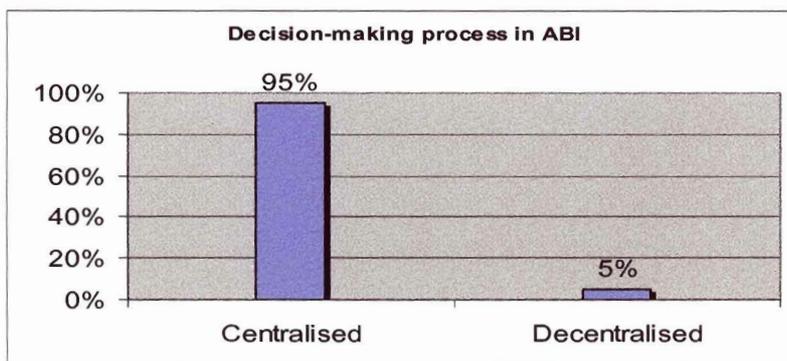
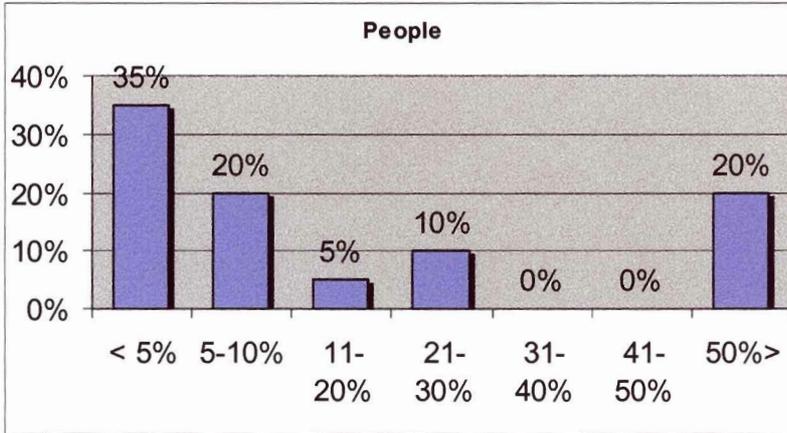


Figure 4.48 above shows that the decision process in ABI is more centralised than decentralised with ninety five percent of respondents confirming it against only five percent perceiving it to be decentralised.

- **Resource allocation for the development of new products/processes**

**Figure 4.49: People**



According to figure 4.49 thirty five percent of respondents perceive that most of the time people are used at a percentage less than five for the development of new products or processes and this ties up with the fact that people in ABI Midrand lack skills and talents, while twenty percent of respondents perceive that people are used at a percentage of more than fifty. Therefore people are underutilised.

**Figure 4.50: Time**

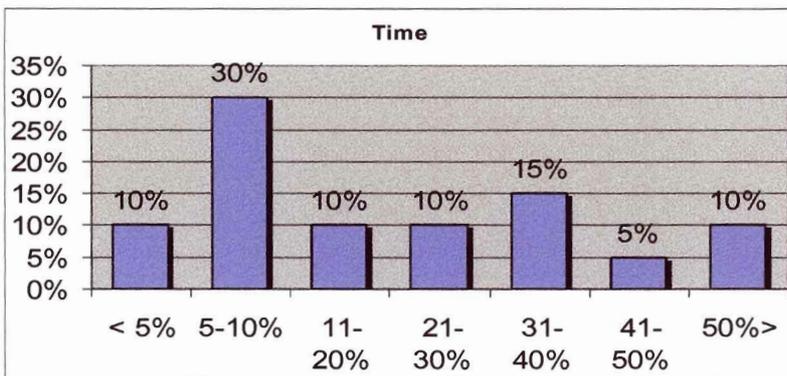
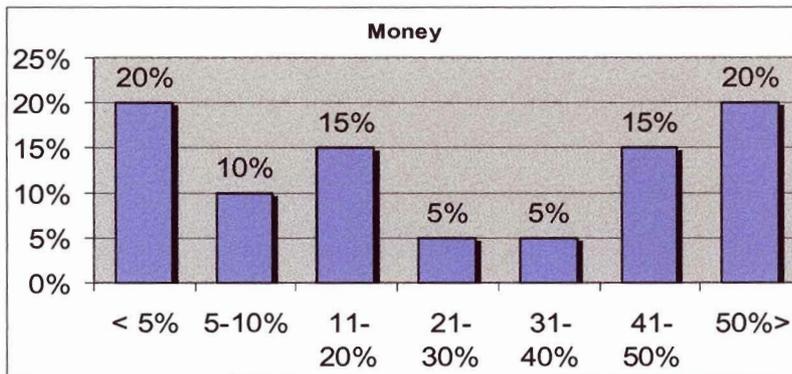


Figure 4.50 above shows that ten percent of respondents feel that less than five percent of the time is used to develop new products/services and the same number of respondents feels that more than

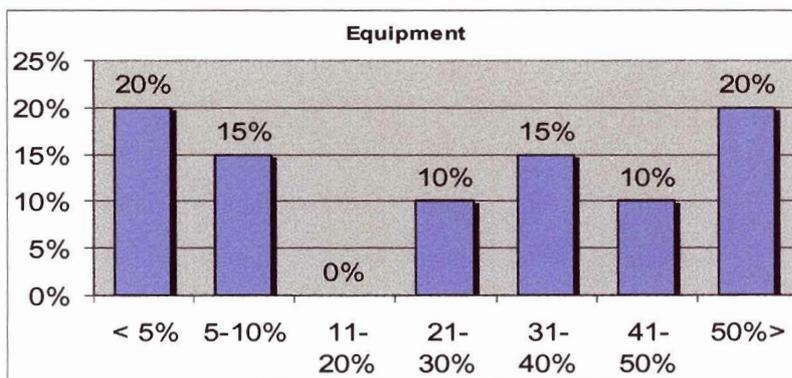
fifty percent of time is used for the same purpose. With thirty percent feeling that between five and ten percent of the time is used for new products or process development.

**Figure 4.51: Money**



According to figure 4.51 above, twenty percent of respondents feel that less than 5 percent of the time money is used for new products or processes development and another twenty percent feeling that more than fifty percent of the time money is allocated to new products or processes developments.

