

CHAPTER 3: CORPORATE ENTREPRENEURSHIP – A THEORETICAL OVERVIEW

“Continuous innovation (in terms of products, processes and administrative routines and structures) and an ability to compete effectively in international markets are among the skills that increasingly are expected to influence corporate performance in the twenty-first century’s global economy. Corporate entrepreneurship is envisioned to be a process that can facilitate organisations’ efforts to innovate constantly and cope effectively with the competitive realities that companies encounter when competing in international markets.

Entrepreneurial attitudes and behaviours are necessary for organisations of all sizes to prosper and flourish in competitive environments.”

Kuratko and Hodgetts (2007:54)

3.1 INTRODUCTION

Ramachandran, Devarajan and Ray (2006:85) state that most businesses find that their ability to identify and innovatively exploit opportunities decreases as the businesses move from the entrepreneurial to the growth phase. The key to success in the highly competitive and dynamic environment in which most businesses presently operate is to retain this ability. Businesses need to adopt an entrepreneurial strategy – seeking competitive advantage through continuous innovation to exploit identified opportunities effectively – in order to sustain and grow under such circumstances. Johnson (2001:135) supports this viewpoint and adds that many people view innovation and corporate entrepreneurship as a vehicle to stimulate this growth and development.

Taking into consideration the introduction section in chapter 1 and the viewpoints of these researchers, corporate entrepreneurship is considered a vehicle to move a traditional hierarchical business to a point where sustainable entrepreneurship becomes a meaningful and important component of the business. In this chapter a thorough investigation will be made on various aspects concerning corporate entrepreneurship. A literature overview will be given to clarify firstly the definition of corporate entrepreneurship. Secondly, the necessity of corporate entrepreneurship and its benefits

for a business will be addressed. The conceptual models being used and applied in the field of corporate entrepreneurship will be highlighted next. The model on which this research is based will also be indicated. Fourthly, the concept of entrepreneurial orientation will be discussed. This is followed, fifthly, by a discussion on the relationship between corporate entrepreneurship and innovation. Next the aspects to foster, develop and implement corporate entrepreneurship in a business are reviewed. Lastly, corporate entrepreneurship as a strategy is addressed.

3.2 DEFINITION OF CORPORATE ENTREPRENEURSHIP

Christensen (2005:306 and 2004:303) indicates that the ideas behind corporate entrepreneurship can be traced back to the mid-1970s. Aloulou and Fayolle (2005:24) also state that the concept of corporate entrepreneurship was formally defined and both theoretically and empirically developed in the works of Burgelman (1983; 1984a; 1984b) and Miller (1983). Corporate entrepreneurship became a separate research topic when Pinchot's (1985) book on intrapreneuring in the mid-1980s was published.

Apart of these early developments, Christensen (2005:306; 2004:305); Covin and Miles (1999:48) and Guth and Ginsberg (1990:6) assert that it is still a concept in search of a clear definition. Various broader or narrower definitions have been proposed by different authors, some using the same definition for different phenomena and others using different definitions for the same phenomenon. Most researchers indicate that there is no unified definition for entrepreneurship (Hisrich, 1990; Stevenson and Jarillo, 1990; Zahra, 1991; Russel, 1999).

The concept of entrepreneurship within existing businesses is known under many different labels according to Zahra (1991:260); Christensen (2004:303-304); Aloulou and Fayolle (2005:24) and Antoncic (2007:310). Examples of these labels are: **corporate entrepreneurship** (Burgelman, 1983; 1985; Vesper, 1984; Guth and Ginsberg, 1990; Hornsby, *et al.*, 1993; Stopford and Baden-Fuller, 1994; Barret and Weinstein, 1998; Hornsby, Kuratko and Zahra, 2002; Morris and Kuratko, 2002; Antoncic and Hirsch, 2004); **internal corporate entrepreneurship** (Schollhammer, 1981; 1982; Cooper, 1981; Jones and Butler, 1992; Lumpkin and Dess, 1996); **intrapreneurship** (Pinchot, 1985; Nielsen,

Peters and Hisrich, 1985; Carrier, 1994; 1996; Antoncic and Hisrich, 1999; Chinho, Hojung and Chienming, 2003); **corporate venturing** (Burgelman, 1983; MacMillan, 1986; Ellis and Taylor, 1987; Vesper, 1990; Block and MacMillan, 1993); **entrepreneurial management** (Stevenson and Jarillo, 1990); **strategic renewal** (Guth and Ginsberg, 1990; Stopford and Baden-Fuller, 1994) and **strategic entrepreneurship** (Hitt, Ireland, Camp and Sexton, 2001; Ireland, Hitt, Camp and Sexton, 2001).

Russel (1999:67) indicates that although no consensus exist on the definition of corporate entrepreneurship, research indicates that corporate entrepreneurship belongs within the general domain of entrepreneurship. This has also been indicated in the literature review of chapter 2.

Table 3.1 summarises the major definitions found from various researchers on the different labels of corporate entrepreneurship.

TABLE 3.1 Definitions of the different Corporate Entrepreneurship labels

CORPORATE ENTREPRENEURSHIP (CE)	
Antoncic (2001:223) and Antoncic and Zorn (2004:6)	CE refers to a process that goes on inside an existing organisation, regardless of its size, and leads not only to new business ventures, but also to innovative activities and orientations such as developments of new products, services, technologies, administrative techniques, strategies and competitive postures.
Antoncic and Hisrich (2003a:200)	CE refers to entrepreneurial activities that occur within an existing organisation. It refers not only to the creation of new business ventures, but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures.
Burgelman (1983:1349)	CE refers to the process whereby the firms engage in diversification through internal development. Such diversification requires new resource combinations to extend the firm's activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set
Carrier (1996:6)	A process of creating new business within established firms to improve organisational profitability and enhance a company's competitive position.
Chung and Gibbons (1997:14)	CE is an organisational process for transforming individual ideas into collective actions through the management of uncertainties.
Covin and Miles (1999:50)	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.

Covin and Slevin (1991:7)	CE involves extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations (also quoted Burgelman, 1984:154)
Guth and Ginsberg (1990:5)	CE encompasses two types of phenomena and the processes surrounding them (1) birth of new businesses within existing organisations – for example internal innovation or venturing, (2) the transformation of organisations through renewal of the key ideas on which they are built - for example strategic renewal
Hisrich and Peters (2002)	A spirit of entrepreneurship within the existing organisation.
Hornsby, Kuratko and Zahra (2002:255)	CE centres on re-energising and enhancing the ability of a firm to acquire innovative skills and capabilities.
Jennings and Lumpkin (1989:489)	CE is defined as the extent to which new products and/or new markets are developed. A business is entrepreneurial if it develops a higher than average number of new products and/or new markets.
Kuratko and Hodgetts (2007:55)	CE is a process whereby an individual or a group of individuals, in association with an existing organisation, creates a new organisation or instigates renewal or innovation within the organisation.
McFadzean, O'Loughlin and Shaw (2005:352)	CE is the effort of promoting innovation from an internal organisational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation and commercialisation of said opportunities.
Miller (1998)	CE encompasses three related components: <i>product innovation</i> (the ability of a company to create new products or modify existing ones to meet the demands of current or future markets); <i>services or technologies to the market</i> ; and <i>proactiveness</i> and risk-taking.
Morris and Kuratko (2002:31); Morris, Kuratko and Covin (2008:11)	CE is a term used to describe entrepreneurial behaviour inside established mid-sized and large organisations.
Sathe (1989)	CE is a process of organisational renewal that has two distinct but related dimensions: <i>innovation and venturing</i> , and <i>strategic stress</i> creating new business through market developments, by undertaking product, process, technological and administrative innovations.
Schendel (1990:2)	CE involves the notion of birth of new businesses within on-going businesses, and the transformation of stagnant, on-going businesses in need of revival or transformation
Sharma and Chrisman (1999:18)	CE is the process whereby an individual or a group of individuals, in association with an existing organisation, creates a new organisation or instigates renewal or innovation within the organisation.
Spann, Adams and Wortman (1988:149)	CE is the establishment of a separate corporate organisation (often in the form of a profit centre, strategic business unit, division or subsidiary) to introduce a new product, serve or create a new market, or utilise a new technology.

Stevenson and Jarillo (1990:23)	Entrepreneurship is a process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control. The essence of entrepreneurship is the willingness to pursue opportunity regardless of the resources under control.
Stevenson, Roberts and Grousbeck (1998)	CE is the process by which individuals inside organisations pursue opportunities without regard to the resources they currently control.
Ucbasaran, Westhead and Wright (2001:63)	A process of organisational renewal associated with two distinct but related dimensions: (1) <i>creating new businesses</i> through market developments or by undertaking product, process, technological and administrative innovations, (2) <i>redefinition of the business concept</i> , reorganisation, and the introduction of system-wide changes for innovation.
Vesper (1984; 1990)	CE involves employee initiative from below in the organisation to undertake something new. An innovation which is created by subordinates without being asked, expected or perhaps even given permission by higher management to do so.
Zahra (1991:260-261)	The process of creating new business within established firms to improve organisational profitability and enhance a company's competitive position or the strategic renewal of existing business.
Zahra (1991:262)	CE is a formal or informal activity aimed at creating new businesses in established organisations through product and process innovations and market developments. These activities may take place at the corporate, division (business), functional or project levels, with the unifying objective of improving a company's competitive position and financial performance. CE also entails the strategic renewal of an existing business.
Zahra (1993:321)	CE is a process of organisational renewal that has two distinct but related dimensions: <i>innovation and venturing</i> , and <i>strategic renewal</i> .
Zahra (1995:227 and 1996:1715)	CE – the sum of a company's innovation, renewal and venturing efforts. Innovation involves creating and introducing products, production processes and organisational systems. Renewal means revitalising the company's operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operations in existing or new markets.
Zahra, Neabaum and Huse (2000:947)	The sum of a company's venturing and innovation activities.



INTERNAL CORPORATE ENTREPRENEURSHIP	
Jones and Butler (1992:734)	Internal CE refers to entrepreneurial behaviour within one firm
Schollhammer (1982:211)	Internal (or intra-corporate) entrepreneurship refers to all formalised entrepreneurial activities within existing business organisations. Formalised internal entrepreneurial activities are those which receive explicit organisational sanction and resource commitment for the purpose of innovative corporate endeavours – new product developments, product improvements, new methods or procedures
INTRAPRENEURSHIP	
Antoncic and Hisrich (2001:498)	A process that goes on inside an existing firm, regardless of its size, and leads not only to new business ventures but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures.
Antoncic and Hisrich (2003b:9)	Intrapreneurship refers to entrepreneurial activities that occur within an existing organisation. It refers not only to the creation of new business ventures, but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures.
Carrier (1996:7)	The introduction and implementation of a significant innovation for the firm by one or more employees working within an established organisation.
Hostager, Neil, Decker and Lorentz (1998:11-12)	Individuals and groups working within the corporation to: (1) identify ideas for new products or services, (2) turn these ideas into profitable products and services.
Kuratko, Montagno and Hornsby (1990:50)	Entrepreneurship inside the corporation.
Nielson, Peters and Hisrich (1995:181)	Intrapreneurship is the development within a large organisation of internal markets and relatively small and independent units designed to create, internally test-market, and expand improved and/or innovative staff services, technologies or methods within the organisation. This is different from the large organisation entrepreneurship/venture units whose purpose is to develop profitable positions in external markets.
Pinchot (1985:xv)	Entrepreneurship inside large corporations.
Rule and Irwin (1988:44)	Intrapreneurship is the means and methods by which the organisation identifies new ideas, products and philosophies.
CORPORATE VENTURING	
Biggadike (1979:104)	A corporate venture is defined as a business marketing a product or service that the parent company has not previously marketed, and that requires the parent company to obtain new equipment or new people or new knowledge

Block and MacMillan (1993:14)	A project is a corporate venture when it (a) involves an activity new to the organisation, (b) is initiated or conducted internally, (c) involves significantly higher risk of failure or large losses than the organisation's base business, (d) is characterised by greater uncertainty than the base business, (e) will be managed separately at some time during its life, (f) is undertaken for the purpose of increasing sales, profit, productivity, or quality.
Ellis and Taylor (1987:528)	Corporate venturing was postulated to pursue a strategy of unrelatedness to present activities to adopt the structure of an independent unit and to involve a process of assembling and configuring novel resources
Stopford and Baden-Fuller (1994:521)	The creation of new businesses within an existing organisation.
von Hippel (1977:163)	Corporate venturing is an activity which seeks to generate new businesses for the corporation in which it resides through the establishment of external or internal corporate ventures
VENTURE, INTERNAL VENTURES, INTERNAL CORPORATE VENTURING, NEW BUSINESS VENTURING	
Hornsby, Naffziger, Kuratko, Montagno, Roberts and Berry (1985:30)	Venture may be applied to the development of new business endeavours within the corporate framework.
Roberts and Berry (1993:6)	Internal ventures are a firm's attempts to enter different markets or develop substantially different products from those of its existing base business by setting up a separate entity within the existing corporate body.
Stopford and Baden-Fuller (1994:522)	New business venturing occurs when individuals and small teams form entrepreneurial groups inside a business, capable of persuading others to alter their behaviour, thus influencing the creation of new corporate resources.
Zahra (1996:1715)	Venturing means that the firm will enter new businesses by expanding operations in existing or new markets
Zajac, Golden and Shortell (1991:171)	Internal corporate venturing involves the creation of an internally-staffed venture unit that is semi-autonomous, with the sponsoring organisation maintaining ultimate authority.
ENTREPRENEURIAL ORIENTATION	
Lumpkin and Dess (1996:136)	The processes, practices and decision making activities that lead to new entry.
STRATEGIC OR ORGANISATIONAL RENEWAL	
Guth and Ginsberg (1990:6)	Strategic renewal involves the creation of new wealth through new combinations of resources.
Stopford and Baden-Fuller (1994:522)	Organisational renewal alters the resource pattern of business to achieve better and sustainable overall economic performance. To be sustainable, more pervasive effort is needed, involving more than a few individuals and the finance function.

Zahra (1993:321)	Renewal has many facets, including the redefinition of the business concept, reorganisation and the introduction of system-wide changes for innovation. Renewal is achieved through the redefinition of a firm's mission through the creative redeployment of resources, leading to new combinations of products and technologies.
Zahra (1995:227) and Zahra (1996:1715)	Renewal means revitalising a company's business through innovation and changing its competitive profile. It means revitalising the company's operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders.

Source: Sharma and Chrisman (1999:13); Maes (2003:22-24); Ramachandran, Devarajan and Ray (2006:86)

Maes (2003:21) makes three observations from the different definitions: First, it illustrates that some researchers use different terms to label the same phenomenon. Second, it shows that different authors define the same term differently. Finally it demonstrates that sometimes the same author defines the terms differently in subsequent articles. As an example compare the definitions of Antoncic (2001:223); Antoncic and Hisrich (2003:200); Antoncic and Hisrich (2001:498) and Antoncic and Hisrich (2003b:9) where the identical definition is used for corporate entrepreneurship and intrapreneurship.

Carrier (1996:6) claims that the terms intrapreneurship and corporate entrepreneurship have almost been used implicitly to describe a situation occurring in a very large business.

From the analysis of all these definitions, Sharma and Chrisman (1999:16) state that the most widely accepted definition for corporate entrepreneurship was proposed by Guth and Ginsberg (1990:5) – “corporate entrepreneurship encompasses the birth of new businesses within existing businesses and the transformation (or rebirth) of businesses through a renewal of their key ideas”. This definition, according to Sharma and Chrisman, includes Biggdike's definition of corporate venturing (which contains Burgelman's definition) and also it introduces, in a different context, the interplay of the idea of new businesses and new combinations that characterises the debate found in the literature on entrepreneurship.

Burgelman (1984:154) interprets the term “new resource combinations” to be synonymous with innovation in the Schumpeterian sense. Corporate entrepreneurship is seen as the effort to extend a businesses competitive advantage through internally generated innovations that significantly alter the balance of competition within an industry, or create entirely new industries.

