

A COMPARATIVE ASSESSMENT OF THE ENTREPRENEURIAL PERFORMANCE OF INDEPENDENT ENTITIES (AGENCIES) AND CORE DEPARTMENTS OF A SELECTED LOCAL GOVERNMENT INSTITUTION IN SOUTH AFRICA

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ABSTRACT

Research was conducted at a selected metropolitan local government organisation in South Africa to determine whether the establishment of independent municipal entities (agencies) to deliver services had a positive effect on the entrepreneurial performance of such entities in relation to traditional departments that had been maintained. The findings indicated that municipal entities (agencies) of the local government organisation portrayed fewer bureaucratic resource management practices (key business dimensions) than core departments, with reference to the prominence of official structures, policies, procedures and standard practices (hard issues). These variances could, however, not be correlated significantly with similar variances in the overall performance or entrepreneurial intensity of the relevant organisational units. The results indicated that the establishment of independent municipal agencies did not have a significant positive effect on the entrepreneurial and overall performance. This unexpected and surprising result seemed to confirm that the adjustment of structures, operating practices and corporatisation alone were insufficient to improve entrepreneurial and overall performance, and that the primary distinguishing factor might in effect be related to entrepreneurial behaviour, competencies and managerial staff's skills.

Keywords: Corporate entrepreneurship, entrepreneurial orientation, entrepreneurial performance, local government management, municipal entities, public entrepreneurship, state-owned enterprises

1. INTRODUCTION

Municipalities (cities) in South-Africa are struggling with high levels of underdevelopment and are faced with the expectations of millions of people for basic services. Cities are under immense pressure to deliver services and improve the quality of people's lives in terms of its developmental mandate. Following the political transition during 2004, South African municipalities (cities) were obliged to conform to various political and legislative changes following the political transition during 2004 that altered the basic structures and working environment dramatically. Key changes originated from the Local Government Municipal Structures Act (Act 117 of 1998), whereby former municipalities were amalgamated and new local government organisations created to integrate former racially based dispensations.

The following areas of concern in municipalities have subsequently been identified by the Department of Cooperative Governance and Traditional Affairs (COGTA 2009:19):

- 'There are serious leadership and governance challenges in municipalities including weak responsiveness and accountability to communities;
- The financial management of many municipalities is very poor;
- Many municipalities are unable to deliver basic services or grow their economies;
- The legacy of apartheid spatial development patterns and inequity continues; and
- There is inadequate human resource capital to ensure professional administrations, and positive relations between labour, management and Councils.'

The above findings created the public perception and concern within government that the entire local government system was in distress. It therefore resulted in many negative responses to those municipalities that were struggling with complex social and legacy-based issues, or that were failing in respect of performance or governance issues, whether these related to changes that occurred in the external environment or problems of municipalities' own making (COGTA 2009:19). These realities are now forcing municipalities to consider alternative models and methodologies of management. In this regard, entrepreneurship as a field of study could make a valuable contribution.

Research was thus conducted at a selected metropolitan local government organisation in South Africa to determine whether the establishment of independent municipal entities (agencies) to deliver services had a positive effect on the

entrepreneurial performance of such entities in relation to traditional departments that had been maintained. The organisational characteristics, key business dimensions, level of entrepreneurial intensity at independent agencies and traditional core departments were assessed to determine whether specific relationships between the relevant variables existed.

2. LITERATURE REVIEW

Although entrepreneurship was initially regarded as mainly applicable to business and private sector environments, there currently is general agreement that it is not only applicable but in fact critically essential for the public sector, which principally includes local government. Chicken (2000:26–27, 128), Fox and Maas (1997:2–3), Hjorth (2003:182), Kearney et al. (2007: 281), Morris et al. (2008: 102–103), Morris and Jones (1999: 74–75) and Morris and Kuratko (2002: 307) all agree that the public sector needs to become more entrepreneurial in order to face the challenges that confront government institutions.

According to Fox and Maas (1997: 8), something additional was needed to create an efficient and responsive public bureaucracy that would strive to achieve social equity. Morris and Jones (1999: 78–79) were of the opinion that there was a growing need for entrepreneurial approaches in public administration, since the environment confronting public sector managers was more complex, threatening and dynamic than in the past. According to Morris et al. (2008: 112), entrepreneurship in the public sector had much in common with entrepreneurship in large corporations (corporate entrepreneurship [CE]). The researchers stated that ‘both types of organisations typically have formalised hierarchies, established stakeholder groups with competing demands, deeply entrenched cultures, detailed rules, and procedures to guide operations, a desire on the part of managers for power and security, and fairly rigid systems governing financial controls, cost allocations, budgeting, and employee rewards.’