**Figure 4.52: Equipment**

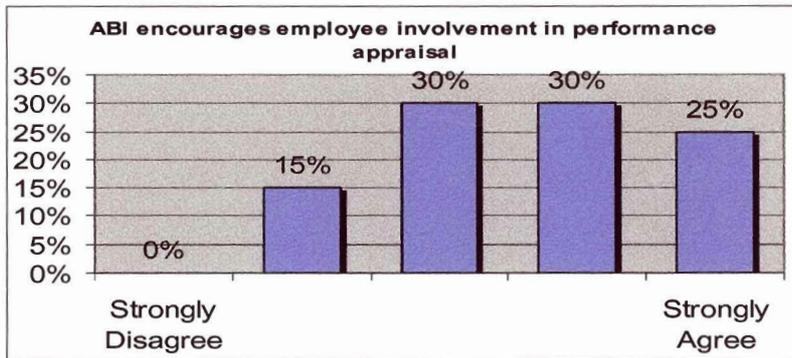


From figure 4.52 twenty percent of respondents perceive that less than five percent of the time equipments are allocated for new products or processes developments and also twenty percent of

respondents perceive that more than fifty percent of the time equipments are allocated for new products or processes developments.

- **Human resources practices**

**Figure 4.53: ABI encourages employee involvement in performance appraisal**



According to figure 4.53 twenty five percent of respondents strongly agree that ABI does encourage its employees to participate in performance appraisal, thirty percent incline to strongly agree against only fifteen percent that incline to strongly disagree, while thirty percent are neutral.

**Figure 4.54: ABI does not punish innovative mistakes and failures**

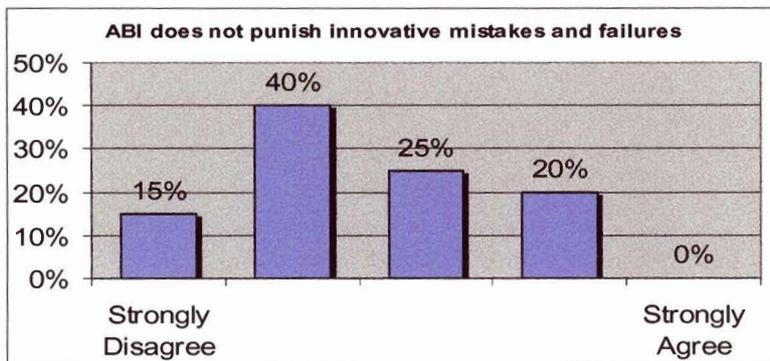


Figure 4.54 above shows clearly that fifteen percent of respondents strongly agree that ABI punishes innovative mistakes and failures, hence a strong fear of failure and a strong resistance to change. There is another forty percent of respondents that also incline to strongly agree against only twenty percent inclining to disagree, while twenty five percent are neutral.

**Figure 4.55: ABI tends to base payrolls on market comparisons and provides a greater opportunities in the form of performance based pay incentives**

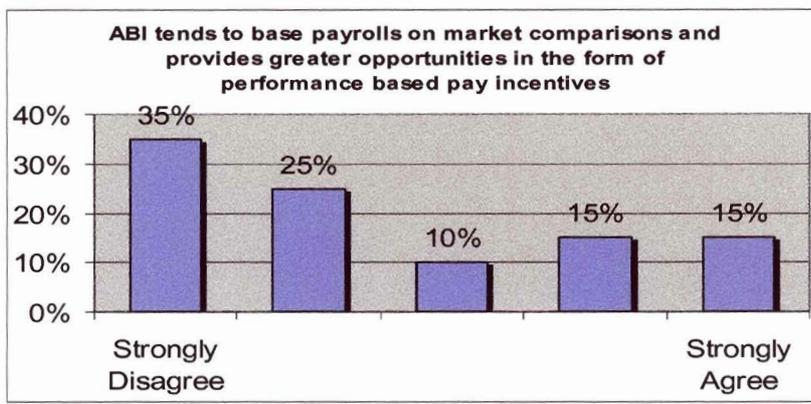


Figure 4.55 above shows that thirty five percent of respondents strongly disagree with the statement against fifteen, with twenty five having the tendency of also strongly disagreeing and fifteen having the tendency of strongly agreeing. While only ten percent are neutral.

**Figure 4.56: ABI rewards entrepreneurial behaviours and encourages it within the entire organisation**

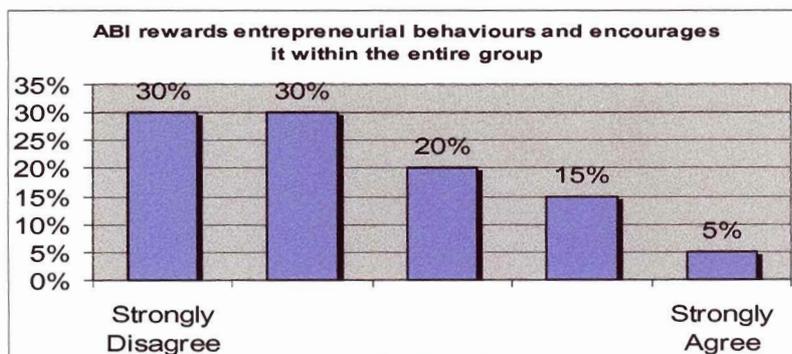
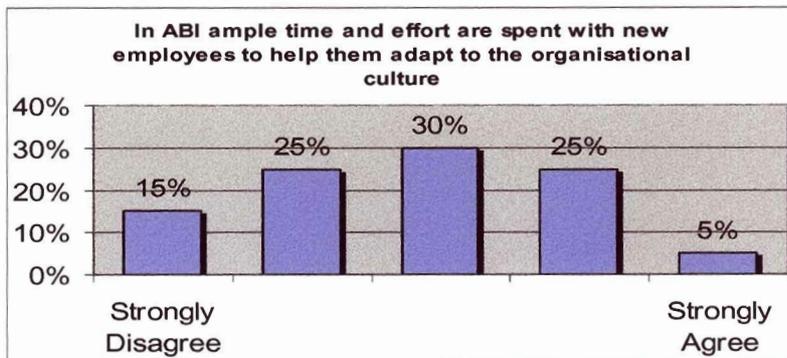


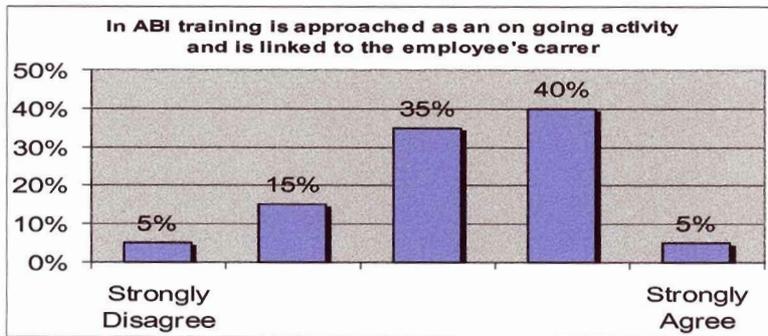
Figure 4.56 clearly shows that thirty percent of respondents strongly disagree that ABI does reward entrepreneurial behaviours and encourages it within the entire group, against only five percent strongly agreeing, with another thirty percent having the tendency of strongly disagreeing against only fifteen percent on the other side. This ties up with the fact that there a lack of support and vision from the top management.