Guth and Ginsberg (1990:5) noted that Schumpeter’s (1934) view of the entrepreneur is one who carries out new combinations. As applied to entrepreneurial activities in large, complex businesses, its definition implies that the essential ingredient in corporate entrepreneurship is that decisions are made and actions are taken that result in new combinations of resources being implemented. This implementation of new combinations translates into changes in strategy that alter the pattern of resource deployment in an existing business versus changes in strategy that modify the magnitude of resource deployment. Changes in the pattern of resource deployment – new combinations of resources in Schumpeter’s terms – transform the business into something significantly different from what it was before – something new. This transformation of the business from the old to the new reflects entrepreneurial behaviour.

Guth and Ginsberg (1990:6) assert that what all the proposed concepts have in common, is that entrepreneurial activities can renew established businesses and that this activity can typically be achieved through innovation and venturing activities that give the business access to different skills, capabilities and resources.

Kuratko and Hodgetts (2007:55) observe that: *strategic renewal* (which is concerned with organisational renewal involving major strategic and/or structural changes); *innovation* (which is concerned with introducing something new to the marketplace); and *corporate venturing* (corporate entrepreneurial efforts that lead to the creation of new businesses within the corporate business), are important and legitimate parts of the corporate entrepreneurship process.

Covin and Miles (1999:52) established the following four forms of the corporate entrepreneurship phenomenon:

- Sustained regeneration (1999:52). This refers to organisational level entrepreneurial activity. Businesses that engage in sustained regeneration are those that regularly and continuously introduce new products and services or enter new markets. Businesses successful at the sustained regeneration form of corporate entrepreneurship tend to have cultures, structures and systems supportive of innovation. These businesses also tend to be learning businesses that embrace change and willingly challenge competitors in battles for market share. While introducing new products and services or entering new markets, these businesses will also cull older products and services from their lines in an effort to improve overall competitiveness through product life cycle management techniques.
- Organisational rejuvenation (1999:53). This refers to the corporate entrepreneurship phenomenon whereby the businesses seek to sustain or improve its competitive standing by altering its internal processes, structures and/or capabilities. Businesses need to change their strategies in order to be entrepreneurial. Corporate entrepreneurship may involve efforts to sustain or increase competitiveness through the improved execution of particular, pre-existing business strategies.
- Strategic renewal (1999:54) – refers to the corporate entrepreneurship phenomenon whereby the business seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes.
- Domain redefinition (1999:55) – refers to the corporate entrepreneurship phenomenon whereby the business proactively creates a new product-market arena that others have not recognised or actively sought to exploit. By engaging in domain redefinition the business, in effect, takes the competition to a new arena where its first or early mover status is hoped to create some basis for sustainable competitive advantage. Through domain redefinition, businesses often seek to imprint the early structure of an industry. In such a scenario, the entrepreneurial business may be able to create the industry standard or define the benchmark against which later entrants are judged.

Thornberry (2001:4) breaks corporate entrepreneurship into four strategic types: corporate venturing, intrapreneuring, organisational transformation and industry rule breaking. This

is almost similar to Stopford and Baden-Fuller's (1994) categorisation which identifies three types of corporate entrepreneurship: Intrapreneurship, which is defined as a part of corporate venturing, transformation and renewal of existing businesses, and changing the rules of competition for the industry, as suggested by Schumpeter (1934).

Ferreira (2002:3) summarises the domain of corporate entrepreneurship from various researchers' viewpoints as follows:

Corporate entrepreneurship activities can be internally or externally orientated. Internal activities are typified as the development within a large business of internal markets and relatively small and independent units designed to create internal test markets or expand improved or innovative staff services, technologies or production methods within the business. These activities may cover product, process, and administrative innovations at various levels of the business. Internal entrepreneurship expresses itself in a variety of modes or strategies – *administrative* (management of research and development), *opportunistic* (search and exploitation), *imitative* (internalisation of an external development, technical or organisational), *acquisitive* (acquisitions and mergers, divestments) and *incubative* (formation of semi-autonomous units within existing businesses).

External entrepreneurship according to Ferreira (2002:3) can be defined as the first phenomenon that comprises the process of combining resources dispersed in the environment by individual entrepreneurs with their own unique resources to create a new resource combination independent of all others. External efforts entail mergers, joint ventures, corporate venture, venture nurturing, venture spin-offs and others.

Whether internal or external in focus, corporate entrepreneurship can be formal or informal. Informal efforts occur autonomously, with or without the blessing of the official business. Such informal activities can result from individual activity or pursuit of self-interest, and some of these efforts eventually receive the business's formal recognition and become an integral part of the business concept (Ferreira, 2002:3).

Antoncic and Hisrich (2003b:7) indicate that intrapreneurship research has evolved into three focal areas. Firstly, the focus is on the individual intrapreneur (Sunder, 1981;

Pinchot, 1985; Luchsinger and Bagby, 1987; Ross, 1987; Lessem, 1988; Knight, 1989; McKinney and McKinney, 1989; Jones and Butler, 1992; Jennings, Cox and Cooper, 1994), mainly emphasising the intrapreneur's individual characteristics. Recognition and support of entrepreneurs in businesses is also a part of this focal area.

Secondly, the focus is on the formation of new corporate ventures (Hlavacek and Thompson, 1973; Cooper, 1981; Fast and Pratt, 1981; Hisrich and Peters, 1984; MacMillan, Block and Narasimha, 1984; Szypersky and Klandt, 1984; Vesper, 1984; Burgelman, 1985; Carrier, 1994; Krueger and Brazeal, 1994), with a primary emphasis on the differentiation of types of new ventures, their fit with the corporation and their enabling corporate internal environment.

Thirdly, the focus is on the entrepreneurial business (Hanan, 1976; Quinn, 1979; Schollhammer, 1981; Burgelman, 1983; Kanter, 1984; Drucker, 1985; Pinchot, 1985; Duncan, Ginter, Rucks and Jacobs, 1988; Rule and Irwin, 1988; Stevenson and Jarillo, 1990; Kuratko, Hornsby, Naffziger and Montagno, 1993; Merrifield, 1993; Stopford and Baden-Fuller, 1994; Muzyka, de Koning and Churchill, 1995), which mainly emphasises characteristics of such businesses.

For purposes of this research study the definition of Sharma and Chrisman (1999:18) will be adopted. This definition is in line with the construct and instrument used to assess corporate entrepreneurship.

“Corporate Entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing business, creates a new business or instigates renewal or innovation within the organisation”.

3.3 NECESSITY OF CORPORATE ENTREPRENEURSHIP

The global economy is creating profound and substantial changes for businesses and industries throughout the world. These changes make it necessary for businesses to examine the business's purpose carefully and to devote a great deal of attention to selecting and following strategies in pursuit of the levels of success that have a high

probability of satisfying multiple stakeholders. Johnson (2001:135) states that many people in large businesses believe that once a business reaches a certain size, it unavoidably loses its capacity to act entrepreneurially and to stimulate and foster innovation. According to Christensen (2004:302) businesses have been faced with increasing demands for both faster product development and more features in smaller products as well as higher and uniform quality, stability and lower prices, despite the inherent incompatibility of such demands.

According to Hisrich, *et al.* (2005:44) the differences in the entrepreneurial and managerial domains have contributed towards an increased interest in corporate entrepreneurship. This interest has intensified due to a variety of events occurring on social, cultural and business levels. Kuratko and Hodgetts (2007:56) indicate that the need for corporate entrepreneurship has arisen in response to a number of pressing problems. Examples of these pressing problems are: *rapid growth* in the number of sophisticated competitors; a *sense of distrust* in the traditional methods of corporate management; a *mass departure* of some of the best and brightest people from corporations to become small-business entrepreneurs; *international competition*; *downsizing* of major corporations; and *an overall desire* to improve efficiency and productivity. Aloulou and Fayolle (2005:24) add to these pressing problems: stagnation; decline; weakness of managerial practice; and turnover of innovative-inclined employees who were constrained by the bureaucratic inertia of their businesses. Hisrich, *et al.* (2005:44) add that hyper competition has forced businesses to have an increased interest in such areas as new product development, diversification, increased productivity, and decreasing costs by methods such as reducing the businesses labour force.

Carrier (1996:5) notes that increasingly turbulent markets, technical complexity, free trade and a growing awareness of the inflexible nature of many traditional management practices are putting tremendous pressure on businesses seeking to pursue growth. Stevenson and Jarillo (1990:17) pointed out that corporate entrepreneurship has grown in importance over recent years because large businesses wishing to compete have sought out the characteristics of flexibility, growth and innovation more generally associated with entrepreneurship.

Christensen (2004:302) indicates that many large businesses find it difficult to integrate the entrepreneurial spirit in a well-structured or bureaucratic business. These businesses must think non-traditionally to cope with the increasing paradoxes. According to Johnson (2001:135), if a business does not adopt a proactive attitude towards innovation and the creation of new ventures, it is unlikely to survive in an increasingly aggressive, competitive and dynamic market place.

Mostly because of these pressing problems Morris, *et al.* (2008:7) cited that an absolute wealth of new strategic initiatives have preoccupied executives' time over the past decade. These include rightsizing, unbundling, focusing on core business while divesting of others, business process engineering, total quality management, flattening structures and decentralising decision-making, outsourcing, creating self-directed work teams, forming strategic alliances, and more. But despite all these initiatives, major businesses have found themselves eliminating millions of jobs, closing plants, moving operations to low-cost countries and attempting to become lean and mean. Yet these businesses' continue to struggle. Morris, *et al.* (2008:7) state that from these outcomes, businesses must learn that: (1) turbulence in the external environment is causing a fundamental transformation in the internal operations of businesses; (2) there are no simple formulae for success in the new competitive environment - it is all about experimentation, as management looks for the right structure, approach to control, leadership style, and ways to reward employees; (3) there is an important upside to external environments as they become more complex, dynamic and hostile.

Hisrich, *et al.* (2005:44) emphasise that it is important to keep and instil the entrepreneurial spirit in a business in order to innovate and grow. This realisation has revolutionised management thinking. In large businesses, problems often occur that obstruct creativity and innovation, particularly in activities not directly related to the businesses main mission. The growth and diversification that can result from flexibility and creativity are particularly critical since large, vertically integrated, diversified corporations are often more efficient in a competitive market than smaller businesses. The resistance against flexibility, growth and diversification can in part be overcome by developing a spirit of entrepreneurship within the existing business, called corporate entrepreneurship.

Morris, *et al.* (2008:7) also state that traditionally competitive advantage was achieved by having lower costs than the competition, achieving higher quality or product performance, adding a new product feature, or delivering better customer service. Unfortunately this can no longer produce sustainable advantage. To be successful in any industry today, businesses must continually reduce costs, improve quality and enhance customer service. Such continuous improvements are a minimal criterion for remaining in the competitive game.

Christensen (2005:306) states that well-established and mature businesses need to experiment with new ways of organising and organisational structures that are known to enable innovation to take place, e.g. networks, loosely coupled businesses, and project businesses, as a supplement to the classic hierarchy. Notwithstanding, managers also need to recognise that innovation and renewal cannot be planned and managed in the same way as operational activities.

Morris, *et al.* (2008:7) indicate that remaining competitive is very different from achieving sustainable competitive advantage. The quest for competitive advantage requires that companies and the managers within them continually reinvent themselves. Advantage derives from five key organisational capabilities: *adaptability* (ability to adjust on a timely basis to new technologies, customer needs, regulatory rules and other changes in conditions without losing focus or causing significant disruption of core operations and commitments); *flexibility* (ability to design company strategies, processes and operational approaches that can simultaneously meet the diverse and evolving requirements of customers, distributors, suppliers, financiers, regulators and other key stakeholders); *speed* (the ability to act quickly on emerging opportunities, to develop new products and services more rapidly, and to make critical operational decisions without lengthy deliberations); *aggressiveness* (an intense, focused and proactive approach to eliminating competitors, delighting customers and growing employees); and *innovativeness* (a continuous priority placed on developing and launching new products, services, processes, markets and technologies and on leading the marketplace).

Ireland, *et al.* (2006a:10) state that corporate entrepreneurship can be a source of competitive advantage at both the corporate and the business unit levels. At the corporate level, corporate entrepreneurship helps diversified businesses determine the mix to

include in their portfolio of businesses and how to manage those businesses. At the business unit level, corporate entrepreneurship helps individual businesses develop and use one or more competitive advantages as a key means of implementing chosen strategies such as cost leadership or product differentiation. These positive outcomes show that corporate entrepreneurship is a set of processes and activities with real, tangible benefits. Businesses experiences suggest that when organisations operate in markets characterised by dynamism, complexity and hostility, the effective use of corporate entrepreneurship seems to have a very strong link to positive business performance.

Corporate entrepreneurship, according to Maes (2003:1) rejuvenates and revitalises existing businesses. Corporate entrepreneurship is brought into practice as a tool for business development of new products, services and processes (Kuratko, *et al.*, 1990; Lumpkin and Dess, 1996; Miles and Covin, 2002; Zahra, 1991; Zahra and Covin, 1995; Zahra, Nielsen and Bogner, 1999).

According to Ireland, *et al.* (2006a:11) corporate entrepreneurship is a process used in established businesses seeking to use innovation as a means to pursue entrepreneurial opportunities. Corporate entrepreneurship helps a business to create new businesses through product and process innovations and market developments and foster the strategic renewal of existing operations.

Echols and Neck (1998:39) claim that the more the business can exhibit entrepreneurial properties/qualities and its people believe in behaving entrepreneurially – the greater the businesses ability to achieve maximum innovation or entrepreneurial success.

Antoncic and Hisrich (2004:524) indicate that improved organisational results, usually in terms of growth and profitability, are thought to be a result of entrepreneurship in an established business. Corporate entrepreneurship is felt to be part of a successful business (Peters and Waterman, 1982; Kanter, 1984; Pinchot, 1985) and was found to be related to growth and profitability (Zahra, 1991, 1993; Russel and Russel, 1992; Zahra and Covin, 1995) of large businesses. It was found to be a good predictor of growth of small businesses (Covin, 1991), and of performance in hostile environments of small businesses (Covin and Slevin, 1989). Morris and Sexton (1996) found a significant positive

relationship between entrepreneurial intensity and increased growth. Zahra and Covin (1995), and Wiklund (1999) found that entrepreneurial orientation of businesses tends to have sustainable long-term effects on growth and financial performance in addition to short-term effects. Corporate entrepreneurship has been recognised as a potentially viable means of promoting and sustaining corporate competitiveness (Covin and Miles; 1999:47; Schollhammer (1982), Miller (1983), Khandwalla (1987), Guth and Ginsberg (1990), Naman and Slevin (1993), Lumpkin and Dess (1996), and Ireland, *et al.* (2006a:10).

Hisrich and Peters (1998) also proved that entrepreneurship often results in the creation of new value. Organisational wealth creation has been considered an important, yet implicit, consequence of corporate entrepreneurship in general (Kanter, 1984; Peters and Waterman, 1982; Pinchot, 1985) as well as in corporate entrepreneurship induced performance measurement (Naman and Slevin, 1993).

According to Antoncic and Hisrich (2004:542), businesses with entrepreneurial top management postures engaging in entrepreneurial activities are expected to achieve higher levels of *growth* (absolute – growth in sales and in number of employees, and relative – growth in market share), *profitability* (absolute – return of sales, return on equity, and return on assets, and relative – in comparison to competitors) and *new wealth* creation (new available funds) than businesses that are lower in corporate entrepreneurship engagement.

Antoncic and Hisrich (2003a:198) note that corporate entrepreneurship has been recognised as an important element in organisational and economic development, performance and wealth creation. Corporate entrepreneurship can be important for revitalisation and performance of businesses (Schollhammer, 1981, 1982; Burgelman, 1983, 1985; Kanter, 1984; Pinchot, 1985; Rule and Irwin, 1988; Mckinney and Mckinney, 1989; Guth and Ginsberg, 1990; Zahra, 1991); not only for large businesses but also for small and medium sized enterprises (Covin and Slevin, 1989; Covin and Covin, 1990; Carrier, 1994). Corporate entrepreneurship can affect an economy by increasing productivity, improving best practices, creating new industries and enhancing international competitiveness (Wennekers and Thurik, 1999).