When evaluating entrepreneurship in public organisations/institutions it is important to acknowledge specific challenges and accommodate differences that exist between the private and public sectors. In this regard, Chicken (2000: 26–27, 128) mentioned that entrepreneurial activity was different between the public and private sectors but important to the public sector, since enormous sums of money were spent on supplies that exposed the scope for entrepreneurship in the public sector. In this researcher’s opinion, it is therefore of particular importance to understand the philosophy of risk assessment and management as part of the foundation of entrepreneurship. He regards important aspects of entrepreneurship employed in the public sector as including activities associated with procurement

(i.e. purchasing, contracts and tenders), privatisation or outsourcing, as well as the formation of partnerships (i.e. public/private).

According to Kearney et al. (2007: 280), key dimensions that influence public sector CE are politics, complexity, munificence, and dynamism, while organisational dimensions is also regarded as essential. According to the researchers, the dimensions that had the most significant influence on public sector CE are structure/formalisation, decision-making, control, and rewards/motivation. Morris and Jones (1999: 78–79) were also of the opinion that the ability of public organisations to recognise and respond adequately to their changing environment was severely limited not only by resources, but also by management philosophies and structures that characterised public enterprises. In their opinion, the bureaucratic framework failed to provide flexibility, adaptability, speed, or incentives for innovation, critical for effectively carrying out the mission of the public enterprise. Thus, the higher the degree of bureaucratisation was the greater the potential for conflict with entrepreneurship.

Hjorth (2003: 64–65) agreed with Morris and Jones (1999: 78–79) and argued that bureaucracy and normal management practices were generally in conflict with entrepreneurship. Hjorth (2003: 182) pinpointed differences between bureaucratic management and entrepreneurship by referring to the concept of entrepreneurial governance that promotes competition among service providers and empowers citizens. It is driven by missions and visions instead of rules and regulations, decentralises authority, encourages participative management, and uses market-type mechanisms rather than administrative techniques and practices.

Morris and Jones (1999: 76) referred to the concept of entrepreneurial orientation (EO) or ‘intensity’, indicating the extent to which entrepreneurial events were innovative, risky and proactive. They accordingly stated that different levels of entrepreneurial intensity were appropriate for different public sector organisations and that organisations might pursue different strategies, depending on their relative emphasis on frequency versus degree.

World Bank (2009) officials argued that the effective implementation of reforms in local government required a strategy to give discretionary power to local governments and strengthen their accountability towards citizens. However, in local government case studies observed by World Bank officials, none of the reform codes conformed to practices that were widely recognised in literature. The reason for this is regarded as the inherent political nature of the devolution of power that redistributes it among various participants in the government system, resulting in central bureaucracies being reluctant to support change and preferring to resist reforms, since these may jeopardise long-established institutional and political allegiances. According to officials of the World Bank (2009), arbitrariness at the central level adversely affected the incentives of local governments and discouraged

them from exploiting own resources. Empirical findings indicated that in countries where decentralisation involved reliance on own taxation at provincial and local levels, local governments tended to be small. However, where decentralised government was financed primarily by transfers from above, local governments had much more resources and 'soft budgets' that could result in an increase in the size of the overall public budget. Therefore, a large proportion of own source revenues in the total budgets of local government was regarded as critical to encourage the accountability and increase the efficiency of local government operations (World Bank 2009: 52, 69).

When considering applicable possible reforms in the public sector, Luke (2009, 62–63) argued that the most effective approach to managing the public sector was a combined programme of privatisation and corporatisation: converting government departments with a commercial focus so that they become separate legal entities such as state-owned enterprises (SOEs). According to the researcher, the SOE model had been adopted in numerous countries with variations in both the SOE framework and the resulting outcomes. Essentially, the model was regarded as an alternative to privatisation, in that state assets remained in public hands, but were required to operate as efficiently as private sector organisations. Luke (2009, 62–63) further mentioned that those in support of the model outlined a number of public administration benefits, such as maintaining ownership of core infrastructure assets, often considered national icons, security of supply (particularly for essential services), continuity of service provision in markets where the private sector might not have sufficient interest and increased accountability to the extent that SOEs were directly accountable to government.

The rationale for the SOE reforms was the inefficiency of government (or government departments) as a provider of commercial services, owing to protection from a free market economy, allowing them to operate in a monopolistic environment, with continuous financial support from central government. Government departments were often required to include non-commercial and social objectives, which were inconsistent with otherwise commercial choices. According to Luke (2009, 69–70) 'corporatisation provided a viable solution for these departments to become both efficient and profitable, enabling freedom of commercial choice and responsibility for commercial results'.