**Figure 4.57: In ABI time and efforts are spent with new employees to help them adapt to the organisational culture**



According to the figure above, fifteen percent of respondents strongly disagree that in ABI Midrand time and efforts are spent with new employees in order to help them adapt to the organisational culture, against five percent strongly agreeing, with twenty five percent on either side having the tendency of disagreeing and of agreeing, while thirty percent are neutral.

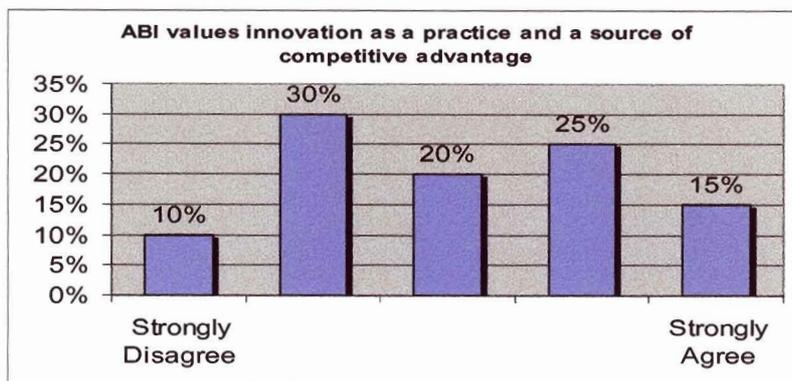
**Figure 4.58: In ABI training is approached as an ongoing activity and is linked to the employee's career**



From figure 4.58 above, five percent of respondents strongly agree and the same number of respondents also strongly disagree that training in ABI is approached as an ongoing activity and is linked to the employee's career. However, there is forty percent with a strong tendency of strongly agreeing compared to only fifteen percent with a strong tendency of strongly disagreeing.

- **Organisational culture**

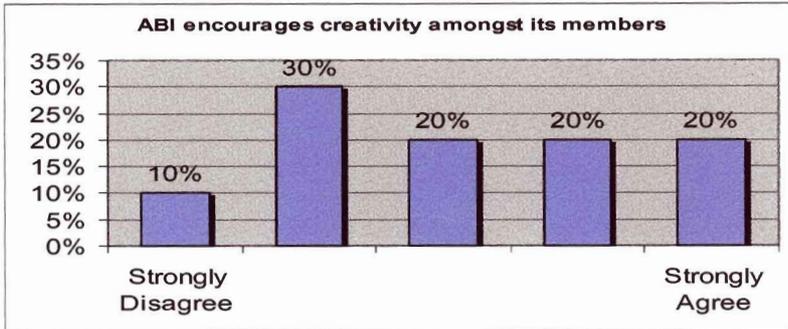
**Figure 4.59: ABI values innovation as a practice and a source of competitive advantage**



According to 4.59 above, fifteen percent of respondents strongly agree that ABI values innovation as a practice and a source of competitive advantage compared to ten percent strongly disagreeing.

Thirty percent of respondents incline to strongly disagree while twenty five percent incline to strongly agree, and twenty percent are neutral.

**Figure 4.60: ABI encourages creativity amongst its members**



From figure 4.60 above twenty percent of respondents strongly agree that ABI encourages creativity among its members, and ten percent strongly disagree. Furthermore, the percentage tendency of strongly disagreeing with the statement is ten percent greater than the one of strongly agreeing, and this probably due to the fact mistakes are punished and also because there is lack of support and vision from top management.

**Figure 4.61: ABI encourages the search for innovation opportunities from external sources**

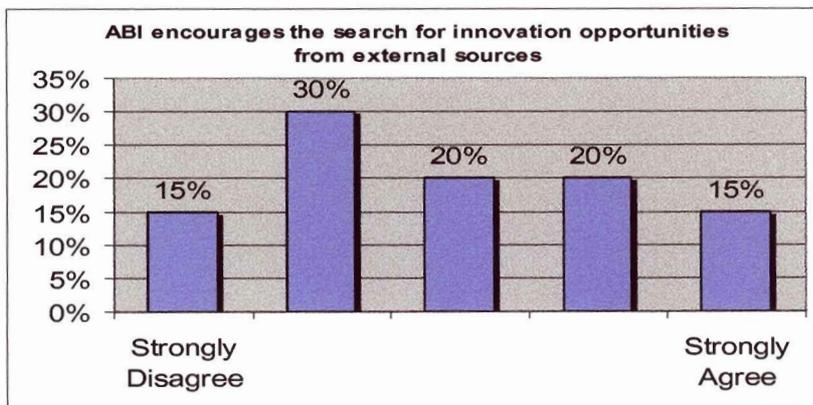
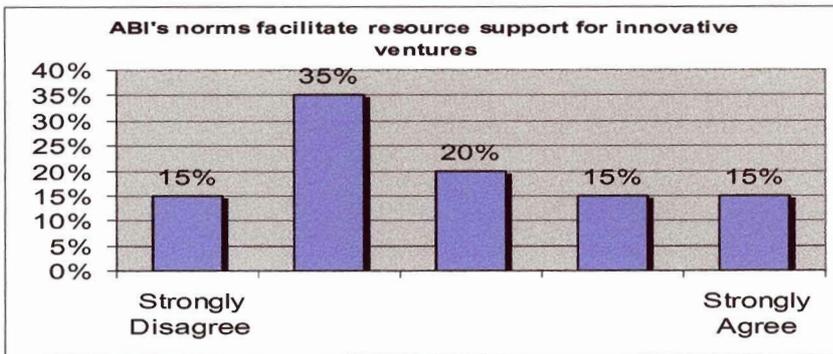


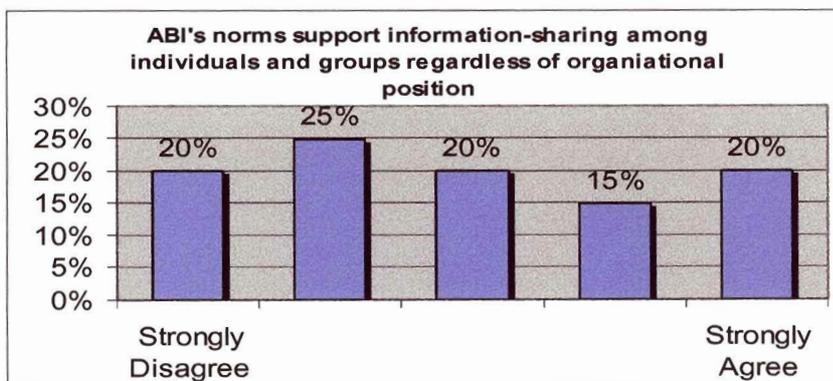
Figure 4.61 above shows that there is fifteen percent of respondents on either side that strongly agree and strongly disagree that ABI does encourage the search for innovation opportunities from external sources. Yet, there is a strong tendency of strongly disagreeing with the statement with thirty percent against twenty inclining to strongly agreeing.