The research of Barrett and Weinstein (1998) on the effect of market orientation and organisational flexibility on corporate entrepreneurship found that corporate entrepreneurship, flexibility and market orientation can provide the capabilities within the business to facilitate understanding of the challenges and trends, influence the formulation of appropriate strategic responses, and effectively execute a plan that is proactive towards the customer and the competition to ensure continued survival and success. Businesses can, with hard work and determination, become more entrepreneurial, be more flexible in their exercise of authority and responsibility, and increase their market orientation. Barrett and Weinstein's (1998) empirical work provided credibility to managerial investment in these areas.

In the longitudinal research of Zahra and Covin (1995:44) it has been proved that corporate entrepreneurship has a positive impact on financial measures of company performance. The effect on performance increases over time, suggesting that corporate entrepreneurship may be a generally effective means for improving long-term organisational financial performance. The results also indicated that corporate entrepreneurship is a particularly effective practice amongst businesses operating in hostile environments as opposed to benign environments. The study has three practical implications: (1) this study documents the general financial viability of engaging in corporate entrepreneurship; (2) the study suggests a need to use a long-term time horizon in order to judge adequately the financial consequences of corporate entrepreneurship and (3) the study identifies the context-specific character of effective entrepreneurial practice. Specifically, corporate entrepreneurship appears to be a particularly effective strategic practice among businesses operating in hostile business settings.

Zahra and Covin (1995:55) state that corporate entrepreneurship should not be viewed as a "short-term" fix, but as a long-term strategy for achieving superior financial performance. Managers should adopt a long-term perspective in developing, managing and evaluating corporate entrepreneurship. Zahra and Covin (1995:55) found that there is also a possibility that corporate entrepreneurship pays off by improving non-financial indicators of company performance.

Not all corporate entrepreneurship activities lead to improved company performance. Fast (1981) in Zahra and Covin (1995:46) argues that corporate entrepreneurship can be risky,

and detrimental to a businesses short-term financial performance. Poor communication, lack of strategic focus and dysfunctional organisational politics often doom corporate entrepreneurial activities (Burgelman and Sayles, 1983; Sexton and Bowman-Upton, 1991).

From this section of the literature review the necessity for corporate entrepreneurship can be summarised as follows. Businesses needs corporate entrepreneurship to grow; integrate and develop an entrepreneurial spirit; create and sustain competitive advantage and to be adaptable, flexible, fast, aggressive and innovative. The benefits of instilling corporate entrepreneurship in a business can also be summarised.

- Businesses that instil corporate entrepreneurship can gain and sustain competitive advantage at all levels of the business;
- rejuvenate and revitalise the existing business;
- develop new products, services and processes;
- pursue entrepreneurial opportunities;
- create new businesses within existing businesses;
- foster strategic renewal of existing operations;
- improve growth and profitability;
- sustain corporate competitiveness;
- increase financial performance; and
- create new value.

Corporate entrepreneurship can affect the economy by increasing productivity, improving best practices, creating new industries and enhancing international competitiveness.

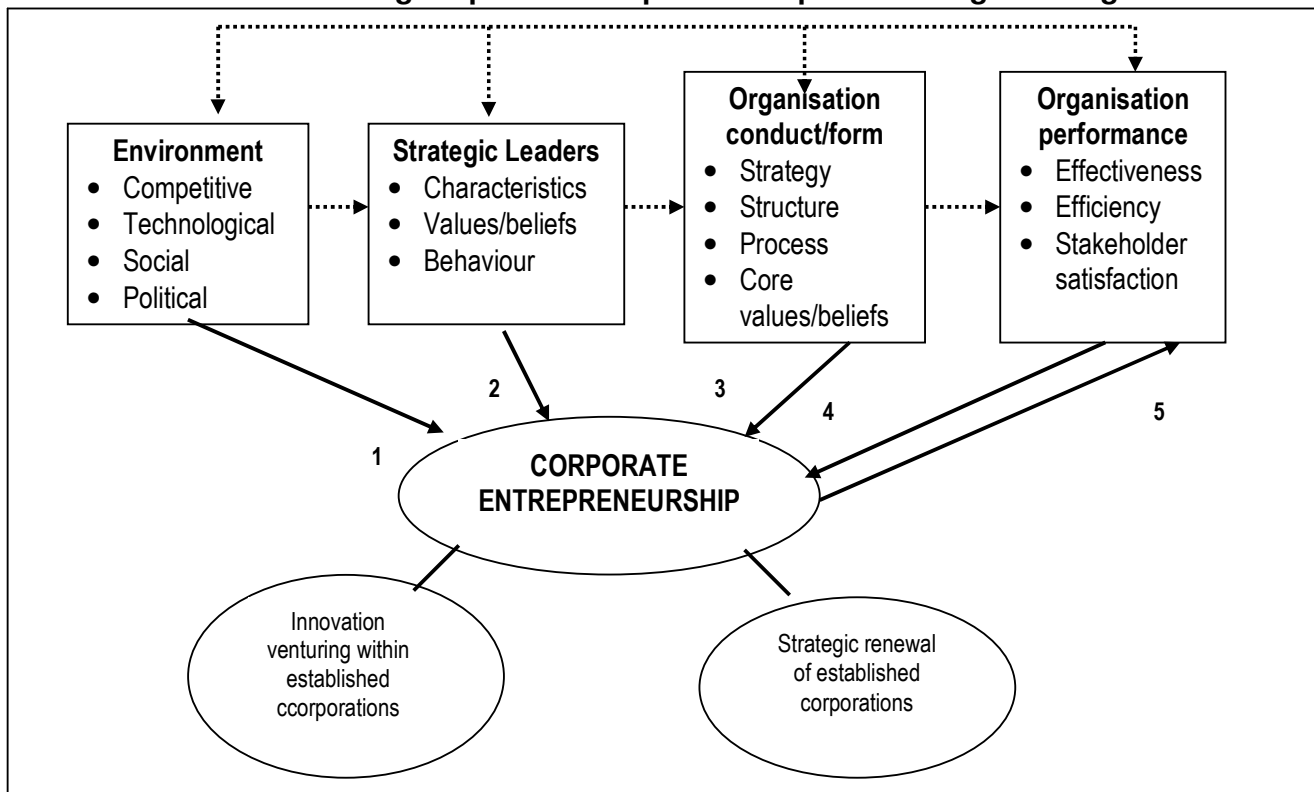
3.4 CORPORATE ENTREPRENEURSHIP CONCEPTUAL MODELS

In the field of corporate entrepreneurship various conceptual models have been developed to address aspects in corporate entrepreneurship. The conceptual models are mostly developed to improve the understanding of the various issues related to the process and phenomenon of corporate entrepreneurship. Most researchers also use these models to guide research actions.

3.4.1 A domain model for corporate entrepreneurship (Guth and Ginsberg)

Guth and Ginsberg (1990:5) attempted to provide a framework for tracking research in corporate entrepreneurship. According to Guth and Ginsberg (1990:5) the domain of corporate entrepreneurship encompasses two types of processes: *internal innovation* or venturing through the creation of new businesses within existing businesses, and the *strategic renewal* of key corporate ideas that transform businesses. Key components in the model include the environment, strategic leaders, business form and performance. Each component is an important element within the domain of corporate entrepreneurship. The model is illustrated in figure 3.1.

FIGURE 3.1 Fitting corporate entrepreneurship into strategic management



Source: Guth and Ginsberg (1990:7)

Guth and Ginsberg (1990:7-8) describe the components of this model as follows:

In this model the changes in industry competitive structures and the technologies underlying them affect the corporate entrepreneurship environment. Opportunities for new products and services stem from development of new technology and/or commercialisation of technologies developed by others. Both opportunities and problems stem from the potential of the business and its competitors in an industry to find new combinations of resources that lead to competitive advantage.

The entrepreneurial behaviour in businesses is critically dependent on the characteristics, values/beliefs and visions of their strategic leaders.

Business conduct/form influences corporate entrepreneurship: bureaucratic structures and management processes are widely regarded as appalling to innovation and change within businesses. There have been reports in the literature of high levels of new product introduction in businesses observed to have highly bureaucratic structures and processes.

Organisational performance influences corporate entrepreneurship: innovation and radical change may be precipitated when businesses has excess resources that allow them to seize upon opportunities that arise. Organisational performance may also be induced by crisis or severe external threats.

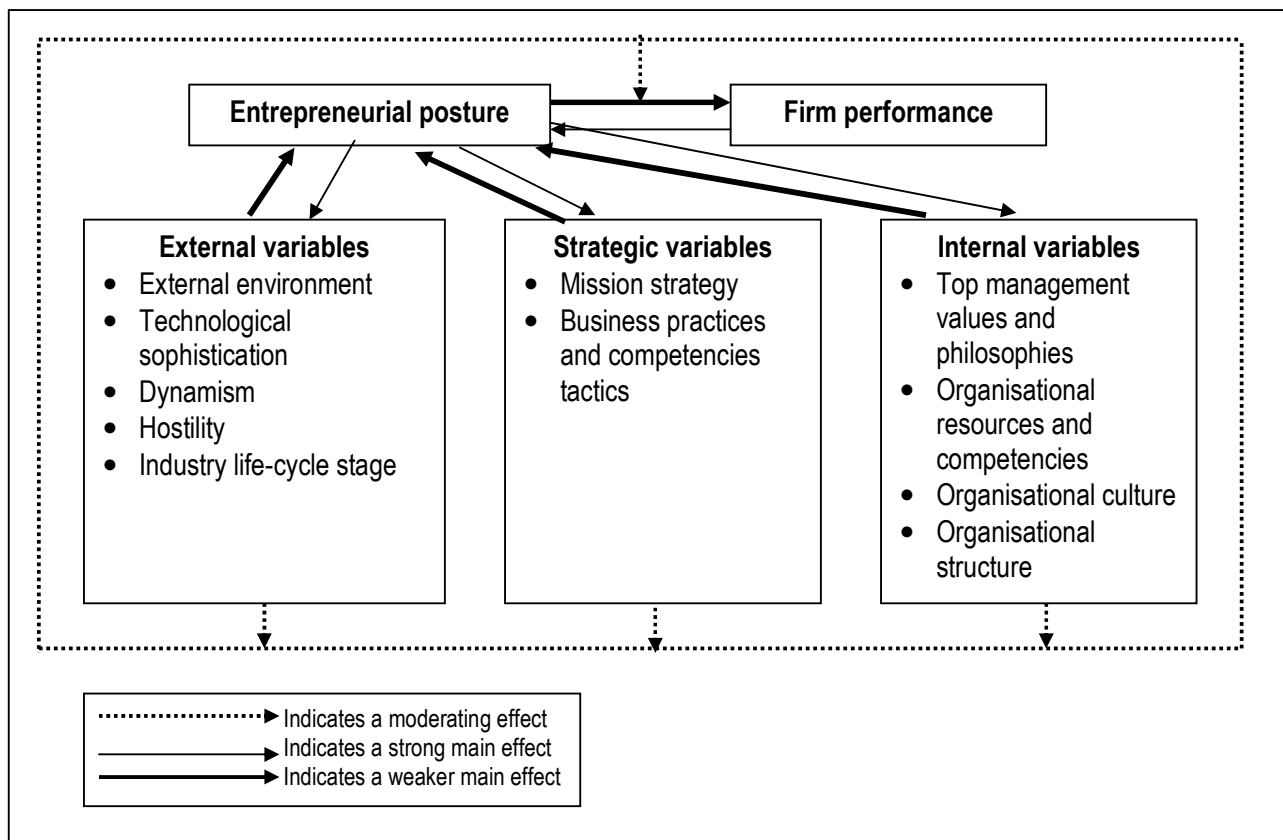
According to Guth and Ginsberg (1990:8), corporate entrepreneurship influences performance - on the short-run the performance orientation of many managements has often been cited as a deterrent to innovation and change. New ventures take several years to turn into contributors to overall corporate profit performance.

This model has not been empirically tested. Guth and Ginsberg (1990) indicate that empirical research is necessary on the combined effects of organisation structure, strategy and core organisational value/beliefs on corporate entrepreneurship.

3.4.2 A conceptual model of firm behaviour (Covin and Slevin)

Covin and Slevin (1991:7) developed a business-level model in examining the behaviours of entrepreneurs and the entrepreneurs' impact on the businesses actions. This model indicates that entrepreneurial behaviour at business level is affected by the businesses particular strategies, structures, systems and cultures. The model shows the antecedents and consequences of an entrepreneurial posture as well as the variables that moderate the relationship between entrepreneurial posture and business performance. The major purpose of this model is to allow for considerable managerial intervention and reduce the view of corporate entrepreneurship as unanticipated or mysterious. The model is presented in figure 3.2.

FIGURE 3.2 The conceptual model of entrepreneurship as firm behaviour



Source: Covin and Slevin (1991:11)

According to Khandwalla (1977) in Covin and Slevin (1991:8), businesses with entrepreneurial postures is risk-takers, innovative and proactive. These businesses are

willing to take on high-risk projects with chances of very high returns, and are bold and aggressive in pursuing opportunities. Entrepreneurial businesses often initiate actions to which competitors then respond, and are frequently first-to-market with new product offerings. In support of this strategic orientation, entrepreneurial businesses characteristically emphasise technological leadership, research and development.

Since entrepreneurial posture is a behavioural phenomenon, it can be managed (Covin and Slevin, 1991:24). Entrepreneurial posture affects, and is affected by, multiple organisational system elements. “Knowing how to manage entrepreneurial posture will become increasingly important because the environmental conditions that ‘require’ such a posture are evolving rapidly” (Covin and Slevin, 1991:24).

Important aspects from this model pertaining to this study are the following:

- an entrepreneur’s effectiveness can be measured in terms of his or her businesses performance;
- organisational performance is a function of organisational- as well as individual level behaviour. Organisational-level behaviour is a predictor of the key entrepreneurial effectiveness criterion of organisation performance;
- behaviour is the central and essential element in the entrepreneurial process;
- by knowing the behavioural manifestations of entrepreneurship the entrepreneurial level of businesses can reliably, verifiably and objectively be measured;
- business-level entrepreneurial behaviour is effected by, and can be managed through, the creation of particular organisational strategies, structures, systems and cultures;
- a behavioural model of entrepreneurship allows for considerable managerial intervention, and the entrepreneurial process can be viewed as much less unanticipated, mysterious and unknowable;
- the external environment has a strong if not deterministic influence on the existence and effectiveness of entrepreneurial activity; and
- just as entrepreneurial conditions may prompt entrepreneurial postures, such postures may induce a change in environmental conditions.

Zahra (1993:7) critiqued the model of Covin and Slevin and indicated various areas where the initial model could be improved and extended. A brief overview of this critique and improvement of the model will be addressed next.