Luke (2009, 269–271) found clear support for corporatisation through SOEs and evidence of solid financial returns and the author subsequently concluded that, 'the notion that SOEs will always fail due to a lack of self-interest, competition, and customer focus is not supported and the importance of competition rather than ownership is validated'. Distinct examples of SOEs that had achieved operational and financial success from commercial and often innovative activity were also

identified. Entrepreneurial activity, more specifically strategic entrepreneurship, was therefore not regarded as inconsistent with a public sector context. In conclusion, Luke (2009) indicated that strategic entrepreneurship might thus be particularly appropriate for risk-averse and highly accountable businesses, such as those in the public sector.

Consensus on the measurement of entrepreneurial performance in an organisational context does, however, not exist. Morris et al. (2008) propose that entrepreneurial performance should be assessed by evaluating entrepreneurial orientation and intensity, while Wiklund (1998) stated that different approaches could be followed to measure venture growth or financial performance. It should be noted that a wide variety of other measurement instruments within the general management field that have not yet been considered or accepted in the entrepreneurial research domain, are available. It is also regarded as essential that the relationship between entrepreneurial performance and overall organisational performance should be entrenched, in order to portray the practical value of entrepreneurship, especially within public and local government institutions.

In this regard, Holt et al. (2007: 44) mentioned that Hornsby (2002), Kuratko (2005) and Ireland (2006) had attempted to identify a set of factors that influence CE empirically and theoretically. Generally, these researchers argued that there were five key issues that leaders should manage if they were to encourage CE in organisations, namely:

- Management support, that includes ‘the willingness of top level managers to facilitate and promote entrepreneurial behaviour, including the championing of innovative ideas and providing the resources people require to take entrepreneurial actions’.
- Work discretion, which refers to ‘top-level’ managers’ commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight, and delegate authority and responsibility to middle-level managers.
- Rewards and reinforcement that are concerned with ‘developing and using systems that reward based on performance, highlight significant achievements, and encourage pursuit of challenging work’.
- Availability of time, which is about ‘evaluating workloads to ensure that individuals and groups have the time needed to pursue innovation and that their jobs are structured in ways that support efforts to achieve short- and long-term organisational goals’.
- Organisational boundaries that are ‘precise explanations of outcomes expected from organisational work and development of mechanisms for evaluating, selecting, and using innovations’.

According to Holt et al. (2007: 44), empirical findings have consistently demonstrated a relationship between the above issues CE.

The factors identified by Holt et al. (2007) relate to organisational characteristics and key business behavioural dimensions, as defined by Morris and Kuratko (2002: 291–294) in terms of the entrepreneurial performance index [EPI]. It also has a strong resemblance to those identified in public institutions by Kearney et al. (2007, 280), namely: political tendencies, complexity, munificence and dynamism, as well as public organisational dimensions such as structure/formalisation, decision-making, control and rewards/motivation. These factors can thus be accepted as variables related to the organisational environment and characteristics, whether a public/local government institution or any other, that affect entrepreneurial behaviour and that are also affected by interactive, individual and collective behaviour.

Although there is strong agreement and support for the application of entrepreneurship in the public sector environment, researchers contend that there are fundamental differences in organisational realities, proposing that the goals, constraints, approaches, and outcomes related to successful entrepreneurial efforts are unique in both private and public sector organisations. Researchers' observations pinpoint critical dilemmas related to the public sector and especially local government in South Africa. On the one hand, local government is traditionally entrusted with public funds and is thus required to be bureaucratic in nature, since a primary objective in fact is to exercise efficient control of public funds and limit risks or chaos. The inherent responsibilities of governance and management of public expectations and resources are thus somewhat contradictory to the nature of entrepreneurship in the private sector. On the other hand, the challenges facing local government require innovation, creativity and entrepreneurship to enable the delivery of improved services with limited resources to ever-expanding communities. These contrasting objectives call for careful consideration of alternative modes of operation in the public sector to balance the requirements of efficient managerial control while allowing sufficient space for entrepreneurship that can enable renewal and improved service provision.