**Figure 4.62: ABI norms facilitate resource support for innovative venture**



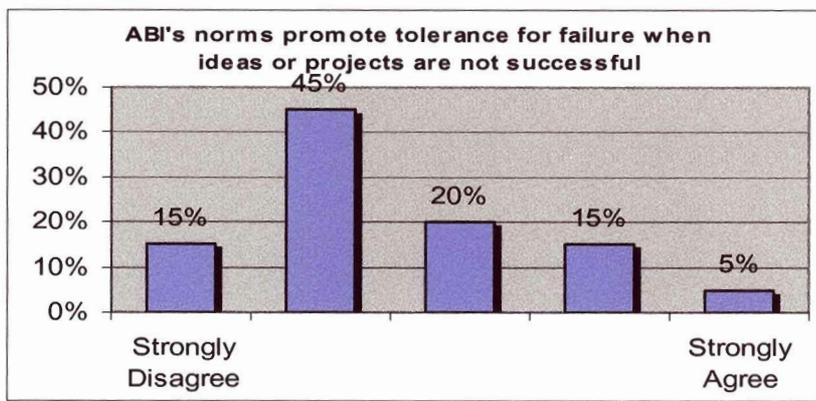
Here also, there is a fifteen percent of respondents on both sides strongly disagreeing and strongly agreeing with the statement, with thirty five percent having a strong tendency of strongly disagreeing compared with only fifteen percent having the tendency of strongly agreeing.

**Figure 4.63: ABI's norms support information-sharing among individuals and groups regardless of organisational position**



According to figure 4.63 above, twenty percent of respondents strongly disagree with the above statement and another twenty percent strongly agree with it. However, there is a strong tendency of strongly disagreeing with twenty five percent against fifteen percent on the other side having the tendency of strongly agreeing.

**Figure 4.64: ABI's norms promote tolerance for failure when ideas or projects are not successful**



According to figure 4.64 above, fifteen percent of respondents strongly disagreed that ABI's norms promote tolerance for innovative failures, and only five percent strongly agreed. Furthermore, there is a strong tendency of strongly disagreeing with the above statement with forty five percent against only fifteen percent with the tendency of agreeing.

**Figure 4.65: ABI's norms encourage the open-minded consideration of new ideas and projects**

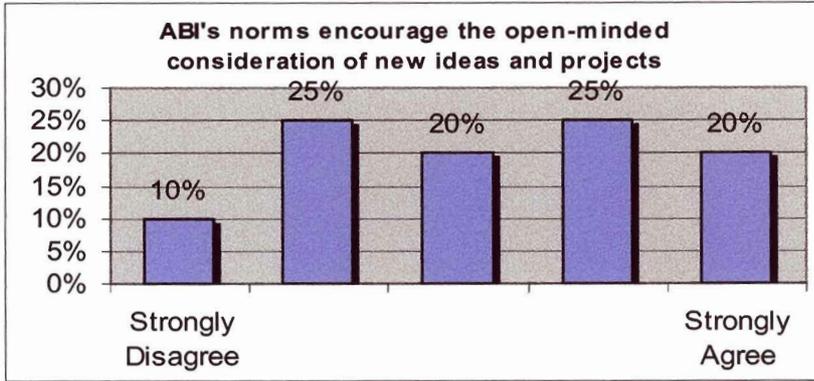
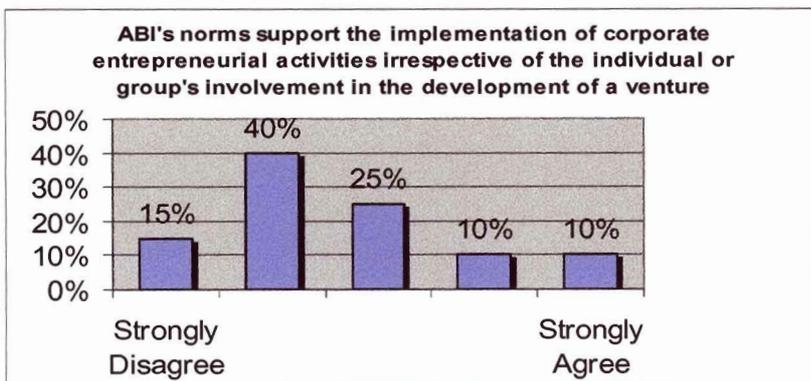


Figure 4.65 above shows that ABI's norms encourage an open-minded spirit in its employees for new ideas and projects with twenty percent of respondents strongly confirming it against ten percent strongly disagreeing, and twenty five percent that incline to strongly disagree and another twenty five inclining to strongly agreeing.

**Figure 4.66: ABI's norms support the implementation of corporate entrepreneurial activities irrespective of the individual or group's involvement in the development of a venture**



It is clear that from figure 4.66 above fifteen percent of respondents strongly disagreed with the above statement against ten percent on the other side, yet the tendency of strongly disagreeing is much higher compared to the one of strongly agreeing, forty percent against ten percent.

#### **4.4 SUMMARY**

The survey conducted within ABI Midrand greatly confirmed that there are certain “hunches” regarding corporate entrepreneurial activities or performance within the organisation. There is a strong confirmation that corporate entrepreneurship is amongst the key drivers to competitive edge, but the current state of affairs within ABI Midrand does not really show it. From the survey conducted, several factors cropped up to be the reasons, such as a lack of vision and support from senior executives, an absence of corporate entrepreneurial role model, a lack of skills and talents coupled with a fear of failure due to the fact that there is no tolerance for failures about new ideas being implemented. Another salient factor hindering corporate entrepreneurial behaviour within ABI Midrand is the fact that the overall structure is perceived to be totally mechanistic, making decision-making process to be more centralised.