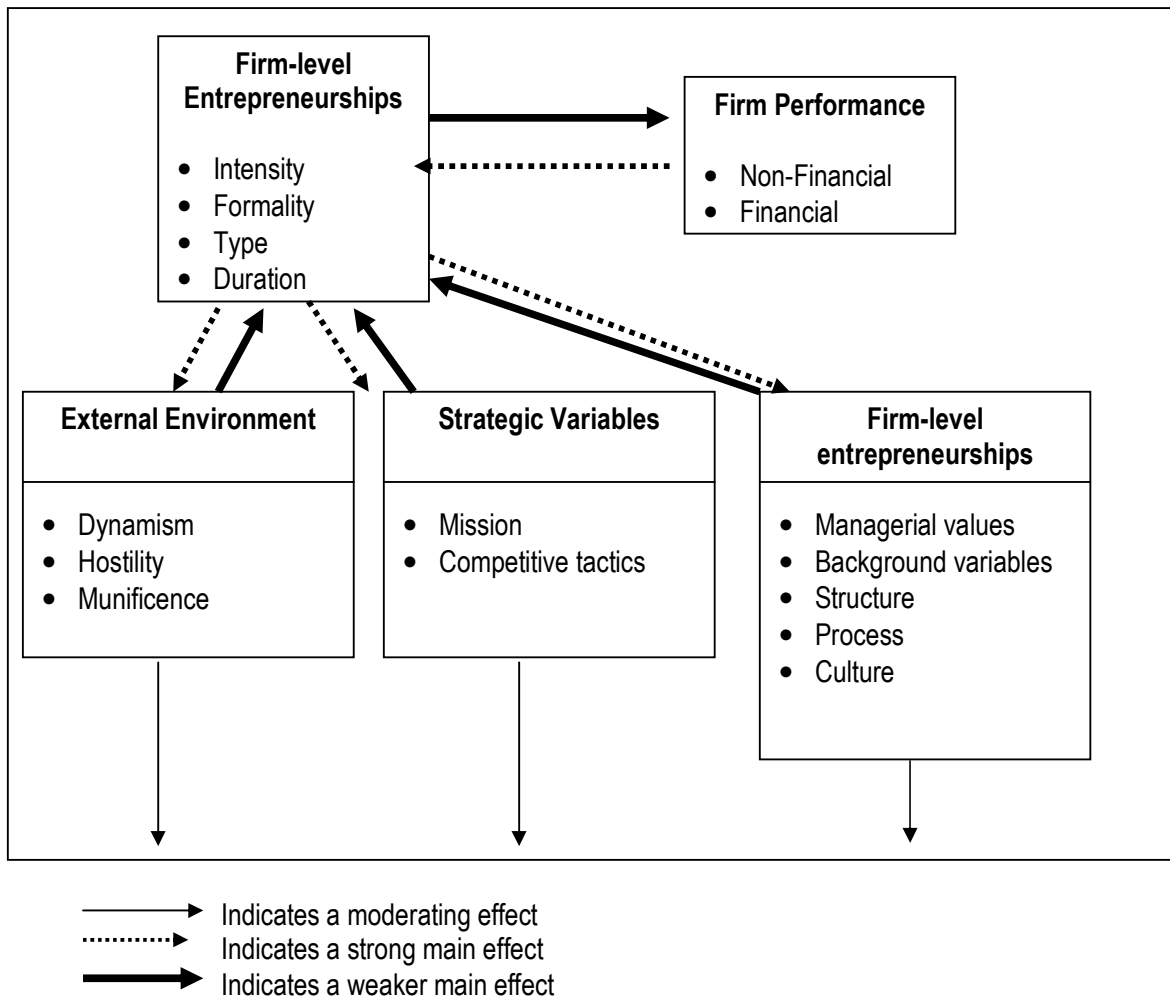
Zahra (1993:7) indicates that in terms of the nature of entrepreneurial behaviour the Covin and Slevin (1991) model should consider the intensity, formality, type (locus) and duration of firm-level entrepreneurship. Failure to distinguish these four dimensions may lead to misspecification of the relationship of entrepreneurship activities to other salient issues, such as the businesses performance. In terms of the locus of entrepreneurship, Zahra (1993:9) suggests three modifications to the Covin-Slevin model. The first centres on incorporating the specific level of the analysis (corporate, business and functional) in theorising about the antecedents of firm-level entrepreneurship. The second entails making a clear distinction between new ventures within an established firm's stand-alone ventures. The third suggests a change in the model to differentiate between domestic and international ventures/entrepreneurship efforts.

The model can benefit from recognising the importance of organisational processes that can spark entrepreneurial activities in the business (Zahra, 1993:10). The model should recognise the crucial effect of senior executives' background, values and experience as possible antecedents of a businesses entrepreneurial posture.

Zahra (1993:12) recommends another three changes to revise and extend Covin and Slevin's model. First, the model should recognise the financial and non-financial outcomes of entrepreneurship. Second, the model should acknowledge the possibility that growth and profitability are not always guaranteed through firm-type entrepreneurship. Third, it should be recognised that financial and non-financial criteria are useful at different points in the life of an entrepreneurial venture.

Zahra (1993:13) proposes a revised conceptual framework of firm-level entrepreneurship. This model is illustrated in figure 3.3.

FIGURE 3.3 A revised conceptual framework of firm-level entrepreneurship



Source: Zahra (1993:13)

There are four differences between the revised model and the original model of Covin and Slevin (1991). First, there is a more practical classification of the external environment set. It eliminates the technological sophistication variable because it appears to be redundant with environmental dynamism. An additional environmental attribute is added: munificence – this refers to the abundance of opportunities for innovation in the industry. Secondly, the model adopts a broader definition of a businesses entrepreneurial behaviour than originally proposed. The revised model incorporates intensity, formality, type and duration of entrepreneurial behaviour activities (Zahra, 1993:18). The internal set has been revised and highlights four subsets of variables: (1) managerial values and background (including age, past experience, and functional expertise; (2) organisational structure (including centralisation, formalisation, complexity and organicity; (3) managerial

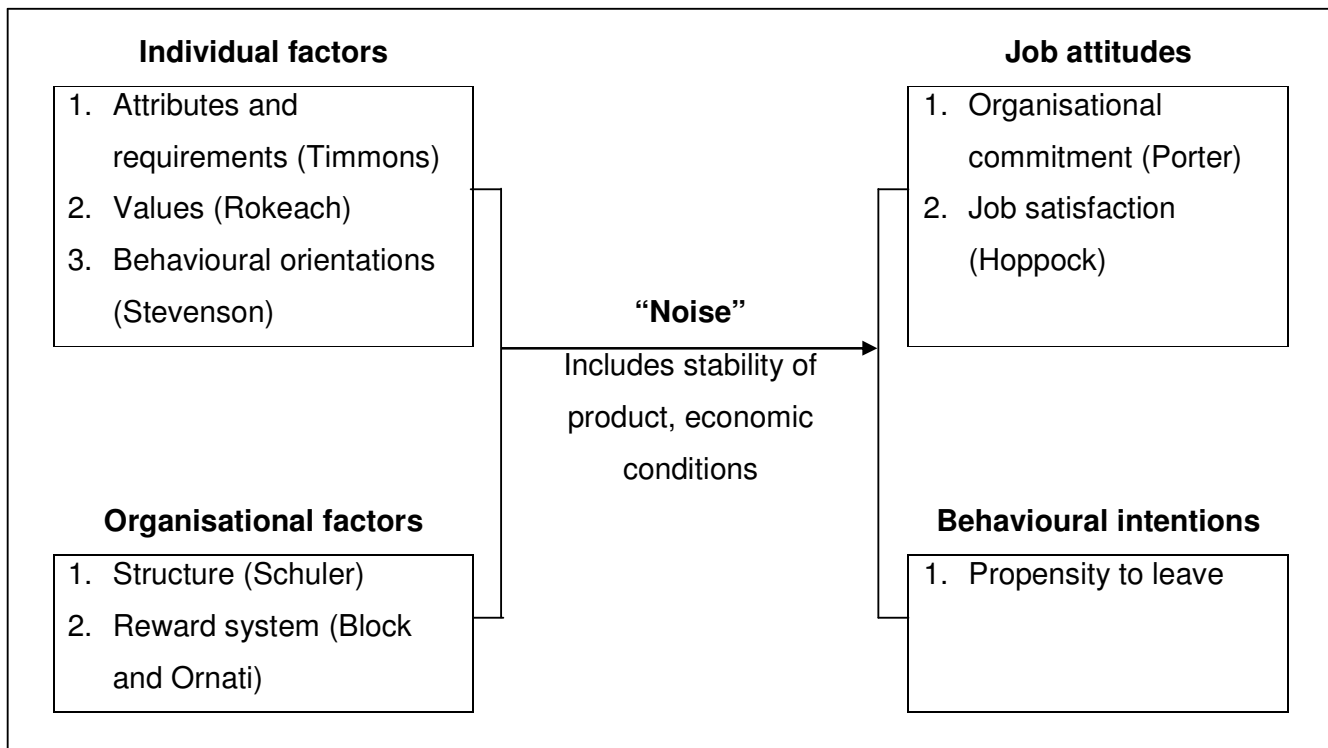
process (including participation and fairness); and (4) organisational culture (including openness and empowerment).

Thirdly the revised model considers both financial and non-financial outcomes of entrepreneurial activities. It also proposes that some non-financial benefits from entrepreneurship can produce financial results.

3.4.3 An organisational model for internally developed ventures (Brazeal)

Brazeal (1993) developed a model defining corporate venturing as an internal process that embraces the ultimate goal of growth through the development of innovative products, processes and technologies that should be institutionalised as a process geared towards long-term prosperity. Figure 3.4 illustrates this model.

FIGURE 3.4 The joint function of individual and organisational factors for internal ventures



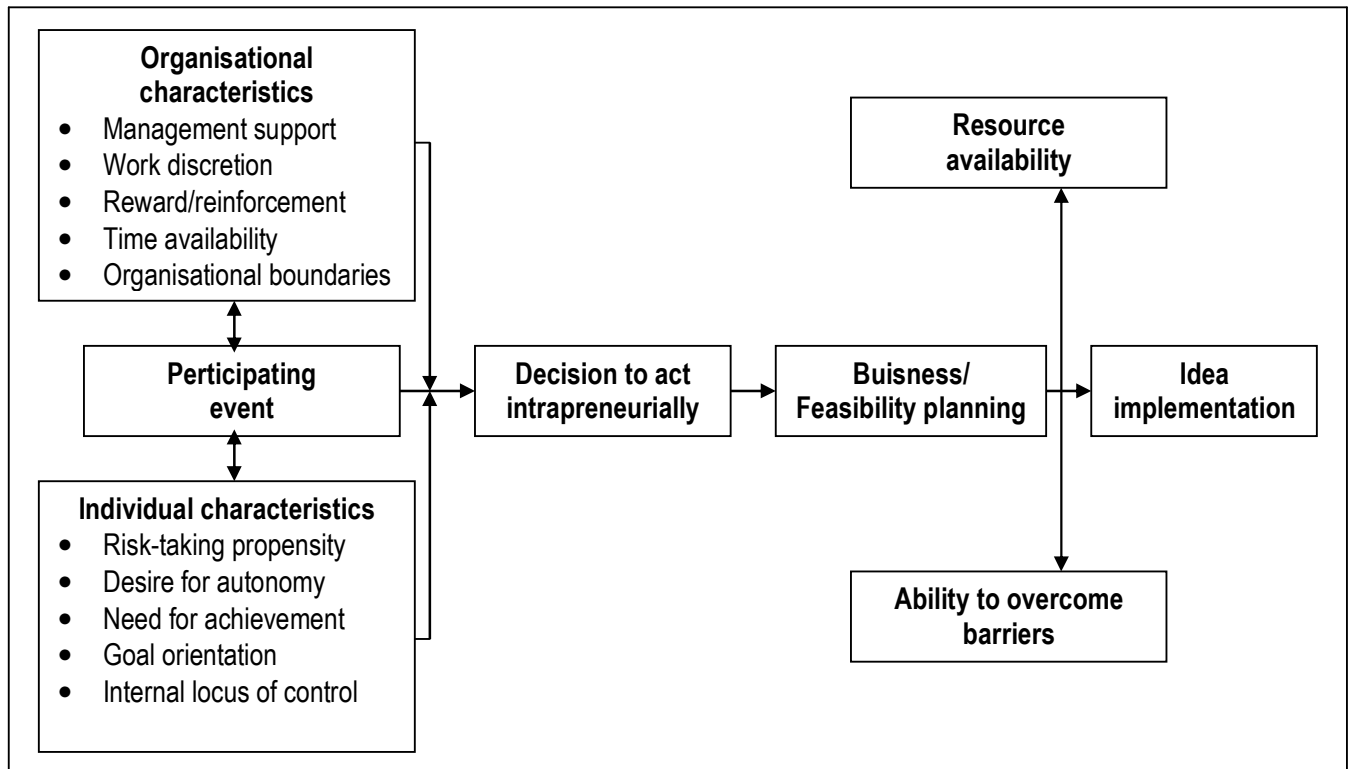
Source: Brazeal (1993)

This model focuses on a joint function between innovative-minded individuals and organisational factors. This implies that for a business to promote innovation among its employees, careful attention must be given to the melding of an individual's attitudes, values, and behavioural orientations with the organisational factors of structure and reward. Ultimately the key objective is to enhance a businesses innovative abilities through an organisational environment that is supportive of these individuals.

3.4.4 An interactive model of the corporate entrepreneurial process (Hornsby, *et al.*)

Hornsby, *et al.* (1993:29) expanded on the model of Brazeal by describing the interaction of organisational factors and individual characteristics that is ignited by precipitating events that lead to successful corporate entrepreneurship. The precipitating event could be a change in company management, a merger or acquisition, development of a new technology, or an event that acts as the impetus for the interaction between individual characteristics and organisational factors.

FIGURE 3.5 An interactive model of corporate entrepreneurship



Source: Adapted from Hornsby, *et al.* (1993:31)

Hornsby, *et al.* (1993:29) indicate, from literature, organisational characteristics that foster corporate entrepreneurship. These organisational characteristics are: appropriate use of *rewards* (any reward system, in order to be effective, must consider goals, feedback, emphasis on individual responsibility and rewards based results); *management support* (which relates to the willingness of managers to facilitate entrepreneurial projects); *resources* (which includes time and the availability of resources for innovative activities); *organisational structure* (which is identified in various ways); and *risk taking* (employees and management must be willing to take a risk and have a tolerance for failure should it occur).

While many businesses do not objectively assess the personality characteristics of either potential or current employees, it is important to recognise the influence of individual differences on innovative behaviour. This model suggests that investment in this assessment effort may be worthwhile. Individuals identified as having intrapreneurial potential could be targeted for training or other corporate entrepreneurial opportunities (Hornsby, *et al.*, 1993:31). The individual entrepreneurial characteristics include: risk-taking propensity, desire for autonomy, need for achievement, goal orientation, and internal locus of control.

The decision to act entrepreneurially occurs as a result of an interaction between organisational characteristics, individual characteristics and some kind of precipitating event. The precipitating event provides the impetus to behave entrepreneurially when other conditions are conducive to such behaviour (Hornsby, *et al.*, 1993:29).

Precipitating events were identified by Zahra in Hornsby *et al.* (1993:32) which include environmental factors such as hostility (threats to a businesses mission through rivalry), dynamism (instability to a businesses market because of changes), and heterogeneity (developments in the market that create new demands for a businesses products). In addition, organisational factors such as structure and managerial values were cited. Specific examples of precipitating events in the corporate entrepreneurship process could include, according to Hornsby *et al.* (1993:32): development of new procedures; a change in company management; a merger or acquisition; a competitor's move to increase market share; development of new technologies; cost reduction; change in consumer demand; and economic changes.

In figure 3.5 the decision to act entrepreneurially is actually the culmination of the interaction of three factors: business characteristics, individual characteristics and precipitating event.

The next step after the decision to act entrepreneurially is to develop an effective business plan. The entire plan will encompass all phases of start-up research needed to clarify the operations involved in a new venture. Bruno, Leidecker and Harder (1987) in Hornsby, *et al.* (1993:31) found many causes of failure could have been avoided through the development of a business plan. While an accurate and complete business plan is essential, its implementation and the ultimate success of the intrapreneurial idea depend on two factors - firstly the businesses ability to provide the needed resources required and secondly, can the corporate entrepreneur overcome both organisational and individual barriers that hinder the implementation of the idea. Sykes and Block (1989:159) in Hornsby, *et al.* (1993:32) suggested several obstacles for corporate venturing: the businesses enforcement procedures when mistakes are made; long-term planned activities; functional management structures; uniform compensation policies; and promotion of compatible individuals.

The implementation of an entrepreneurial idea is the result of the interaction of the factors described in this model. Having developed the feasibility analysis, acquired the resources necessary for the new venture, and overcome any existing organisational barriers, the corporate entrepreneur is now in a position to implement the idea and initiate the innovation.