The metropolitan local government organisation where the research was conducted, considered privatisation and corporatisation options during its iGoli transformation programme, resulting in the establishment of separate utilities and agencies. Allan et al. (2001: 93–97) mentioned that the Johannesburg iGoli solution was to establish a number of wholly owned private utility companies, capable of becoming self-sufficient by raising and retaining user fees on specific services sold to individual consumers. Each utility company was financially ring-fenced and established as a semi-independent and single-purpose entity. According to Allan et al. (2001: 90–91), the benefits far outweighed the risks, particularly where these could

easily be mitigated by a sound regulatory framework and strategic management of the process. When trading services such as electricity, water and sanitation and waste management were managed as part of the administration in Johannesburg, they were subjected to an inflexible environment in which all services were provided through the same generic bureaucratic approach being in need of a radical overhaul, since it had a significant impact on the financial standing of the service sector. As a result of the metro's poor credit rating, it was unable to raise the loans needed to extend services into new areas. In addition, the metro used the profits of viable and well-run services to cross-subsidise poorly performing services, resulting in cuts in the operational and maintenance budgets of such services. Allan et al. (2001: 90–91) argued that these problems severely restricted the metropolitan government's ability to redress service backlogs or halt the steady decline in service standards, and it became clear that the trading services had the potential to become financially viable, more efficient, and able to generate sufficient surplus to reinvest in improved service coverage and provide a reliable, cost-effective and customer-friendly service.

As mentioned above by Allan et al. (2001), the establishment of municipal entities as mentioned above by Allan *et al.* (2001) is provided for in South African legislation. In terms of the Local Government Municipal Systems Act (Act 32 of 2000, Section 82), a municipal authority may set up a utility as a separate company, which it wholly owns.

In summary, documentation of the City of Johannesburg (2008) described the applicable business environments, governance and business models of the departments and entities that participated in the research as follows:

- Municipally-owned entities (agencies)

Municipally-owned entities (MoEs) and corporate agencies operate as separate companies. These had been created to deliver specialised services and to relate closely to their customers. The MoEs are wholly owned by the city and have the primary objective of providing services originally provided by Council. The city maintains policy and implements direction, while allowing company boards and management to exercise relative autonomy in the execution of their fiduciary duties, in terms of the Companies Act.

- Core departments

Core departments fall under direct control of the council and the relevant executive and management structures. These departments have specific functions allocated to them and do not have any independent authority, as is the case with utilities and agencies, apart from normal delegation. Departmental expenditure and revenue generated are incorporated in the overall budget of the city and distributed to individual departments according to operational requirements.

The reforms introduced by the metropolitan local government organisation pose questions pertaining to whether the entrepreneurial performance of such agencies differ from that of core departments and whether its organisational and business characteristics are in any respect related to differences in entrepreneurial performance. The establishment of separate utilities and agencies, and maintenance of traditional 'core departments' relate to the concept of CE that requires further assessment and evaluation, in order to determine relationships, possible benefits and learning experiences.

3. PROJECT METHODOLOGY

3.1 Research objectives and questions

The purpose of the research was to determine the nature of relationships that existed between organisational/institutional factors and the entrepreneurial performance of different organisational units (i.e. independent agencies and core departments) of the metropolitan local government organisation, as well as to make inferences regarding the identified relationships that could be applied in a local government context to improve entrepreneurial performance.

The following three key questions were accordingly addressed:

- Is the entrepreneurial performance of different organisational units (core departments and independent municipal entities/agencies in the metropolitan local government organisation significantly different?
- Are the organisational characteristics and key business dimensions of different organisational units (core departments and independent municipal entities/agencies in the metropolitan local government organisation significantly different?
- Are there significant relationships among the entrepreneurial performance, organisational characteristics and key business dimensions in different organisational units (core departments and independent municipal entities/agencies of the metropolitan local government organisation?

3.2 Hypotheses

In accordance with the applicable research objectives and questions, the following six hypotheses were formulated for assessment (reflecting only the null hypotheses):

- H1: The entrepreneurial intensity (number of ventures, products/services, methods, operational processes or systems identified and implemented) of independent municipal entities (agencies) and core departments of the metropolitan local government organisation is similar.
- H2: The overall performance of municipal entities (agencies) and core departments of the metropolitan local government organisation is similar.
- H3: Organisational characteristics of municipal entities (agencies) and core departments of the metropolitan local government organisation are similar.
- H4: Key business dimensions of municipal entities (agencies) and core departments of the metropolitan local government organisation are similar.
- H5: There is no significant correlation between the organisational characteristics of independent municipal entities (agencies) and core departments of the metropolitan local government organisation, entrepreneurial intensity (number of ventures, products/services, methods, operational processes or systems identified and implemented), and overall perceived performance of the organisational units.
- H6: There is no significant correlation between the key business dimensions of independent municipal entities (agencies) and core departments of the metropolitan local government organisation, entrepreneurial intensity (number of ventures, products/services, methods, operational processes or systems identified and implemented), and overall perceived performance of the organisational units.

In summary, the following key constructs related to the defined hypotheses had to be measured:

- Entrepreneurial performance, with specific reference to the level of entrepreneurial intensity; and
- organisational characteristics and business dimensions as variables related to company-level entrepreneurial orientation (organisational culture).