However, there are some aspects in the empirical findings showing that the head of departments with their assistants are aware of corporate entrepreneurship and understand what it entails. Yet, there is some evidence that the current state of affairs in ABI Midrand needs to be changed in order to adapt to an environment that will facilitate, foster and encourage corporate entrepreneurial activities. Hence, conclusions and recommendations based on the empirical findings of this chapter are presented in the following chapter.

## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

Now that the current state of affairs concerning corporate entrepreneurship activity within ABI Midrand is clear, the question is how to get from this present state to a desired future state of an organisation characterised by an environment conducive to corporate entrepreneurial activity that will enhance competitiveness. Moving from the current state to the future one will of course imply a process of planned change and mind a shift from all the stakeholders within the organisation.

Kurt Lewin views change as a modification of those forces keeping a system's behaviour stable (Cummings & Worley, 2001:22). In relation to this study, this implies modifying or changing those forces keeping ABI Midrand's entrepreneurial behaviour stable. Moreover, change efforts fall on a continuum ranging from incremental changes that would involve fine-tuning ABI Midrand's entrepreneurial position to quantum changes that would mean fundamentally changing how ABI Midrand behaves vis-à-vis corporate entrepreneurial activity.

From the preceding chapters it is evident that ABI Midrand needs to make an "entrepreneurial quantum leap" or an "entrepreneurial transformation" which will imply radical changes in how every one in ABI from senior executives to operators, perceives, thinks and behaves in terms of corporate entrepreneurship. This change will definitely need to start by a strong leadership supporting and encouraging employees to act entrepreneurially. Leadership is all about social influence. If in organisational terms leadership is defined as influencing employees to voluntarily pursue organisational goals (Kreitner & Kinicki, 1998:495), then leadership can be defined in this context as quickening and influencing employees in ABI Midrand to voluntarily pursue corporate entrepreneurial behaviour.

## **5.2 CONCLUSIONS REGARDING THE FINDINGS OF THE RESEARCH**

### **5.2.1 Corporate entrepreneurship orientation of ABI Midrand**

The literature study shows that entrepreneurial efforts and behaviours within the boundaries of an existing organisation are known as corporate entrepreneurship, and this label of corporate entrepreneurship has been attached to multiple and sometimes distinct organisational phenomena. There are three common phenomena that are often viewed as examples of corporate entrepreneurship. The first phenomena revolves around an established business entering a new area of business, known as corporate venturing, the second one is where an individual or individuals champion new product ideas within an organisational context, known as intrapreneurship. The last and more appropriate to this study is where an organisation engages in corporate entrepreneurship in order to increase competitiveness through efforts aimed at rejuvenation, redefinition of the organisation, its market, and industry. This is more an organisational-level phenomenon. Most of the respondents who participated in the study view and understand corporate entrepreneurship as this last phenomenon, implying that conditions are favourable for the facilitation of corporate entrepreneurship in ABI Midrand.

#### **5.2.1.1 Product and process innovation**

From the literature innovativeness merely means to what extent the organisation is doing things that are novel, unique, or different. Innovativeness can take different forms such as new or improved services and processes. Process innovation simply means finding new and better ways of performing tasks, and many organisations invest in acquiring and developing new operational processes in order to have a competitive edge over their competitors. From the study conducted within ABI Midrand, the majority of respondents perceive the organisation as being quite innovative in terms of products and processes alike. Hence, the platform for a competitive edge is set.

### **5.2.1.2 Risk-taking and pro-active behaviours.**

Risk-taking and pro-activeness are two characteristics that go hand in hand with corporate entrepreneurship. Risk-taking is inherent in the operations of any organisation and it involves a willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies. Corporate entrepreneurship entails decision making and risk-taking. Pro-activeness on the other side is associated with assertiveness and is viewed as a dimension of strategy making. This dimension is mostly concerned with implementation, with taking responsibility and doing whatever is necessary to bring an entrepreneurial concept to fruition. Usually, it involves a great amount of perseverance, adaptability, and a willingness to assume responsibility for failure.

The empirical study however shows that people in ABI Midrand do not really have the propensity to take continuous risks. This suggests that there must be a change in the management style regarding this and management should start encouraging employees to take considerable risks. As for pro-activeness, it comes in three fold and the empirical study shows that in all the three categories the respondents responded quite positively. Hence, this puts ABI Midrand in a leadership position rather than in that of a follower, because this shows that there is a will and a foresight to seek and seize new opportunities.

### **5.2.1.3 Obstacles to corporate entrepreneurship**

- **Managerial systems**

The managerial system looked at in the literature study comprises of misdirected reward and evaluation systems, oppressive control systems, inflexible budgeting systems, and overly rigid, formal planning systems. If one looks at the perceptions from the different respondents in the empirical study, it clearly shows that the management systems within ABI Midrand in not really conducive to corporate entrepreneurship activity, since this is in most cases perceived as an obstacle having major influence on corporate entrepreneurship in ABI Midrand.

- **Organisational structure**

The factors considered while looking at the ABI Midrand organisational structure are: too many hierarchical levels, overly narrow span of control, responsibility without authority, top-down management systems, restricted communication channels, and lack of accountability. As in the previous category, the empirical study depicts that respondents perceive the organisational structure of ABI Midrand as being an obstacle having a major influence on corporate entrepreneurship activity within the organisation.

- **Strategic direction**

The aspects considered while looking at the strategic direction category comprise the following: absence of innovation goals, no formal strategy for entrepreneurship, no vision from the top, lack of commitment from senior executives, and no entrepreneurial role models. By and large, the majority of respondents indicated that this category is also an obstacle having a major influence on corporate entrepreneurship activity in ABI Midrand. Yet, this is the category that should actually facilitate and be conducive to corporate entrepreneurial activities in an organisation.

- **Policies and procedures**

Policies and procedures include aspects such as long, complex approval cycles, extensive documentation requirements, over reliance on established rules of thumb, and unrealistic performance criteria. The majority of respondents indicated that policies and procedures in ABI Midrand are not conducive to corporate entrepreneurship activity, and that they pose as a major obstacle

- **People**

Aspects linked to people during this study are amongst other: fear of failure, resistance to change, parochial bias, complacency and short term orientation, and inappropriate skills/talents. People can make things happen or fail irrespective of what has been put in place by the management.

Nevertheless, concerning the study conducted in ABI Midrand, the majority of respondents perceived these aspects linked to people as being obstacles with major influence on corporate entrepreneurship activity in ABI Midrand.