3.4.5 A model of sustained corporate entrepreneurship (Kuratko, *et al.*)

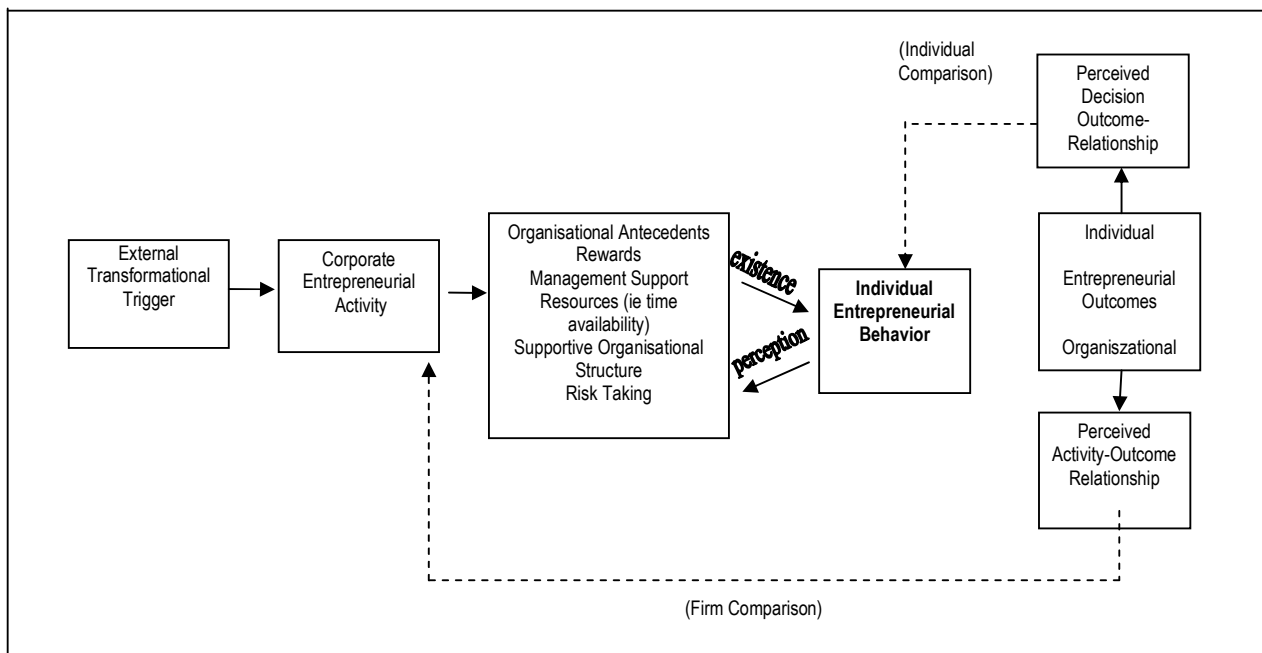
Kuratko, *et al.* (2004:78) state that more needs to be known about the specific factors that can influence all organisational members to achieve the objective of developing entrepreneurial behaviour. Kuratko *et al.* (2004) developed a model that focuses on the critical organisational factors that must exist and be perceived within the business in order to develop and sustain entrepreneurial activities.

This model focuses on the businesses ability to sustain entrepreneurship on an ongoing basis. The model demonstrates that sustainability is contingent upon individual members

continuing to undertake innovative activities and upon positive perceptions of these activities by the executive management, which will in turn lead to further allocation of necessary organisational support and resources. The model is presented in figure 3.6 and demonstrates that a transformational trigger (something external or internal to the company that creates a threat or opportunity) initiates the need for strategic change. One way to accomplish this change is through entrepreneurial activity. The entrepreneurial activity (e.g. product or service or process) is driven by individuals within the company.

The proposed model centres on the individual employee's decision to behave entrepreneurially. Sustained entrepreneurial activity is the result of the perception by the individual that several organisational antecedents are present, such as top management support, autonomy, rewards, resources, and flexible organisational boundaries. The outcomes realised from this entrepreneurial activity are then compared, at both the individual and organisational level, with previous expectations. Entrepreneurial behaviour will result when both the individual employee and the leadership in the company perceive that the outcomes are equitable, or that they meet or exceed expectations. Both parties must be satisfied with the outcomes or the amount of entrepreneurial activity will decline. Satisfaction with performance outcomes serves as feedback mechanism for either sustaining the current strategy or selecting an alternative one. Individuals, as agents of strategic change, must also be satisfied with the intrinsic and extrinsic outcomes they receive for their entrepreneurial behaviour. The model suggests that in a major strategic change both individual behaviour and organisational strategy change are instrumental in making the change successful (Kuratko, *et al.*, 2004:77).

FIGURE 3.6 A model of sustained corporate entrepreneurship

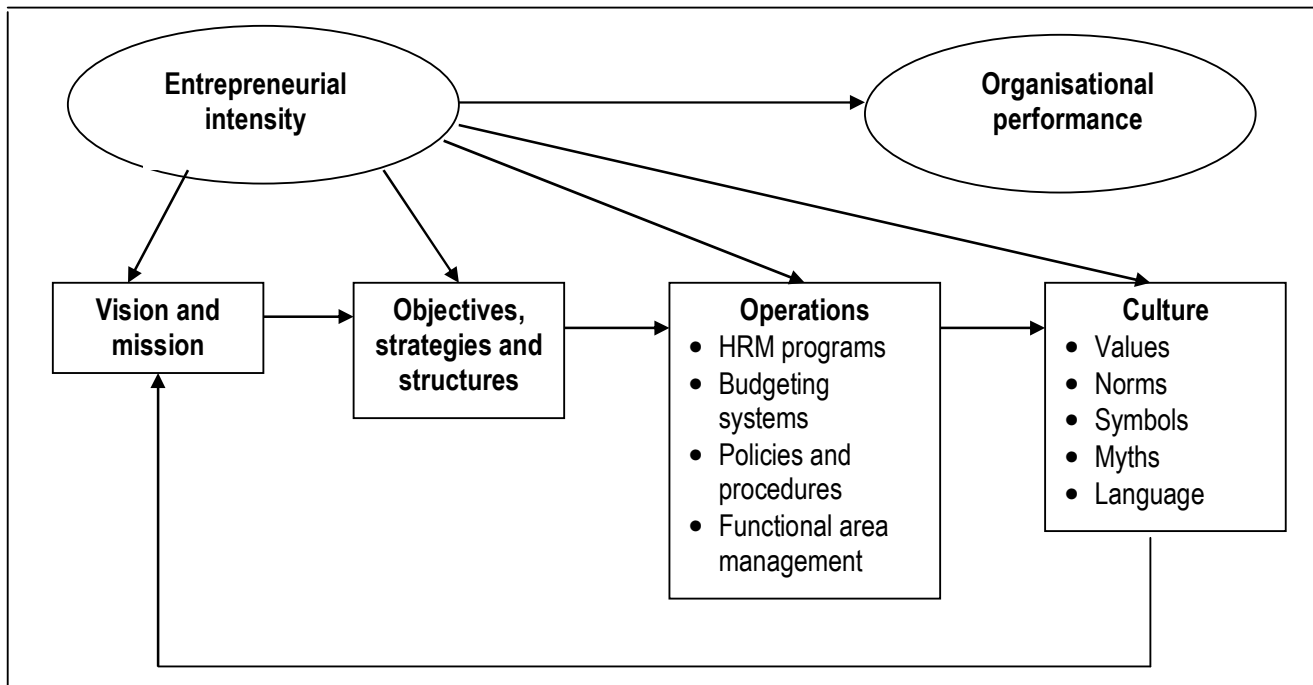


Source: Kuratko, *et al.* (2004:79)

3.4.6 A strategic integration framework (Morris, *et al.*, as adapted from Covin and Slevin)

The focus in this framework is the ongoing integration of entrepreneurship throughout the entire business, which is more difficult than viewing it as a discrete activity or event or behaviour. Entrepreneurship is not just something that a person or team does at a point in time, but instead should capture the essence of what a business is about and how it operates. The framework indicates that a business's entrepreneurial orientation or intensity has a direct and positive influence on company performance. It does so because it is interwoven with the vision and mission of the business, the strategies, objectives, structures, the everyday operations, and the overall organisational culture. The major purpose of this integrative model is to allow for considerable managerial intervention to foster corporate entrepreneurship as company leaders begin to understand that innovative behaviour by employees should not be an accidental or serendipitous occurrence.

FIGURE 3.7 Strategic integration of entrepreneurship throughout the business

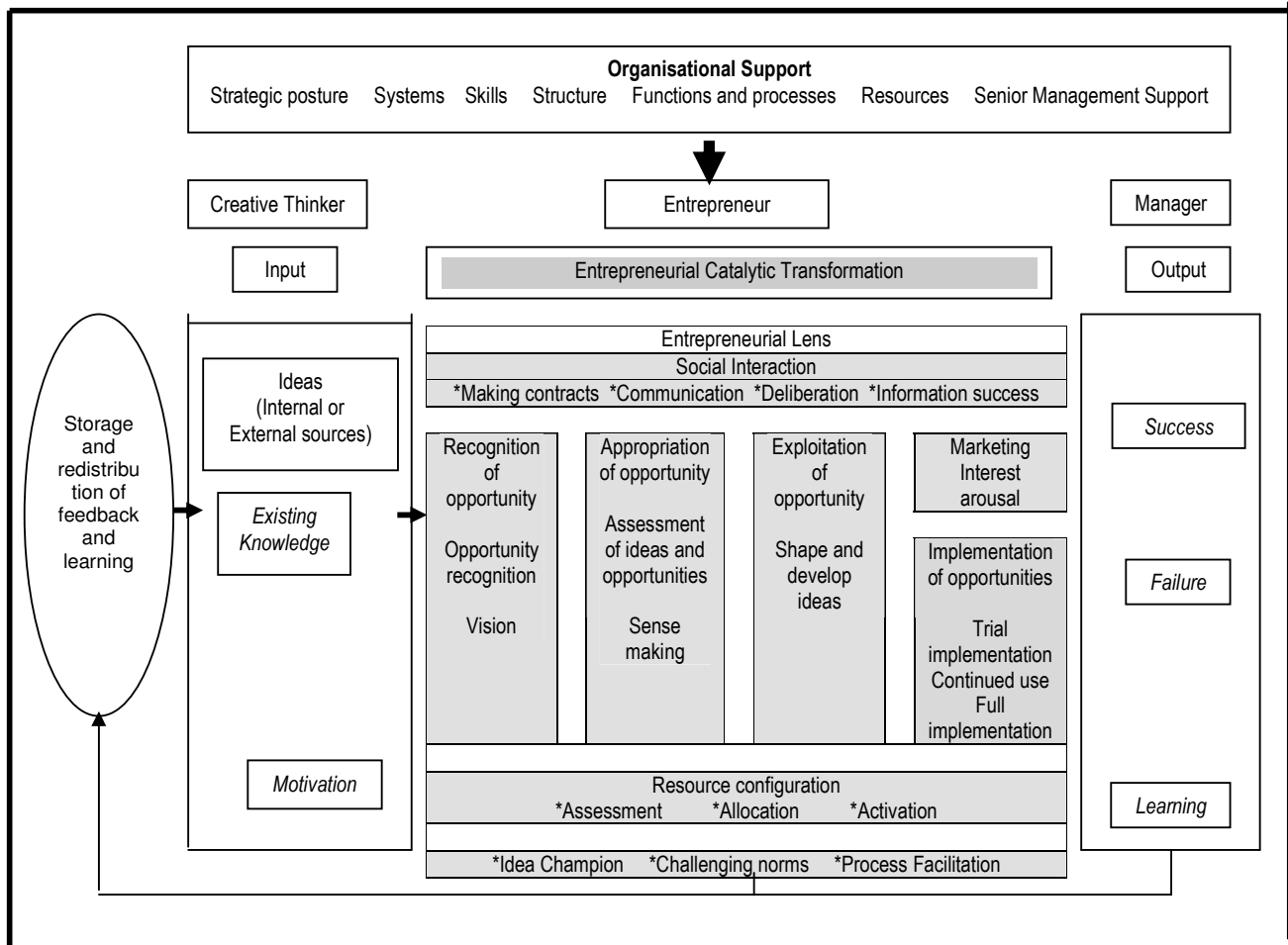


Source: Morris, *et al.* (2008:50)

3.4.7 The micro-model of corporate entrepreneurship and innovation (Shaw, *et al.*)

Shaw, *et al.* (2005:394) did research to determine the missing link between corporate entrepreneurship and innovation. From this research they developed a new model, as illustrated in figure 3.8, for corporate entrepreneurship and innovation. This model is a multi-stage, multi-individual, complex process that helps to provide the insight for altering the organisational dynamics. It indicates that an entrepreneurial philosophy, which stimulates change and the provision of a supportive environment, is most likely to foster innovation. Entrepreneurial businesses are often the most proactive when it comes to innovation, which in turn provides the potential for competitive advantage. The model gives managers insight into how to introduce entrepreneurial activity into businesses and the management of innovation.

FIGURE 3.8 The micro-model of corporate entrepreneurship and innovation



Source: Shaw, *et al.* (2005:397)

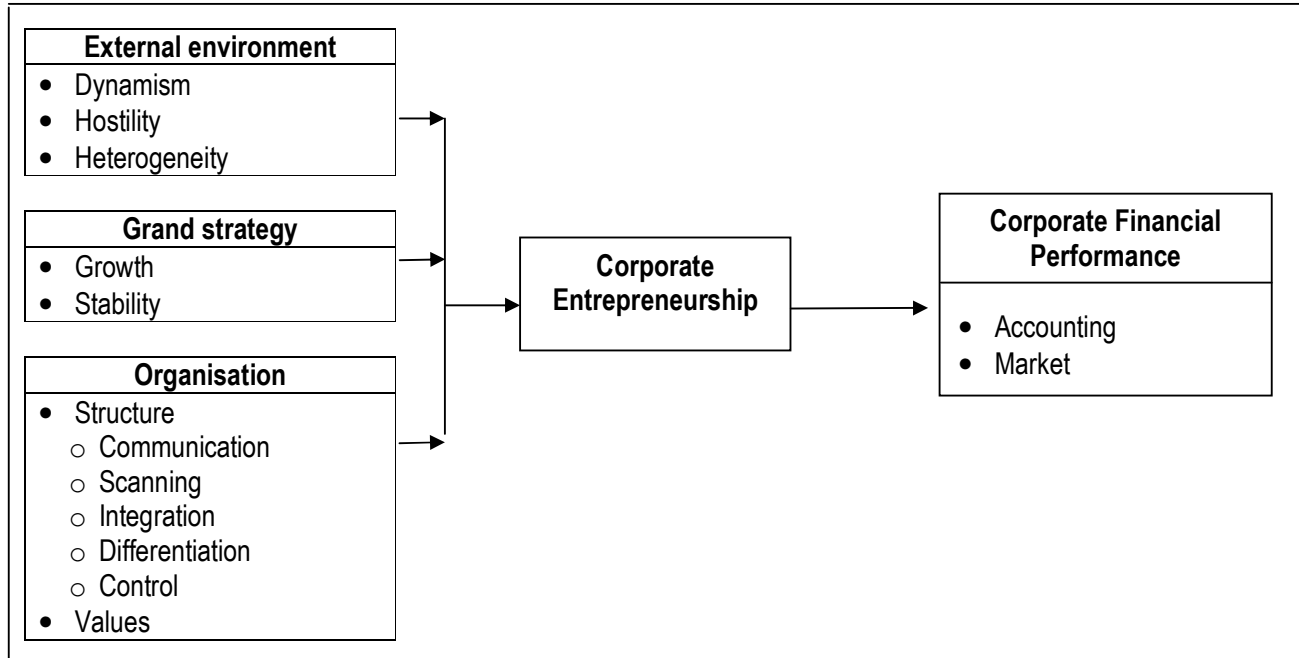
3.4.8 Model of predictors and financial outcomes of corporate entrepreneurship (Zahra)

Zahra (1991:260) advances that only a few studies systematically examined the effect of corporate entrepreneurship on company performance (e.g. Bigadike, 1979; Block, 1989; Miller and Camp, 1985; Zahra, 1986).

According to Zahra (1991:260) this model posits that a combination of environmental, strategic and business-related variables jointly influences corporate entrepreneurship efforts. Each variable may independently influence corporate entrepreneurship, but only

by examining its simultaneous effects can corporate entrepreneurs' major precursors be reliably understood.