3.3 Research design

The research was designed to include both exploratory and formal empirical research. The exploratory research was directed at clarifying constructs and determining variables related to the evaluation of entrepreneurial performance, while the formal empirical research was directed at assessing associations among the identified variables that relate to entrepreneurial performance in a local government context.

The research population consisted of the managerial staff of the metropolitan local government organisation up to reporting level six, totalling 2 954 staff members. The

research made use of a non-probability, judgemental sample. Purposeful samples were drawn to include departments as well as municipal agencies that achieved high as well as low performance in terms of internal performance measurement evaluations. Three core departments as well as two independent municipal agencies of the metropolitan local government organisation, registered as Section 21 companies, were selected as independent samples. Senior, middle and operational managerial staff up to reporting level six in the selected city departments and entities represented the sample elements, amounting to 1020 staff members. The selected samples constituted 34.53% of the defined population.

The Entrepreneurial Performance Index (EPI) questionnaire, as adopted from Morris and Kurakto (2002: 291–294), was used as the measurement instrument to capture both the degree and frequency of entrepreneurship, as well as underline dimensions of innovativeness, risk-taking and proactiveness. In addition, product, service and process innovation were covered. The questionnaire is based on an ordinal Likert scale.

The primary focus of the analysis was to test the hypotheses, as defined, concerning the variables of interest and to use the evidence to draw conclusions regarding these propositions for the population as a whole. The Statistical Analysis Systems (SAS) of the University of Pretoria's Statistics Department were used to analyse quantitative data of the questionnaires. For comparative purposes, the following statistical tools were used:- t-test for independent samples, and Pearson Correlation Coefficient (Pearson's product moment correlation coefficient) to determine measures of association.

4. ANALYSIS AND RESEARCH RESULTS

4.1 Response rate

1020 questionnaires were distributed to all applicable managerial staff in the relevant organisational units. 473 were returned, of which 38 were invalid/incomplete, resulting in 435 being accepted, translating to a final response rate of 42,65%.

4.2 Managerial level distribution

Results obtained per managerial level per the various samples were per Figure 1 below.

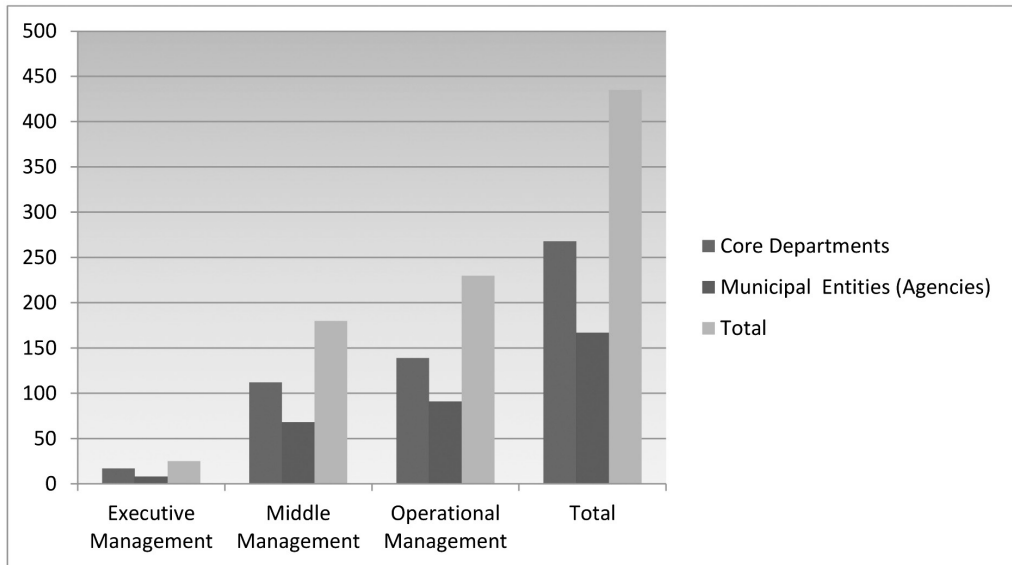


Figure 1: Managerial level distribution per samples

4.3 Qualification level

Results obtained per qualification level per the various samples were as in Table 1 below.

Table 1: Qualification level distribution per sample

Qualification Level		Up to Grade 12 (NQF 4)	Graduate (NQF 5)	Postgraduate or higher (NQF 6 <)
Total COJ core departments	Frequency (n) (268)	33	191	43
	Percentage (%)	12,3%	71,3%	16%
Total municipal entities (agencies)	Frequency (n) (167)	23	118	25
	Percentage (%)	13,8%	70,7%	15%
Grand total	Frequency (n) (433)	56	309	68
	Percentage (%)	12,9%	71,4%	15,7%

NQF = National Qualification Framework

4.4 Entrepreneurial performance, characteristics and key business dimensions of core departments and agencies

A t-test for independent samples was conducted to evaluate the mean differences of core departments and agencies with respect to entrepreneurial intensity, organisational characteristics, key business dimensions, as well overall performance, and to determine the probability that the two corresponding population means were different at a 5% probability (alpha level $p < 0.05$).