- **Organisational culture.**

A culture usually determines the way a particular people, or organisation in this case do things. For the sake of this study, aspects linked to organisational culture comprise: ill-defined values, lack of consensus, lack of fit, and values that conflict with entrepreneurial requirements. Here also, the majority of the respondents indicated that the ABI Midrand organisational culture is not conducive to corporate entrepreneurial activity.

## **5.2.2 SOUTH AFRICAN BUSINESS ENVIRONMENT**

Even if there seems to be a balanced view from the respondents concerning the South African business environment, the majority of respondents perceive it to be more turbulent, therefore this environment should be able to facilitate corporate entrepreneurial activities.

### **5.2.2.1 Factors influencing the business environment**

The following factors are considered to influence any business environment in any country: political, economical, technological, socio-cultural, competitors, and customers. ABI Midrand being a highly unionised environment, the political environment can have a major influence on corporate entrepreneurial activity. However, the other determinant factors do also influence corporate entrepreneurship activities to a great extent. The beverage industry being very competitive, customers as well competitors also influence greatly that behaviour.

## **5.2.3 MICRO ENVIRONMENTAL DETERMINANTS**

Micro environmental determinants constitute the internal environment of an organisation that is within reach and control of the management. Thus, the following are the variable considered for

the purpose of this study: the organisational strategy, the organisational structure, the organisational human resources practice, and the organisational culture.

### **5.2.3.1 The organisational strategy**

By and large, the majority of respondents indicated that the organisational strategy of ABI Midrand is quite conducive to corporate entrepreneurship activities, except for only one factor that needs some attention, and this is related to the fact that employees do not get involved in the strategic planning activities.

### **5.2.3.2 The organisational structure**

Hundred percent of respondents indicated that ABI's overall organisational structure is more mechanistic, hence the decision-making process is also more centralised, making it difficult for corporate entrepreneurship to flourish.

### **5.2.3.3 The organisational human resources practice**

From the literature, human resources systems should be designed with the aim of promoting and reinforcing corporate entrepreneurial behaviours in employees. Certain factors of human resources practice considered as promoting and facilitating corporate entrepreneurship activities in an organisation were looked at and they include the following: the fact that entrepreneurial organisations encourage higher levels of employee involvement in performance appraisal; these organisations tolerate failures and do not punish innovative mistakes; their compensation practices are fair and based on market comparisons and they also pay good incentives; they encourage and reward entrepreneurial behaviours; they spend more time in orienting new employees in order to help them adapt to the organisational culture; and they approach training as an on going activity linked to the employee's career.

The empirical study however showed that the majority of respondents indicated that ABI Midrand indeed encourages its employees to get involved in performance appraisal and this is done twice in

the financial year. On the aspect of failure tolerance, the majority of respondents however strongly indicted that there is very little tolerance for mistakes and failures, and this ties up with the fact that employees are not risk-takers in ABI Midrand. The respondents also indicated by majority that compensations practice are not that fair and they are dubious that it is based on market comparisons, hence a strong resistance to change. The majority of respondents also indicated that there are no rewards for entrepreneurial behaviours and this is not encouraged throughout the entire group, this is possibly due to a lack of entrepreneurial role model and a lack of commitment from senior executives despite the entrepreneurial vision from the top. As for training, however, the ABI Midrand approach is a positive one and training occurs on an on going basis and is linked to employees' careers.

#### **5.2.3.4 The organisational culture**

As discussed in paragraph 5.2.1.3, obstacles to corporate entrepreneurship under bullet point 6, the culture in ABI Midrand does not really promote nor encourage corporate entrepreneurship behaviours.

### **5.3 SUMMARY REMARKS**

Although the conclusions made in the previous paragraphs are generalised, the empirical study showed that by and large, ABI Midrand is not really an entrepreneurial organisation, despite being quite successful. As discussed in paragraph 5.2.1, the majority of respondents displayed a good understanding of what corporate entrepreneurship is, hence a good platform for a kick-off. There is also a vision from the top concerning a corporate entrepreneurial organisation, and that is why the management is encouraging employees to be more and more innovative and creative. Of course a drastic change in management's attitude towards failures and mistakes is needed. The next section will touch on some recommendations that will help and assist in fostering, encouraging and facilitating corporate entrepreneurship within ABI Midrand.

## **5.4 RECOMMENDATIONS**

The following recommendations, to help and assist ABI Midrand in being a more entrepreneurial organisation are presented.

### **5.4.1 Risk-taking behaviour**

Embarking on a new project such as developing a new product or deciding to change production processes involves a certain amount of risk-taking, since risk-taking is inherent in the operations of every organisation. However, employees in ABI Midrand are reluctant to take risk because the culture in the organisation does not permit and tolerate mistakes or failures. Therefore, it is recommended that top management starts by changing their mindset in creating room for innovative failures and mistakes. Employees are willing but afraid to take risk. This requires total top management support and commitment to creating an environment conducive to corporate entrepreneurial behaviour and encouraging employees to take risks. Although corporate entrepreneurship entails risk-taking behaviour, this should not be done recklessly. It should be well controlled and managed. With adequate training and supervision, employees should know how and when to take risk. Risk-taking, if approached intelligently should be a key to growth, adaptation, and survival.

### **5.4.2 Obstacles to corporate entrepreneurship activities**

- **Managerial systems**

Since respondents perceive the ABI Midrand managerial systems not being conducive to corporate entrepreneurship, it is then the duty of top management to turn things around and create sound and supportive managerial systems that will create a platform to facilitate corporate entrepreneurship activity to evolve and flourish in the organisation. Fair and timeous rewards and evaluation systems, less oppressive and constructive control systems, flexible budgeting systems, and less rigid and participative planning systems, all these aspects, if applied correctly should be able to foster and ignite corporate entrepreneurial behaviour within ABI Midrand.

- **Organisational structure**

The majority of respondents indicated that the organisational structure of ABI Midrand does not permit corporate entrepreneurship to foster. Top management should consider reducing the many hierarchical levels to a minimum, maybe give head of departments some freedom and authority to take decisions regarding innovative projects in their departments instead of head office to have a say in everything, hence lengthening the process and at times wasting time and ultimately discouraging employee. If this is done properly, innovative employees will be encouraged to come to the fore with their innovative ideas, thus corporate entrepreneurship should foster. Widening the span of control, giving responsible people full authority, as said above, should change things and facilitate good progress of corporate entrepreneurship. Instead of having a top-down management system, this should be changed to a two way management system, frequent communications across departmental lines and amongst people should be encouraged, and people should be made accountable of their actions and results.