FIGURE 3:9 A model of predictors and financial outcomes of corporate entrepreneurship



Source: Zahra (1991:263)

Zahra (1991:279) empirically tested this model and the results clearly indicate that businesses have emphasised corporate entrepreneurship as they perceived their environment as becoming increasingly dynamic, hostile and heterogeneous. Growth-oriented strategies were positively associated with corporate entrepreneurship and stability strategies negatively related. Communication and scanning had positive relations to corporate entrepreneurship. The results on differentiation and integration varied in their association with corporate entrepreneurship – the variables were associated in opposite directions with external and internal corporate entrepreneurship. Differentiation was negatively associated with internal, but positively with external corporate entrepreneurship. Integration was positively associated with internal corporate entrepreneurship because of unity of effort resulting from increased coordination. Integration was negatively associated with external corporate entrepreneurship. Control was negatively associated with

corporate entrepreneurship – increased formal controls were associated with lower corporate entrepreneurship.

Person-related values were relevant in the case of internal corporate entrepreneurship and competition-oriented values were relevant in the case of externally oriented corporate entrepreneurship ventures. Lastly, a positive association was made between corporate entrepreneurship activities and businesses financial performance.

This model can be applicable to this study specifically in terms of the organisational factors that influence the pursuit of corporate entrepreneurial activities. These variables form the context within which employees and executives perceive opportunities for new ventures.

3.4.9 Model of corporate entrepreneurship and wealth creation (Antoncic and Hisrich)

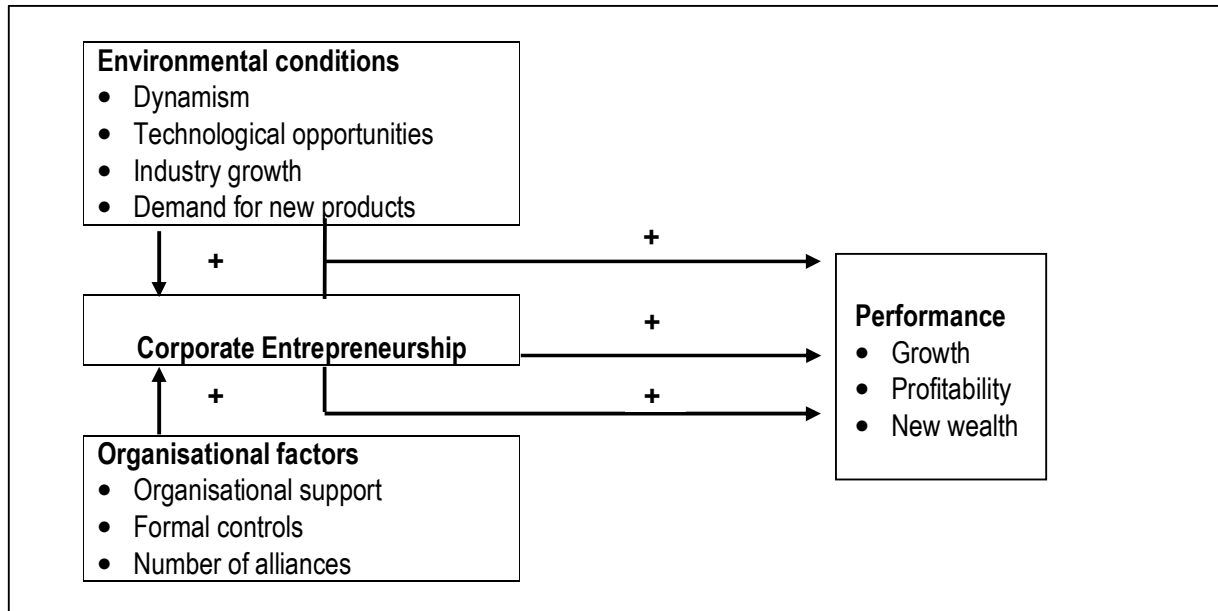
Antoncic and Hisrich (2004:523) indicate that because of various limitations with corporate entrepreneurial models, a study was designed to remedy these weaknesses. In order to reduce the previous problems with clarification of relationships among elements in the corporate entrepreneurship model, a new model was built. This model includes corporate entrepreneurship and its two direct antecedent concepts (environmental and organisational factors, including also organisational alliances with other firms); wealth creation, in addition to growth and profitability as performance elements; and indirect and interaction effects. In testing this model the following findings were made by Antoncic and Hisrich (2004:539 – 540):

First, the results suggested that the influence of industry growth on performance may not be mediated by corporate entrepreneurship. This sharply contradicts the findings of Zahra (1993). Antoncic and Hisrich proposed further investigation in this regard. Organisational growth and new wealth creation, but not profitability, can be influenced directly by industry growth and by the fit between this industry characteristic and corporate entrepreneurship.

Secondly, technological opportunities can be an important element impacting on corporate entrepreneurship. These environmental conditions can have some indirect effect on organisational performance, but fitting the level of corporate entrepreneurship to the level

of these conditions may not be conducive to organisational growth, profitability or new wealth creation.

FIGURE 3.10 A model of corporate entrepreneurship and wealth creation



Source: Antoncic and Hisrich (2004:534)

Thirdly, demand for new products can be an important factor in directly impacting on corporate entrepreneurship. It may also have some direct influence through entrepreneurship on performance. More importantly, organisational new wealth creation and profitability, but not growth, can be influenced directly by the demand for new products, as well as by the fit between this industry characteristic and corporate entrepreneurship.

Fourth, the findings suggest that organisational support can be an important direct predictor of corporate entrepreneurship, as well as have indirect influence on performance. Organisational growth, but not new wealth creation and profitability, can be impacted by fitting the level of organisational support to the level of corporate entrepreneurship.

Fifth, formal controls can be important in fostering corporate entrepreneurship, but their impact on performance is weak.

Sixth, the number of strategic alliances can be positively related to corporate entrepreneurship. However, at a higher number of ties this relationship can become negative.

The most important of these drivers of corporate entrepreneurship is organisational support, which is to a large extent under the influence of management. According to figure 3.10 new wealth creation can be influenced directly and indirectly in the following ways. New wealth creation can be influenced by industry growth for all businesses and demand for new products for younger businesses. New wealth creation is also influenced directly by the interactions of these two environmental elements (industry growth for younger businesses, only; demand for new products for growth oriented firms only) with corporate entrepreneurship and indirectly by organisational support and technological opportunities. According to this model organisational growth can be impacted directly by industry growth and by the interactions of industry growth and organisational support with corporate entrepreneurship and indirectly by organisational support. Profitability can be affected directly, and in interaction with corporate entrepreneurship, by the demand for new products, as well as indirectly by organisational support.

The results show that organisational support can be the most important predictor of corporate entrepreneurship. Corporate entrepreneurship can be to a large extent stimulated and affected by management and organisational members. In order to impact corporate entrepreneurship, enhancing intra- and inter-organisational factors should be a priority. The most important among all examined organisational factors is management and organisational support, since it tends to have the strongest influence on corporate entrepreneurship and a substantial indirect influence on organisational wealth creation, growth and profitability.

In order to grow faster (Antoncic and Hisrich, 2004:543), businesses should pursue growth strategies, fit their level of corporate entrepreneurship to the level of industry growth and make sure that their level of organisational support actually translates into the corresponding level of corporate entrepreneurship.

3.4.10 Comments on models

The models discussed in this section of the literature review that can be applied to this study are:

- The interactive model of Hornsby, *et al.* (1993) as shown in Fig 3.5. This model indicates the characteristics that foster corporate entrepreneurship. It also identifies obstacles or barriers to corporate entrepreneurship.
- The model of sustained corporate entrepreneurship by Kuratko, *et al.* (2004) Fig 3.6, focuses on the factors necessary to develop entrepreneurial behaviour and how to sustain entrepreneurship on an ongoing basis, and
- The model of Covin and Slevin that has been adapted by Morris, *et al.* (2008:50). Fig 3.7 focuses on how to integrate entrepreneurship throughout the business. A specific focus is on the entrepreneurial intensity.

These three models can be linked directly to the hypotheses formulated for this study (refer to chapters 1 and 5 for the research hypotheses).

The biggest criticism towards the development of models by researchers in the field of corporate entrepreneurship is that it has not been tested empirically. In this regard Zahra, Antoncic and Hisrich are three of the researchers that do continuously improve existing models and also test them empirically. The latest model developed by Antoncic and Hisrich (2004) addresses various limitations identified by corporate entrepreneurial models. An important contribution of this model is with regard to the importance of organisational support that can be a direct predictor of corporate entrepreneurship success. This aspect is also addressed in the hypotheses of this study.

For the purposes of this study corporate entrepreneurship is seen as a model that is adopted by a business.

In the following section entrepreneurial orientation will be discussed.

3.5 ENTREPRENEURIAL ORIENTATION

Entrepreneurial orientation, according to Child (1972) in Lumpkin and Dess (1996:136), refers to processes, practices and decision-making activities that lead to new entry. Entrepreneurial orientation emerges from a strategic-choice perspective which asserts that new-entry opportunities can be successfully undertaken by purposeful performance. Entrepreneurial orientation involves the intentions and actions of key players functioning in a dynamic generative process aimed at new venture creation.

Miller (1983:771) provided a useful starting point for the specific dimensions of entrepreneurial orientation. Miller suggested that an entrepreneurial business is one that engages in product market innovations, undertakes somewhat risky ventures, and is first to come up with proactiveness to characterise and test entrepreneurship. Various researchers have adopted Miller's original conceptualisation (e.g. Covin and Slevin, 1989; Guth and Ginsberg, 1985; Morris and Paul, 1987; Naman and Slevin, 1993; Schafer, 1990).

Pearce, Kramer and Robbins (1997:149) indicate that there is a growing body of empirical evidence of a positive relationship between an entrepreneurial orientation and improved performance, as indicated by both financial and non-financial performance measures.

The entrepreneurial orientation of a business is described by Altinay and Altinay (2004:334) as a dimension of strategic posture represented by the businesses risk-taking propensity, the tendency to act in a competitively aggressive, proactive manner and reliance on frequent product innovation. Businesses are said to have entrepreneurial orientation when innovative organisational members work together, producing fresh ideas while being provided with a prevailing atmosphere conducive to acting on those ideas. Altinay and Altinay (2004:334) continue and indicate that entrepreneurial orientation concentrates on encouraging creative behaviour among employees and benefits by initiating the development of new products, processes or systems to maintain and increase their presence in the marketplace. Creating an entrepreneurial orientation has turned out to be a more multifaceted task for businesses than ever before. As businesses become larger and more complex, businesses are challenged to find a way to nurture and

empower innovative, opportunity-seeking, entrepreneurial employees, while encouraging accountability. Businesses need to bring about a new way of thinking to the management of the business.

Dess and Lumpkin (2005:147) indicate that corporate entrepreneurship has two primary aims: (1) the creation and pursuit of new venture opportunities, and (2) strategic renewal. Dess and Lumpkin (2005:147) claim that whatever form corporate entrepreneurship efforts take, the key to creating value successfully is viewing every value chain activity as a source of competitive advantage. The effect of corporate entrepreneurship on a business's strategic success is strongest when it animates all parts of a business. It is found that in businesses where the strategic leaders and the culture together generate a strong impetus to innovate, take risks, and aggressively pursue new venture opportunities, they tend to be more successful. These ideas are captured by the concept known as "entrepreneurial orientation".

Dess and Lumpkin (2005:148) added to the research originally conducted by Miller (1983) and identified five dimensions of entrepreneurial orientation: (1) autonomy (independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion); (2) innovativeness (the willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services as well as new processes); (3) proactiveness (a forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand); (4) competitive aggressiveness (an intense effort to outperform industry rivals, characterised by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace), and (5) risk-taking (making decisions and taking action without certain knowledge of probable outcomes. Some undertakings may also involve making substantial resource commitments in the process of venturing forward).

According to Morris, *et al.* (2008:69), just as important as determining the dimensions of entrepreneurship in a business is the frequency of entrepreneurship. The dimensions of entrepreneurship (innovativeness, risk-taking, proactiveness, autonomy and competitive aggressiveness) determine the level of entrepreneurship in a business. The frequency of

entrepreneurship refers to how many entrepreneurial events take place within a business over a given period of time.

To assess the overall level of entrepreneurship in a business the concepts of degree and frequency must be considered together (Morris, *et al.* 2008:69). A business may engage in several different entrepreneurial initiatives (high on frequency), but none of them is all that innovative, risky or proactive (low on degree). On the other hand, a business may pursue a path that emphasises breakthrough developments (high degree) that are done every four or five years (low frequency).

Morris, *et al.* (2008:74) concur that many researchers like Covin and Slevin, 1989; Davis, Morris and Allen, 1991; Miller and Friesen, 1982; Morris and Sexton, 1996; Wiklund and Shepherd, 2005; and Zahra, 1986; have demonstrated statistically significant relationships between entrepreneurial orientation and a number of indicators of organisational performance. Examples of such indicators include profits, the income-to-sales- ratio, the rate of growth in revenue, the rate of growth in assets, the rate of growth in employment, and a composite measure of 12 financial and non-financial criteria. Morris, *et al.* (2008:74) also states that the linkage between entrepreneurial orientation and performance appears especially strong for businesses that operates in increasingly turbulent environments. Rapid rates of change and threatening developments in the external environment may force businesses to find ways to be more entrepreneurial.

A very important observation made by Morris, *et al.* (2008:75) is that within businesses, entrepreneurial orientations can be expected to differ significantly among various divisions, units, departments and areas.

The results of a study conducted by Barringer and Bluedorn (1999:433) state that in determining the relationship between strategic management and corporate entrepreneurship, a business's entrepreneurial orientation is influenced by the nature of its strategic management practices. Scanning intensity is an important correlate of entrepreneurial behaviour. A strong relationship exists between planning flexibility and corporate entrepreneurial orientation.

Researchers are increasingly using entrepreneurial orientation as the basis of study in corporate entrepreneurship. Examples include Aloulou and Fayolle, 2005; Brizek and Khan, 2006; Jacobs and Kruger, 2001; Scheepers, Hough and Bloom, 2007; Wang, 2008; Heilbrunn, 2008.

Morris, *et al.* (2008:75) note examples of aspects that are not yet known about entrepreneurial orientation. Some of these aspects are:

- to what extent does the relative importance of degree versus frequency vary depending on such strategic factors as
 - the pace of technological change in an industry,
 - the levels of competitive intensity,
 - or the heterogeneity of market demand?
- under what conditions is degree versus frequency the strongest contributor to company performance?
- it is also necessary to determine whether frequency and degree contribute equally to short-term as opposed to long-term performance;
- another critical question concerns the types and amounts of costs associated with entrepreneurial orientation; and
- finally, it is not clear that high levels of entrepreneurial orientation are sustainable.

3.6 CORPORATE ENTREPRENEURSHIP AND INNOVATION

McFadzean, O'Loughlin and Shaw (2005:356) combine corporate entrepreneurship and innovation and state that corporate entrepreneurship can be defined as the effort of promoting innovation in an uncertain environment. Innovation is a process that provides added value and novelty to the business, its suppliers and customers through the development of new procedures, solutions, products and services as well as new methods of commercialisation. This definition as indicated in McFadzean, O'Loughlin and Shaw; 2005:356, is based on the work of Covin and Slevin, 1992; Knox, 2002; and Lumpkin and Dess, 1996. Within this process the principal roles of the corporate entrepreneur are to challenge bureaucracy, to assess new opportunities, to align and exploit resources and to move the innovation process forward. The corporate entrepreneur's management of the innovation process will lead to greater benefits for the business.

Stevenson and Jarillo (1990:18) indicate that Schumpeter (1934) in his classic works considered entrepreneurship as the process by which the economy as a whole goes forward. It is something that disrupts the market equilibrium or circular flow. Its essence is innovation.

Schumpeter (1934) was among the first to emphasise the role of innovation in the entrepreneurial process. According to Schumpeter, innovation includes: (1) the introduction of a new good – that is, with which consumers are not yet familiar, – or of a new quality of a good; (2) the introduction of a new method of production, one not yet tested by experience in the branch or manufacture concerned, which needs by no means to be founded on a scientific new discovery, and can exist in a new way of handling a commodity commercially; (3) the opening of a new market, that is a market of the country in question into which the particular branch or manufacture has not previously entered, whether or not this market has existed before; (4) the conquest of a new source of supply of raw materials or half-manufactured goods, again regardless of whether this source already exists or whether it first has to be created, and (5) the carrying out of the new business or any industry, such as the creation of a monopoly position or the breaking up of a monopoly position.