The mean value and standard deviation for each of variables were calculated from the raw scores. If the p-value was less than the pre-specified alpha level of 0.05, it was concluded that the difference was significantly different from zero.

The results obtained are portrayed in Table 2 below.

A graphical presentation of the relevant mean scores is portrayed in Figure 2 below.

Table 2: t-test statistics for agencies and core departments

Variables	Agencies		Core departments		Satterthwaite (unequal)	
	Mean	StdDev	Mean	StdDev	t value	p value
Number of ventures, products, services, processes/systems identified	15.1481	34.5016	10.6265	14.3917	1.58	0.1155
Number of ventures, products, services, processes/systems introduced	12.6707	34.0619	9.008	14.0635	1.31	0.1931
Number of new ventures identified (V111)	3.220472	6.520923	2.9267	5.06743	0.43	0.6684
Number of new ventures implemented (V112)	2.2	4.543331	2.41237	4.54284	-0.41	0.6804
Number of new products/services identified (V115)	3.057971	3.890411	3.21818	5.59498	-0.32	0.7498
Number onNew products/services introduced (V116)	2.309859	3.122063	2.75664	5.62677	-0.98	0.3288
Number of existing products/services revisions identified(V117)	3.126866	3.73446	2.94714	4.70613	0.4	0.6892

Variables	Agencies		Core departments		Satterthwaite (unequal)	
	Mean	StdDev	Mean	StdDev	t value	p value
Number of Existing products/ services revisions introduced(V118)	2.918519	7.516203	2.51542	4.64334	0.56	0.5744
Number of new methods/ processes/systems identified (V123)	7.921053	33.20567	2.98319	2.75584	1.83	0.0693 p***
Number of new methods/ processes/systems successfully implemented (V124)	6.903226	32.79863	2.44118	2.43105	1.69	0.0929 p***
Organisational characteristics	3.1704	0.4128	3.1533	0.4379	0.41	0.6807
Key business dimensions	2.5868	0.4529	2.477	0.55	2.26	0.0242 p**
Overall performance	2.879	0.6938	2.8649	0.6203	0.21	0.8301
P ** Statistical significance at the 5% level						
P*** Statistical significance at the 10% level						

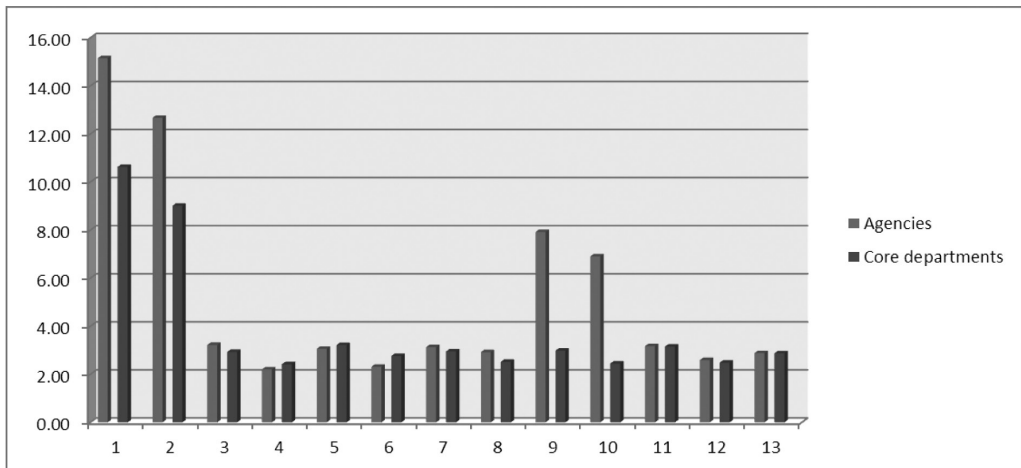


Figure 2: Mean scores - Entrepreneurial performance, characteristics and key business dimensions of core departments and agencies]

Legend		7	Existing products/services identified for revision (V117)
1	No of ventures, products, services, processes/systems identified	8	Existing products/services revised (V118)
2	No of ventures, products, services, processes/systems introduced	9	New methods/ processes/systems identified (V123)
3	New ventures identified (V111)	10	New methods/ processes/systems introduced (V124)
4	New ventures introduced (V112)	11	Organisational characteristics
5	New products/services identified (V115)	12	Key business dimensions
6	New products/services introduced (V116)	13	Overall performance

4.4.1 Entrepreneurial performance (Intensity) (Hypotheses H1)

Based on the results obtained, the alternative hypothesis H1a was rejected in favour of the null hypothesis (alpha level $p > 0.05$ in all instances). The difference in the mean scores of core departments and agencies were insignificant, implying that core departments and agencies reported similar levels of entrepreneurial intensity. It should, however, be noted that the differences in the mean scores were significant at a 10% level of probability for the number of new methods, operational processes, or systems identified and successfully implemented.