- **Strategic direction**

Since ABI encourages its employees to participate in performance appraisal, which is a good thing, management should consider discussing and setting innovative goals as well, because those goals set by the manager and the employee will actually motivate the employee and they will make him think and act entrepreneurially. A lack of innovative goals simply means there will be no one to support you if you start coming up with entrepreneurial ideas. ABI as a group should also generate a formal strategy for entrepreneurship that will set a vision and will get all employees aligned to it and behave accordingly. A lack of vision from top management simply means a lack of direction regarding corporate entrepreneurship behaviours. Once an entrepreneurial vision is set by top management, hopefully this will require and force them to also commit themselves to the entrepreneurial endeavours occurring in the organisation and there should definitely be support as well from them. Strategy makers within ABI should stop using conventional methods of organisational control such as outcome-based objectives or behaviour regulation through procedures and rules in order to manage the innovation process. They should rather design an organisational environment conducive to the autonomous generation of entrepreneurial initiatives,

which entails a strategic creation of structures and culture that will facilitate and foster entrepreneurial behaviour in ABI Midrand. They should also start providing a sense of overall direction for innovative initiatives through an entrepreneurial vision.

- **Policies and procedures**

ABI Midrand should consider looking at its policies and procedures and alter what needs to be altered in order to make them conducive to corporate entrepreneurial behaviour by shortening and simplifying approval cycles, reducing documentation requirements, stop to over rely on rules of thumb and start thinking through scientifically approaching situations, and also by setting realistic performance criteria which should be innovation related. If these changes are strategically and intelligently made, this should end up fostering corporate entrepreneurial behaviours within the organisation, and employees should start behaving entrepreneurially.

- **People and human resources practice**

Corporate entrepreneurial organisations view their employees as a key resource to be protected and used to its fullest. Hence, ABI Midrand should complement the entrepreneurial emphasis by building a great tolerance for innovative failures into its appraisal process and evaluating performance, and should not punish mistakes. This will alleviate fear of failures in employees as well as resistance to change. In the performance appraisal, ABI Midrand should rather concentrate on evaluating results than the methods or means used to achieve them. As people needs to be recognised and appreciated, ABI Midrand should start providing rewards contingent on performance, providing challenge and meddling the ideas of innovative people known to others in the organisation. Entrepreneurial behaviour should be rewarded in order to encourage it throughout the entire organisation. In order to resolve the issue of inappropriate skills/talents, ABI should keep on equipping and training its employees to up-skill them and eliminate obstacles to corporate entrepreneurial activity in the organisation. With Skills and Development Programme (SDP) already existing for line operators, management should just keep on encouraging employees to take part in it and entrepreneurial thinking should be introduced and encouraged from this level already.

- **Organisational culture**

By virtue of the literature study, effective management of corporate entrepreneurship involves being able to manage a culture which includes every staff member as self-perceived corporate entrepreneur, applauding innovative failures and mistakes as well as success and the provision of screening mechanisms to conduce innovative direction and process. The organisational culture plays a very crucial and fundamental role in moulding and encouraging corporate entrepreneurial behaviour in an organisation. ABI Midrand should also consider developing the clan control culture which operates through internalised values such the ones currently existing in ABI, and informal rules that are capable of guiding organisational processes and behaviours in uncertain context such as innovation. On the whole, paragraph 4.4 discusses about eight very useful cultural dimensions that ABI Midrand should make use of that will help foster corporate entrepreneurship activities.

Strong management support, a corporate entrepreneurship program, sponsorship and mentorship, and training need to be embodied in the ABI Midrand culture so that an environment conducive to entrepreneurial behaviours is created.

## **5.5 FINAL REMARKS**

ABI Midrand is a potential corporate entrepreneurial organisation. The entrepreneurial behaviour needs to be developed, entrenched, and reinforced in people. In order to succeed in this important exercise and endeavour to foster corporate entrepreneurial behaviour, top management needs to come up with a real entrepreneurial vision that they will need to support and commit them-selves to. A culture facilitating and encouraging corporate entrepreneurial behaviour must be established, whereby there is tolerance of innovative mistakes and failures. Training, sponsorship and mentoring, as well as corporate entrepreneurship programs must be in place.

## 5.6 SUMMARY

Amalgamated Beverage Industries is a successful and a world class manufacturing organisation. However, this organisation is not that entrepreneurial and if entrepreneurial behaviour could be adopted and entrenched in people throughout the entire organisation, ABI will be very successful, will grow phenomenally and will out-compete its rivals in the sector of beverage supply. ABI top management should strive to inculcate the economic model of spontaneous order advocated by Charles Koch, not only in the minds of their employees, but also into their own as well, since this model is a mean of encouraging and enabling corporate entrepreneurial behaviour throughout an organisation. They should be able to sacrifice strict control over operational details, provide resources instead of orders, and get people to think differently, to focus in creating value for clients in a more co-ordinated way.

Opportunity recognition, planning flexibility, and locus planning are the strategic management practices that ABI needs to adopt and encourage across the entire spectrum because they affect one or more dimensions of corporate entrepreneurship in an organisation.

However, the primary objective of this study was to analyse the different determinants and real driving forces in both the internal and external environments that can either impede or foster corporate entrepreneurship within ABI Midrand. More specifically, this study aimed to:

- Ascertain and look at corporate entrepreneurship as a strategic management tool in order to sustain organisational competitiveness and innovation, in determining the current corporate entrepreneurial position of ABI Midrand,
- Achieve a clear understanding of the external or macro environment in which entrepreneurship will evolve or fail and also identify what are the most critical internal or micro environmental factors promoting or impeding entrepreneurship, and,
- Determine whether ABI Midrand is a corporate entrepreneurial organisation and if corporate entrepreneurship will indeed improve the way things are being done currently.