Drucker (1985) in Antoncic and Hisrich (2003b:13) considered innovation a specific function of entrepreneurship. In Drucker's view innovation distinguishes what is entrepreneurial from what is management. It is the Schumpeterian innovation that differentiates behaviour of entrepreneurs from non-entrepreneurial managers, making entrepreneurship and innovation almost inseparable.

Lumpkin and Dess (1996:142) state that innovativeness reflects a business's tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes. Innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art.

Stevenson and Gumpert (1995) in Covin and Miles (1999:48) state that innovation is the heart of entrepreneurship.

Covin and Miles (1999:48) note that innovation is the centre of the network that includes the construct of corporate entrepreneurship. Without innovation there is no corporate entrepreneurship, regardless of the presence of the other dimensions of entrepreneurial orientation.

Innovation, according to Ireland, *et al.* (2006a:10) is one of the most vital uses of shared organisational knowledge. Innovation takes place in businesses in the form of new products, new processes to create products and new administrative structures and routines to help the business operate efficiently and effectively.

Innovation does not surface in an organisational vacuum, according to Ireland, *et al.* (2006a:10). Employees throughout a business who are engaging in entrepreneurial behaviour are the foundation for organisational innovation. To develop and simultaneously nurture today's and tomorrow's competitive advantages, advantages that are grounded in innovation, businesses increasingly relies on corporate entrepreneurship.

Johnson (2001:136) claims that many people view innovation and corporate entrepreneurship as a vehicle to stimulate growth and development. If a business does not adopt a proactive attitude towards innovation and the creation of new ventures; it is unlikely to survive in an increasingly aggressive, competitive and dynamic market place.

Johnson (2001:139) indicates that corporate entrepreneurship relates to innovation and identifies various forms of innovation:

- any change in the product or service range a business takes to market;
- any change in the application of a product or service away from its original purpose;
- any change in the market to which a product or service is applied away from the originally identified market;
- any change in the way a product or service is developed and delivered away from the original operational and logistical design; and
- there is always a special category of innovation that focuses upon a business's development of its core business model away from its current or previous business model.

According to Hitt, Ireland Camp and Sexton (2001:480) innovation is considered by many scholars and managers to be critical for businesses to compete effectively in domestic and global markets. Hamel (2000) in Hitt, Ireland, Camp and Sexton (2001:480) argues that innovation is the most important component of a business's strategy. Hamel also suggests that because the competitive landscape is nonlinear, it requires managers to think in nonlinear ways.

“Continuous innovation (in terms of products, processes, technologies, administrative routines and structures) and an ability to compete proactively in global markets are the key skills that will determine corporate performance in the twenty-first century. Entrepreneurial attitudes and behaviours are necessary for businesses of all sizes to prosper and flourish. The challenge to managers is one of creating an internal marketplace for ideas within their businesses and encouraging employees to act on these ideas” (Morris, *et al.*, 2008:iv).

3.7 HOW TO FOSTER, DEVELOP AND IMPLEMENT CORPORATE ENTREPRENEURSHIP IN A BUSINESS

Hisrich, *et al.* (2008:68) define an entrepreneurially fostering environment as an environment that enhances organisational members' perceptions of entrepreneurial action as both feasible and desirable.

Morris, Van Vuuren, Cornwall and Scheepers (2009:4) state that fostering corporate entrepreneurship becomes problematic if a business's executives do not know what they are trying to achieve. The beginning point is to specify the desired corporate entrepreneurship outcomes. Morris, *et al.* (2009:5) provides the following as possible outcomes: new corporate strategies; new ventures; new business models; new markets; new products or services and new internal processes. Measurable goals need to be set to guide the entrepreneurial efforts of a business. Decisions must be made in terms of the frequency and degree of entrepreneurship in the different outcome areas. Areas must also be established in which the business will be an innovation leader versus a follower, the priority placed on products versus service innovation, the proportion of employee time devoted to new versus existing initiatives, and the amount and types of innovation to come from different levels within the business (Morris, *et al.* 2009:5).

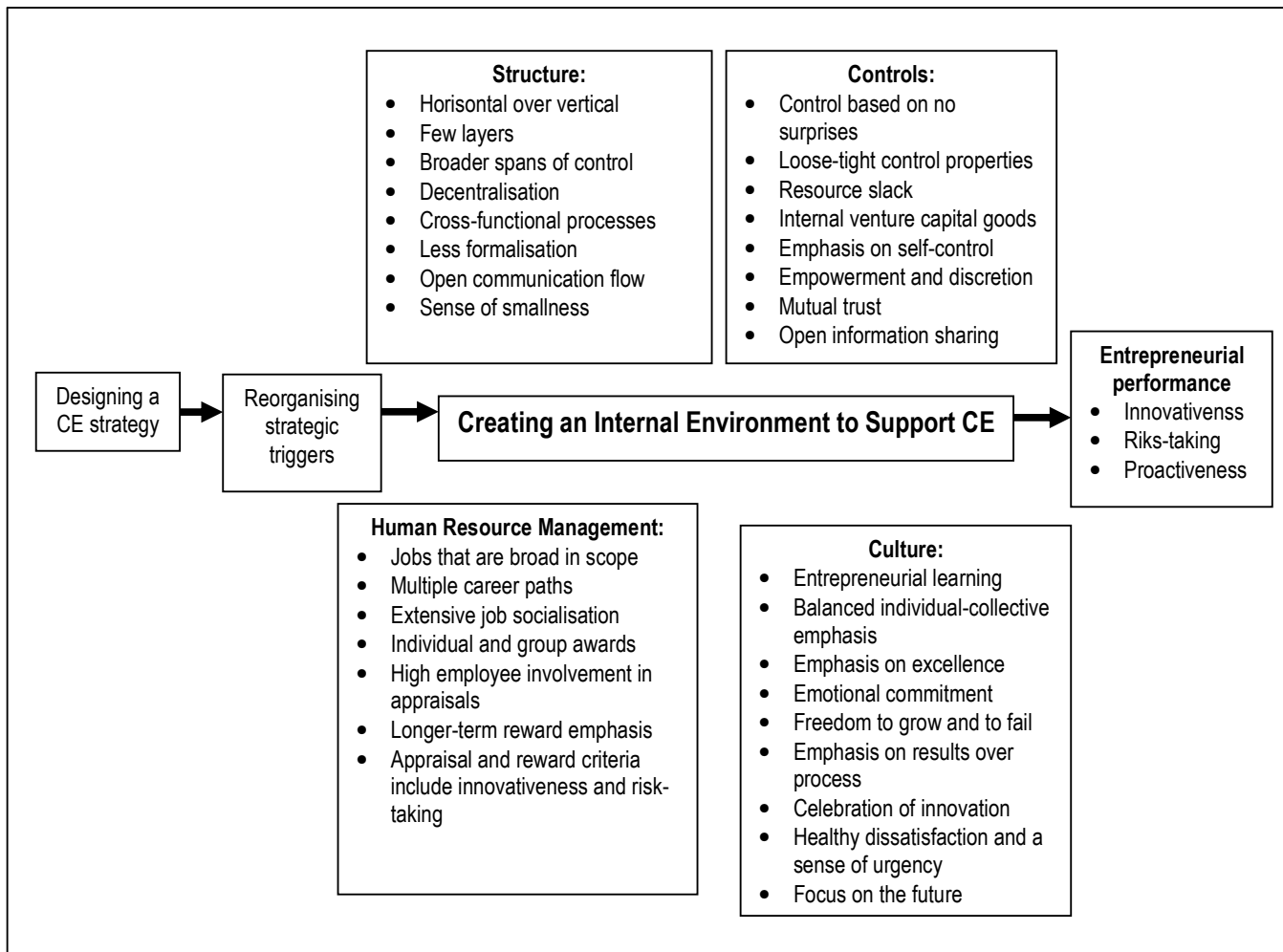
Research has identified various methods, techniques, principles and practices to foster, develop and implement corporate entrepreneurship in businesses. In this section of the literature review the main aspects of this past research will be reviewed. This research will be presented firstly by the framework developed by Ireland, *et al.* (2006a:13) on how to create sustainable corporate entrepreneurship and secondly by the corporate entrepreneurship framework developed by Echols and Neck (1998:39). Lastly the five organisational antecedents (originally identified by Kuratko, *et al.*, 1990) that can promote or impede corporate entrepreneurial activities will be discussed. Supportive research will be included in these two sections.

3.7.1 Framework for sustainable corporate entrepreneurship

The framework for sustainable corporate entrepreneurship as developed by Ireland, *et al.* (2006a:13) focuses on how to create sustainable corporate entrepreneurship where attention is given to the characteristics of an internal work environment that supports corporate entrepreneurship. These characteristics are structure, controls, human resource management systems and culture and are illustrated in figure 3.11. Other researchers that support some of the elements of this framework will also be incorporated in this discussion.

This framework indicates that corporate entrepreneurship flourishes when a business's structure has a relatively small number of layers (Ireland *et al.*, 2006a:13). A restricted number of layers results in a broader span of control which in turn creates opportunities for employees to act entrepreneurially. With fewer managerial layers, authority and responsibility are decentralised, and horizontal or lateral interactions among employees are encouraged. These structural characteristics facilitate the surfacing of ideas and innovations at lower organisational levels and foster unique and creative managerial styles. An entrepreneurially friendly organisational structure does not have highly structured job roles and is receptive to continuous changes in the nature of employees' work. The need to change job roles commonly results as employees become successful with efforts to innovate.

FIGURE 3.11 Framework for sustainable corporate entrepreneurship



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

Organisational controls create value when they simultaneously provide the stability that businesses need in order to exploit current competitive advantages, together with the flexibility required for employees to act entrepreneurially. When encountering dysfunctional controls, corporate entrepreneurs try to work around them. Ireland *et al.* (2006a:15) indicate that experience shows positive controls are linked to performance measures, allow significant discretion, and are focused on generating and sharing knowledge that allows employees (including managers) to identify problems before they surface. Controls promote and nurture entrepreneurial behaviour when they are able to balance loose and tight properties. In addition, strategic controls (which are concerned primarily with verifying that the business is doing the right thing) are emphasised over financial controls (which are concerned primarily with verifying that the business is doing

things right). Emphasising strategic controls encourages employees to accept risk that is associated with effective entrepreneurial behaviour.

Ireland, *et al.* (2006a:15) state that with corporate entrepreneurship the goals of an **effective human resource management system** are formulated for employees to learn how to: embrace creative and innovative behaviour; and take reasonable levels of risk; also to use a long-term orientation to evaluate innovation-based possibilities; focus on results; work cooperatively with others; tolerate ambiguity; and assume responsibility for change.

A business's human resource management system is a valuable tool to encourage and reinforce entrepreneurial behaviour. Successful corporate entrepreneurship is promoted by entrepreneurially-friendly processes related to recruiting, selecting, training, developing and rewarding.

Ireland *et al.* (2006a:15) state that training should be continuous; less structured or standardised and focused on individualised knowledge requirements. In the corporate entrepreneurial training programs, employees should be exposed to opportunities where they can develop tolerance for risk, embrace change as a source of individual and organisational growth, and learn the realities of organisational politics. Learning the realities of organisational politics will allow employees to obtain sponsors for their innovation-based projects.

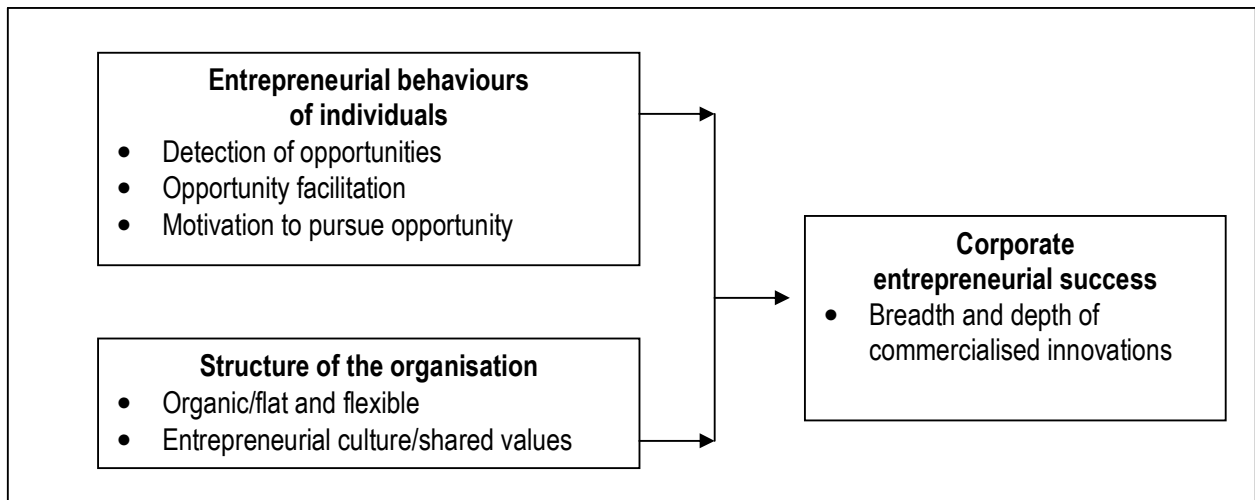
According to Ireland *et al.* (2006a:16) most **organisational cultures** are felt or experienced rather than described in words. In a business with a high degree of entrepreneurial orientation, great value is placed on viewing change, and the uncertainty it often creates, as the foundation for opportunities to innovate and improve a business's performance. In an entrepreneurial culture, the focus is on the future rather than the past, and the ability to develop and transfer knowledge is greatly valued. In an entrepreneurially-intense culture high importance is placed on the empowerment of people to allow them to act creatively and to fulfil their potential. Authority and responsibility are decentralised to employees who are closest to the action so that they can make decisions that are in the businesses best interests. Associated with authority and responsibility are

expectations that employees will strive for excellence in all that they do. Employees will also be willing to be held accountable for the outcomes of their efforts.

3.7.2 Corporate entrepreneurship framework

Echols and Neck (1998) developed a framework to support the development of corporate entrepreneurship in a business. Being able to detect and facilitate opportunities, as well as having the motivation to pursue the opportunities, establishes an entrepreneurial climate for innovative success. This framework is illustrated in figure 3:12 and indicates that behaviours of employees and the structure of a business are primary ingredients necessary for corporate entrepreneurial success. Entrepreneurial success is defined in terms of innovative capacity that enables a business to renew itself and hence survive longer.

FIGURE 3:12 Corporate entrepreneurship framework



Source: Echols and Neck (1998:41)

Echols and Neck (1998:42) state that the key to making an organisational structure entrepreneurial involves several factors, especially fostering the right climate or culture. An entrepreneurial climate that promotes the detection and facilitation of opportunities as well as fostering motivation to pursue opportunities provides an ideology to which employees can commit while facilitating the emergence of social capital. This also requires having an organisational philosophy oriented to individual roles, relationships and frontline initiatives. Relationships focusing on the importance of reputation, trust

reciprocity and mutual interdependence produce supportive entrepreneurial structures. Bartlett and Goshal (1996) in Echols and Neck (1998:42) state that entrepreneurial structures have disaggregated performance units with clear communication of employees' roles and responsibilities; are supportive; have performance-driven systems with an unusually high level of discipline; and have a clear mission and standards.

Drucker (1985) in Echols and Neck (1998:43) advises that entrepreneurial structures should be new and separately organised from the old and existing ways of a business, with a specific locus for new projects stemming from executive authority, prestige and accountability. Drucker (1985) also specified that corporate entrepreneurship can successfully be fostered by setting up new ventures separately, so that each unit can carry different policies, rules and measurements that best fit its objectives and spirit. Smith (1986) in Echols and Neck (1998:43) suggests the elimination of unnecessary levels of management and encourages teamwork and participative management styles to nurture entrepreneurship.