4.4.2 Overall performance (Hypothesis H2)

Based on the results ($P = 0.8301$) the alternative hypothesis H2a was rejected in favour of the null hypothesis. The difference in the mean scores of core departments and agencies were insignificant, implying that core departments and agencies reported similar levels of overall performance.

4.4.3 Departmental/agency characteristics and business dimensions (Hypotheses H3 and H4)

a) *Organisational characteristics (Hypothesis H3)*

Based on the results ($P = 0.6807$), the alternative hypothesis H3a was rejected in favour of the null hypothesis. The difference in the mean scores of core departments and agencies were insignificant, implying that core departments and agencies reported similar values for organisational characteristics.

b) *Key business dimensions (Hypotheses H4)*

Since $P < 0.05$ ($P = 0.0242$), the alternative hypothesis H4a was accepted instead of the null hypothesis. The difference in the mean scores of core departments and agencies were significant at a 5% level, implying that core departments and agencies reported statistically significant different values for key business dimensions.

4.4.4 Correlation between organisational characteristics and key business dimensions with overall performance and entrepreneurial intensity (Hypotheses H5 and H6)

The magnitude and direction of relationships between organisational characteristics and key business dimensions were determined in relation to overall performance, as well as entrepreneurial intensity in different organisational units.

Significant relationships ($p \leq 0.05$) ($r \geq 0.2$) were identified, as per Table 3 below.

Table 3: Significant relationships - organisational characteristics with overall performance and entrepreneurial intensity

Sample	Subscale	Variable	r
Total sample	Organisational characteristics	Overall performance	0.30289
Agencies	Organisational characteristics	Overall performance	0.4222
Core departments	Organisational characteristics	Overall performance	0.22623
Agencies	Organisational characteristics	New products/services successfully introduced	0.21984
Core departments	Organisational characteristics	Existing products/services identified for revision	0.24432
Core departments	Organisational characteristics	Existing products/services successfully revised	0.24335

Based on the results obtained as reflected in Table 3, the alternative hypothesis H5a was accepted, indicating that there were significant correlations between the organisational characteristics

- and overall performance of organisational units of the metropolitan local government organisation;
- of core departments of the metropolitan local government organisation with entrepreneurial intensity variables (number of existing products/service revisions identified and introduced) as well as the overall performance of core departments; and

- of municipal entities (agencies) of the metropolitan local government organisation with entrepreneurial intensity variables (number of new products/services introduced), as well as the overall perceived performance of municipal entities (agencies).

The accepted alternative hypotheses, as mentioned above, indicate that there were weak to moderate positive relationships between organisational characteristics and the overall performance, as well as entrepreneurial intensity variables of core departments and agencies. No significant relationships were, however, identified for key business dimensions (Hypothesis H6) with the overall performance or entrepreneurial intensity of organisational units.

5. CONCLUSION AND PROPOSALS

In summary, the findings below have thus been obtained in terms of the research questions formulated for the empirical study.

- Is the entrepreneurial performance of different organisational units (core departments and independent municipal entities/agencies) in the metropolitan local government organisation significantly different?

No. No significant variances at a 5% level of probability were identified.

It was, however, noted that significant variances at a 10% level of probability existed for the number of new methods, operational processes or systems identified and implemented. In this regard, municipal agencies recorded higher numbers for the applicable variables. However, in terms of the stringent measures of significance adopted for the research, this finding cannot be accepted as significant. In addition, no significant differences in the overall performance of core departments and municipal agencies were identified.

- Are the organisational characteristics and key business dimensions of different organisational units (core departments and independent municipal entities/agencies) in the metropolitan local government organisation significantly different?

Yes. Significant variances at a 5% level of probability were identified for key business dimensions of core departments and independent municipal entities/agencies. In this regard, municipal agencies rated key business dimensions significantly higher than core departments, indicating that the managerial staff regards agencies as being less bureaucratic in terms of resource management practices.

- Are there significant relationships between the entrepreneurial performance, organisational characteristics and key business dimensions of different organisational units (core departments and independent municipal entities/agencies) of the metropolitan local government organisation?