The study was firstly based on a literature study concerning ABI as an organisation, the nature and environmental determinants of corporate entrepreneurship, the micro environmental determinants, and the macro environmental determinants. Secondly, proceeding from the literature study, an empirical research was conducted among twenty targeted respondents constituted of heads of department and first line managers or assistant heads of department. All twenty respondents submitted their feedback within the limited time frame. The study results from completed questionnaires were then processed electronically by means of a Microsoft Excel program, and graphs were created for interpretation. The feedback showed that ABI Midrand is not really entrepreneurial. However, there is an indication of a limited entrepreneurial behaviour and spirit occurring in ABI Midrand. Hence, if the following are in place:

- Entrepreneurial vision from top management,
- Top management's and all employees' commitment and support,
- Risk-taking behaviour coupled with tolerance for innovative failures and mistakes,
- Training, coaching and sponsorships, rewards for entrepreneurial ideas and behaviours,
- Opportunity recognition, and corporate entrepreneurship programs that could help manage corporate entrepreneurship both from the top management's as well as the employees' point of view,

then ABI Midrand will be more entrepreneurial and very successful. Top management should allow and encourage manufacturing managers to run their plants like their own businesses, and also heads of department to run their departments like their own businesses without too much interference from the top. This will give them some freedom and autonomy, and will force them to start thinking more entrepreneurially by coming up with new ideas and it will make them more accountable. Heads of department in turn should encourage their assistants and the lower levels to be more accountable of their actions and they should help them to start thinking more entrepreneurially as well. On the whole, unless a corporate entrepreneurial culture exists whereby there is a management approach that gives free rein to individual employees at all levels, and unless top management commits themselves to an entrepreneurial culture, not only in words but equally in action, corporate entrepreneurship programs are just doomed. A corporate entrepreneurship culture needs to be cultivated and nurtured.

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# ANNEXTURE

## SURVEY QUESTIONNAIRES

### SECTION 1.            General Information

1.     Position:  
       Department:

### SECTION 2.            Corporate Entrepreneurship orientation of ABI

2.     From the three definitions below, which one best describes the entrepreneurial orientation in ABI?

It involves the starting of an organisation within an organisation, usually emanating from a core competency process.	
It involves an attempt to take the mindset and behaviours that external entrepreneurs use to create and build businesses, and bring these characteristics to bear inside an existing organisation.	
It is an organisational level phenomenon that has serious commitment to both incremental and radical innovations as strategically important to the competitiveness of the organisation and tactically important to its operations and processes.	
None of the above	

3. How often have new (novel, unique of different) products/processes been implemented in ABI over the past 12 months? (1: never; 5: continuously)

Products	1	2	3	4	5
Processes	1	2	3	4	5

4 To what extent do ABI employees exhibit risk-taking behaviour? (risk-taking is the willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies). 1: never; 5: continuously.

1	2	3	4	5
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5 To what extent does ABI exhibit pro-active behaviour in the terms of the following? (1: never; 5: continuously)

Factors	1	2	3	4	5
Seeking new opportunities that may or may not be related to the present line of operations.					
Introducing new products and brands ahead of competitors.					
Strategically eliminating operations that are in the mature or declining stages of the life cycle.					

6 To what extent do the following factors pose as obstacles to corporate entrepreneurial behaviour in your department? (1: no influence; 5: major influence)

Factors	1	2	3	4	5
<b>Managerial systems:</b>					
▪ Misdirected reward and evaluation systems,					
▪ Oppressive control systems,					
▪ Inflexible budgeting systems,					
▪ Overly rigid and formal planning systems.					
<b>Organisational structure:</b>					
▪ Too many hierarchical levels,					
▪ Overly narrow span of control,					
▪ Responsibility without authority,					
▪ Top-down management systems,					
▪ Restricted communication channels,					
▪ Lack of accountability.					
<b>Strategic direction:</b>					
▪ Absence of innovation goals,					
▪ No formal strategy for entrepreneurship,					
▪ No vision from the top,					
▪ Lack of commitment from senior executives,					
▪ No entrepreneurial role models.					
<b>Policies and procedures:</b>					
▪ Long, complex approval cycles,					
▪ Extensive documentation requirements,					
▪ Over-reliance on established rules of thumb,					
▪ Unrealistic performance criteria.					
<b>People:</b>					
▪ Fear of failure,					
▪ Resistance to change,					
▪ Parochial bias,					
▪ Complacency and short term orientation,					
▪ Inappropriate skills/talents.					
<b>Organisational culture:</b>					
▪ Ill-defined values,					
▪ Lack of consensus over priorities,					
▪ Lack of fit,					
▪ Values that conflict with entrepreneurial requirements.					

**SECTION 3.**      Macro environmental determinants

7. The economic environment can either be turbulent and facilitate corporate entrepreneurial activities, or stable and hence hinder the. How do you perceive the South African business environment?

Turbulent	
Stable	

8. To what extent do the following macro environmental factors have an influence on entrepreneurial behaviour in ABI? (1: no influence; 5: major influence)

Factors	1	2	3	4	5
Political Environment					
Economical Environment					
Technological Environment					
Socio-cultural Environment					
Competitors					
Customers					

**SECTION 4.**            Micro environmental determinants

9.            To what extent do you agree with the following statements? (1: strongly disagree; 5: strongly agree)

Statements	1	2	3	4	5
The top management of ABI provides a sense of overall direction for innovation through an entrepreneurial vision.					
ABI spends time to purposefully scan its environment for new opportunities.					
ABI's strategic plan can easily and quickly be adapted as new opportunities arise.					
ABI's employees are involved in the strategic planning activities.					

10.            How do you view ABI's overall organisational structure?

Organic (informal & centralised)	
Mechanistic (formal & centralised)	

11.            How do you view the general decision-making process in ABI?

Centralised	
Decentralised	

12. What percentage of the following resources is allocated to the development of new products/processes?

Resources	Less than 5%	5-10%	11-20%	21-30%	31-40%	41-50%	More than 50%
People							
Time							
Money							
Equipment							

13. To what extent do you agree with the following statements? (1: strongly disagree; 5: strongly agree)

Factors	1	2	3	4	5
ABI encourages high levels of employee involvement in its appraisal process.					
ABI complements the entrepreneurial emphasis by building a greater tolerance for failure into its appraisal process and evaluating performance, and does not punish innovative mistakes or failures.					
In compensation practices, ABI tends to base payrolls on market comparisons and providing significantly greater opportunities in the form of performance based pay incentives.					
ABI greatly rewards entrepreneurial behaviours in order to encourage it throughout the entire organisation.					
Ample time and effort is spent on orienting new employees and helping them adapt to the organisational culture.					

Training in ABI is approached as an ongoing activity linked to the employee's career.					
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14. To what extent do you agree with the following? (1: strongly disagree; 5: strongly agree.)

Factors	1	2	3	4	5
ABI values innovation as a practice and as a source of competitive advantage.					
ABI's norms encourage creativity among organisational members.					
ABI's norms encourage the search for innovation opportunities from external sources.					
ABI's norms facilitate resource support for innovative ventures.					
ABI's norm support information-sharing between individuals and groups regardless of organisational position.					
ABI's norms promote tolerance for failure when ideas or projects are not successful.					
ABI's norms encourage the open-minded consideration of new ideas and projects.					
ABI's norms support the implementation of corporate entrepreneurial activities regardless of the individual or group's involvement in the development of a venture.					