Yes. Organisational characteristics portrayed weak to moderate positive relationships with the overall performance of both core departments and agencies, while no significant relationship could be identified between key business dimensions and the performance or entrepreneurial intensity of organisational units.

The primary observations below can thus be highlighted from the results obtained.

- Municipal agencies and core departments recorded similar levels of entrepreneurial intensity and overall performance. This finding was unexpected and surprising, since it was anticipated that the extensive transformation programme that had been implemented and had resulted in the establishment of independent municipal agencies in the organisation would reflect positive tendencies in terms of entrepreneurial and overall performance.
- Municipal agencies rated key business dimension levels significantly higher than core departments, indicating that managerial staff regarded agencies as being less bureaucratic in terms of resource management practices.
- Organisational characteristics portrayed weak to moderate positive relationships with the overall performance of both core departments and agencies, indicating that company-level EO (entrepreneurial leadership styles) related positively to organisational performance. No significant relationships could, however, be identified between key business dimensions as a measure of bureaucratic resource management practices, and the performance or entrepreneurial intensity of organisational units.

In terms of the findings obtained, it can be deduced that:

- The extensive transformation programme that had been implemented in the local government organisation and had resulted in the establishment of independent municipal agencies did not have a significant positive effect on entrepreneurial and overall performance, which was an unexpected and surprising finding. This unexpected result seems to indicate that the adjustment of structures, operating practices and corporatisation alone are not sufficient to improve entrepreneurial and overall performance, and that the primary distinguishing factor might in effect be related to the behaviour, entrepreneurial leadership and competencies of managerial staff.

- Organisational characteristics of organisational units (company-level organisational culture) (entrepreneurial leadership) have a moderating effect on the overall as well as entrepreneurial performance of organisational units.
- Municipal agencies in the local government organisation portray less bureaucratic resource management practices (key business dimensions) than core departments, mainly established through official structures, policies, procedures and standard practices (hard issues). However, the findings regarding variances between core departments and municipal agencies cannot be explained substantively, since no significant correlations with the other variables that were investigated, could be determined. The fact that no correlation could be determined might indicate that these variables are of lesser significance to entrepreneurial and overall performance of organisational units, and that the key distinction rather lies in behaviour, entrepreneurial leadership, and competencies of managerial staff. This proposition seems to be supported by the fact that no significant variance could be identified in the entrepreneurial or overall performance of agencies and core departments of the local government organisation. This proposition should, however, still be confirmed by further empirical research.

With respect to local government in general, as informed by the research findings and conclusions, the following proposals are accordingly recommended:

- Corporatisation and revision of operating models

It is recommended that the following options regarding corporatisation and revision of operating models be applied, subject to primary emphasis on recruitment, as well as training and development of managerial staff, to prioritise entrepreneurial competence and propensity as key variables related to entrepreneurial performance:

- Corporatisation of municipal services or the creation of SOEs, as introduced in the local government organisation that was investigated, for services that allow for the generation of revenue, with the potential to be self-sustainable in order to lessen the burden on the local tax base, to create independence and flexibility and reduce bureaucracy.
- Decentralisation of services (known to decrease bureaucracy), especially in large metropolitan councils, subject to proper delegation of authority and mechanisms to ensure accountability, in order to stimulate independence.
- Revision of operating policies and procedures, in order to lessen bureaucracy and promote flexibility. This recommendation should, however, be introduced with caution, be limited to specific levels of

seniority, and be accompanied with revised alternative mechanisms to retain efficient control and accountability, such as the strengthening of separate audit and risk management capacities.

- Strategic management and budgeting methodology

With reference to the findings that organisational characteristics indicated positive correlations with the overall as well as entrepreneurial performance of organisational units, while key business dimensions (resource management practices) in municipal agencies indicated less bureaucratic practices, it is regarded as essential that flexibility and space for initiative be created in applied methodologies. Current practices are of a highly bureaucratic nature, with separate planning and implementation, and are deeply entrenched and integrated at local, provincial, and national levels. In the short to medium term, any major generic adjustment should therefore be regarded as impractical for implementation. The following options could, however, be considered:

- Changing methodologies from focusing on inputs and activity-based planning and budgeting procedures to desired outcomes-based dispensations that can be quantified and monitored effectively.
- Creating special ‘innovation funds’ with separate and distinct expenditure control and performance management dispensations to allow for quick access and flexibility in utilisation.
- Incorporating ‘innovation criteria’ for prioritising funding allocations in the normal strategic planning and budgeting processes.
- Limiting escalation of normal funding relying on the local tax base for specific services, with the potential of instead generating revenue and enforcing requirements for revenue generation.

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