Levine (1991) in Echols and Neck (1998:43) indicates lessons learned from a traditional local government that built an organisational structure to foster and support entrepreneurial activity. These lessons include having demonstrated a consistent support from the Chief Executive Officer who: communicates a vision; enhances flexibility in improvements to the program but shows inflexibility to values. The CEO also provides the necessary resources to implement productivity improvements; establishes employee involvement groups/teams; and flattens the business to only a few levels to change the patterns of communication and work.

Climate and structure symbolically reinforce each other, and need each other to make possible the breadth and depth of commercialised innovations necessary to survive environmental turbulence.

Echols and Neck (1998:44) summarise the research conducted by indicating that managers should construct corporate hierarchies to be as flat as possible, and develop an entrepreneurial culture. Together these two changes should emphasise the detection of opportunities, with facilitation and motivation to pursue opportunity. Then make sure the structure, that supports entrepreneurial behaviour, fosters the following:

- front-line initiatives with clear communications;
- the creation of new organisational forms that are either separate from or subsets of other forms;
- a reduction of authoritarianism by giving up control to experts instead of basing it on seniority;
- performance-driven systems with a focus on support, facilitation and coaching;
- systematic and disciplined innovation in pursuit of a distinct mission;
- high standards (inflexibility) in terms of acceptable values;
- high energy toward creatively shaping the business while taking calculated risks;
- explicit assignments of authority;
- challenges to stretch people's skills and ways of thinking;
- measurements designed to enable assessment of different indicators of performance;
- flexibility whereby bureaucracy is minimised and ad-hoc approach is maximised;
- an emphasis on the importance of reputation, trust and mutual interdependence;
- teamwork and participative management styles; and
- celebration for the process more so than the end result.

3.7.3 Organisational antecedents

Various organisational antecedents exist that can promote or impede corporate entrepreneurial activities. Kuratko, *et al.* (2004: 82) summarise the main five organisational antecedents and all the researchers that have contributed towards identifying these antecedents in table 3.2. Kuratko, *et al.*, (1990) established top management support, autonomy/work discretion, rewards/reinforcement, resources/time availability and organisational boundaries as the underlying environmental factors required for individuals to behave entrepreneurially. Kuratko, *et al.*'s (2004:82) results were reinforced by the findings of a study of 119 chief executive officers of US-based corporations. When a business initiates corporate entrepreneurial strategy, then organisational antecedents must be present in the form of top management support, autonomy/work discretion, rewards/reinforcement, resources/time availability and organisational boundaries in order to influence an individual's decision to behave entrepreneurially. The greater the degree to which the individual perceives the existence

of reward, management support, flexible organisational boundaries, resources and autonomy, the higher the probability of the individual's decision to behave entrepreneurially.

TABLE 3.2 Organisational antecedents

Factor	Research citations
Rewards/ reinforce- ment	Scanlan, 1981; Souder, 1981; Kanter, 1985; Sathe, 1985; Block and Ornati, 1987; Fray, 1987; Sykes, 1982; Barringer and Milkovich, 1998; Covin and Miles, 1999; Kuratko, Ireland and Hornsby, 2001; Chen, Zhu and Anquan (2005)
Top manage- ment support	Souder, 1981; Quinn, 1985; Hisrich and Peters, 1986; MacMillan, Block and Narasimha, 1986; Sykes, 1989; Sathe, 1989; Sykes and Block, 1989; Stevenson and Jarillo, 1990; Damanpour, 1991; Kuratko, Hornsby, Naffziger and Montagno, 1993; Pearce, Kramer and Robbins, 1997; Lyon, Lumpkin and Dess, 2000; Antoncic and Hisrich, 2001; Kuratko, Ireland and Hornsby, 2001; Morris and Kuratko, 2002; Antoncic and Zorn, 2004; Chen, Zhu and Anquan (2005)
Resources/ time availability	Von Hippel, 1977; Souder, 1981; Kanter, 1985; Sathe, 1985; Burgelman and Sayles, 1986; Hisrich and Peters, 1986; Sykes, 1986; Katz and Gartner, 1988; Sykes and Block, 1989; Damanpour, 1991; Stopford and Baden-Fuller, 1994; Das and Teng, 1997; and Slevin and Covin, 1997.
Organisa- tional boundaries	Souder, 1981; Burgelman, 1983; Sathe, 1985; Burgelman and Sayles, 1986; Hisrich and Peters, 1986; Schuler, 1986; Sykes, 1986; Bird, 1988; Sykes and Block, 1989; Guth and Ginsberg, 1990; Covin and Slevin, 1991; Damanpour, 1991; Zahra, 1991, 1993, 1995; Brazeal, 1993; Hornsby, Naffziger, Kuratko and Montagne, 1993; Hornsby, Kuratko and Montagno, 1999; Antoncic and Hisrich, 2001; and Hornsby, Kuratko and Zahra, 2002.
Work discretion (autonomy)	Burgelman, 1983, 1984; Kanter, 1985; Quinn, 1985; Sathe, 1985; MacMillan, Block and Narasimha, 1986; Sykes, 1986; Bird, 1988; Ellis and Taylor, 1988; Sathe, 1989; Sykes and Block, 1989; Stopford and Baden-Fuller, 1994; Hornsby, Kuratko and Montagno, 1999; Zahra, Kuratko and Jennings, 1999; Morris and Kuratko, 2002; and Hornsby, Kuratko and Zahra, 2002.

Source: Adapted from Kuratko, *et al.* (2004:82)

Morris, *et al.* (2008:330) summarise the five organisational antecedents as follows:

- Managerial support refers to the willingness of top-level managers to facilitate and promote entrepreneurial behaviour, including the championing of innovative ideas and providing the resources people require for taking entrepreneurial actions.
- Work discretion/autonomy refers to top-level managers' commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight, and to delegate authority and responsibility to managers.
- Rewards/reinforcement refers to developing and using systems that reinforce entrepreneurial behaviour, highlight significant achievements and encourage pursuit of challenging work.
- Time availability refers to evaluating workloads to ensure that individuals and groups have the time needed to pursue innovations, and that their jobs are structured in ways that support efforts to achieve short- and long-term organisational goals.
- Organisational boundaries refer to precise explanations of outcomes expected from organisational work, and development of mechanisms for evaluating, selecting and using innovations.

Supporting these organisational antecedents, the literature review on how to foster, develop and implement corporate entrepreneurship also emphasises the following viewpoints and research of other researchers.

Antoncic and Zorn (2004:7) state that particular support, in terms of training and trusting individuals in the business to detect opportunities and in terms of resource availability, has been proposed to ensure a positive influence on organisational activities and behaviour.

As a way for businesses to develop key environmental factors for corporate entrepreneurial activity, Kuratko and Hodgetts (2004:63) indicate that a corporate

entrepreneurship training programme will induce the change needed in the work atmosphere.

Hisrich, *et al.* (2005:51) and Hisrich (1990:12) make the following suggestions to implement and establish a corporate entrepreneurial environment in a business. Top management commitment is necessary to establish corporate entrepreneurship in the business. Once top management has committed itself to the concept, it should be introduced throughout the business through seminars in which the aspects of corporate entrepreneurship are presented and strategies are developed to transform the organisational culture into a corporate entrepreneurial one. After the initial framework has been established and the concept embraced, corporate entrepreneurial leaders need to be identified, selected and trained. The training should focus on obtaining resources within the business, identifying viable opportunities and their markets, and developing an appropriate business plan. Along with the corporate entrepreneurial training, a mentor-sponsor system should be established. After the initial commitment and training, a group of managers interested in the programme should train and share their experiences with other members. Informational items about intrapreneurship in general and the specifics of the businesses activities should be disseminated through the businesses newsletter or some other vehicle. Hisrich, Peters and Shepherd (2005:52) point out that it is essential for concrete activities to occur within a specific period to develop ideas into marketable products and services, the basis of the new business venture units. The corporate entrepreneurial team will need to develop a business plan, obtain customer reaction and some initial intentions to buy into, and learn how to coexist within, the organisational structure during this process. Rewards need to be tied to the performance of the intrapreneurial unit. Lastly, an evaluation system that allows successful intrapreneurial units to expand and unsuccessful ones to be eliminated needs to be established. Through these efforts and by developing corporate entrepreneurial leaders and effectively managing creativity and leadership in a business, a corporate culture can slowly be changed to a corporate entrepreneurial one. In this way, a new entrepreneurial culture and self-actualisation can occur when people create something new of value and are not worried about watching their backs and minding the store.

Toftaoy and Chatterjee (2005:15) state that corporate entrepreneurship training programmes, within the business, will separate businesses from their competitors. The

corporate entrepreneurship training programme is a way of launching corporate entrepreneurial teams, via corporate entrepreneurial workshops or seminars.

Marcus and Zimmerer (2003:11) investigated the corporate performance of Fortune 500 businesses. The investigation focused on corporate entrepreneurial training programmes in Fortune 500 businesses and utilised a self-reporting technique in order to determine the presence of such programmes in the business. All the respondents indicated that the impact of corporate entrepreneurial training programmes was positive.

Chen, Zhu and Anquan (2005:538) did research on the cultivation (fostering) of corporate entrepreneurship in China. From this study it is found that cultivation of corporate entrepreneurship is considerably influenced by the senior executive's ownership of the stock in their corporation, outside director's stock ownership and the separating of the chief executive officer from the director's board. Chen, Zhu and Anquan (2005:539) also indicate that entrepreneurial abilities of the senior executives should be cultivated, which include the capacity to endure uncertain circumstances, the ability to seize opportunities and the ability to learn from failures. Top management's entrepreneurial abilities, which include the abilities of enduring uncertainties, seizing opportunities, and tolerating and learning from failures, have a positive influence on corporate entrepreneurship. Without the top management's entrepreneurial abilities, it is difficult to cultivate corporate entrepreneurship. This research also testified that the following items are related to the development of corporate entrepreneurship: staff participation, the flexibility of strategy formulating in accordance with the circumstances, strategic financial control, the enterprising strategy, the flattened organisation structure, the special department of innovation and venture, and an innovation-oriented corporate culture. A corporation's performance is improved by innovations in product, process and technique in both domestic and international ventures. Chen, Zhu and Anquan (2005:540 - 541) propose the following to cultivate corporate entrepreneurship to enhance corporate performance:

- separating the chief executive officer from the board;
- rewarding senior executives with stock right;
- attracting outside directors by rewarding them with stock ownership;
- developing capacity to endure uncertain circumstances;

- developing the ability to seize opportunities;
- developing the ability to learn from failures;
- developing senior executives' entrepreneurial personality in terms of self-efficacy and independence;
- improving the staff participation in strategic formulating;
- formulating strategy flexibly according to the circumstances;
- emphasis on strategic financial control;
- enterprising strategy;
- flattening the organisation structure;
- setting up the special department for innovation and venturing; and
- an innovation-oriented culture.

Pinchot (1985) indicates the following methods that have been used by businesses to foster corporate entrepreneurship:

- users of internal services are allowed to make their own choice of which internal vendor they wish to use;
- entrepreneurial employees are granted something similar to ownership rights in the internal enterprises they create;
- business-wide involvement is encouraged by insisting on truth and honesty in marketing and marketplace feedback;
- corporate entrepreneurial teams are treated as a profit centre rather than a cost centre;
- team members are allowed a variety of options in jobs, innovation efforts, alliances and exchanges;
- employees are encouraged to develop through training programmes;
- internal enterprises have official standing in the business;
- a system of contractual agreements between internal enterprises is defined and supported by the business; and
- a system for settling disputes between internal enterprises and between employees and enterprises is part of the corporate entrepreneurial plan.

Pinchot (2001:19-20) also recommends the following system to instil corporate entrepreneurship in a business:

- corporate entrepreneurs should be expected to assume some potential risks – for example the individual and the business enters into a risk contract in which each understands the risks assumed by all parties;
- all parties should understand how success will be measured and how profits and costs will be defined. This includes any and all aspects of transfer pricing and allocation of overhead;
- the method of allocating profits from ventures should be understood and accepted;
- contingencies should be anticipated in advance; and
- provisions should be made for the departure of the corporate entrepreneur from the business, removal of the corporate entrepreneur from the business, the removal of the corporate entrepreneur from the team, and the reintegration of the entrepreneurial units into existing business units when and if such action becomes necessary.

Pinchot (2001:20) emphasises that the business and the corporate entrepreneur must look at the contract more as a moral than a legal commitment. Corporate entrepreneurship is founded on confidence and trust.

According to Quinn in Kuratko and Hodgetts (2007:56), an expert in the innovation field found the following factors in large corporations that are successful innovators:

- atmosphere and vision - innovative businesses have a clear-cut vision of and the recognised support for an innovative atmosphere;
- orientation to the market - innovative businesses tie their visions to the realities of the marketplace;
- small, flat businesses - most innovative companies keep the total business flat and project teams small;
- multiple approaches - innovative managers encourage several projects to proceed in parallel development;

- interactive learning - within an innovative environment, learning and investigation of ideas cut across traditional functional lines in the business; and
- skunk works - every highly innovative business uses groups that function outside traditional lines of authority. Skunk works eliminates bureaucracy, permits rapid turnaround and instils a high level of group identity and loyalty.

Hisrich, *et al.* (2005:48) identified several factors for a good corporate entrepreneurial environment: a business that operates on the frontiers of technology; encourages new ideas; encourages trial and error; allows failures; has no opportunity parameters; makes resources available and accessible; has a multidiscipline teamwork approach; long time horizon; volunteer program; appropriate reward system; has sponsors and champions available; and support of top management. This is also in agreement with the antecedents identified by Kuratko, *et al.* (2004:82).

Rule and Irwin (1988:46) identified thirty three ways to encourage corporate entrepreneurship in a business. These aspects are summarised in table 3.3.

TABLE 3.3 Thirty three ways to encourage corporate entrepreneurship

<ul style="list-style-type: none"> • in-house market research • in-house research and development • competitor tracking and assessment • market research using consultants • collaborative ventures with others • monitoring trade shows • new product screening systems • customer focus groups • suggestion box systems • objective setting and performance standards for innovation • innovation teams/task forces • dedicated new venture group • recruiting new staff to bring in innovative ideas • scenario planning • licensing-in of new technology • monitoring federal R and D activities • staff rotation program • liaison with university labs • strategic planning focused on innovation • technology forecasting • publication of innovations in company house organ • contracting for external R & D

- training in creative thinking
- acquisition of entrepreneurial company
- creativity/innovation workshops
- bonus system linked to innovation
- accessing external venture capital
- training in entrepreneurship
- senior management innovation screening committee
- internal venture capital fund
- sabbatical programmes
- in-house innovation fairs
- external inventor relations programmes

Source: Rule and Irwin (1998:46)

Ramachandran, Devarajan and Ray (2006:91) concur that it is important for businesses to focus their energies on encouraging people who have displayed entrepreneurial qualities in corporate or other contexts to lead initiatives rather than trying to test the level of entrepreneurship in people using psychometric tests. The quality of leadership represented by the top management plays a very critical role in driving innovation in businesses and in mastering its dynamics.

A business that intends to create a corporate entrepreneurship enabling ecosystem will not only adopt an entrepreneurial strategy but also create an entrepreneurial business that considers innovation as an accepted and appropriate response to organisational problems. It will also develop appropriate practices to manage the process of creation and dissemination of knowledge generated through innovation efforts and operate effectively as a team in order to fulfil its role of recognising the value and opportunities presented by specialised knowledge. A top management team that adopts an entrepreneurial strategy and creates a milieu in the business such that this strategy can be executed displays entrepreneurial leadership. The role of the top management team in businesses that pursue an entrepreneurial strategy is to build a business setting that stimulates exchange of information between individuals and develops a culture that encourages innovation (Ramachandran, Devarajan and Ray; 2006:91).

Ramachandran, Devarajan and Ray (2006:91-92) propose the following principles that a business can follow to develop and sustain entrepreneurship:

- selective rotation of talented managers to expose them to different business territories that can stimulate perception of new opportunities;
- resource allocation at various stages;
- clear communication by the leadership about its long-term, sustained commitment to entrepreneurship; and
- learning from experiments and betting on people capabilities because not all ideas will be winners.

Morris, *et al.* (2009:18) states that there is not one specific or correct way in which to implement corporate entrepreneurship. The need is for a multifaceted and comprehensive approach that reflects the kinds of innovation the business seeks at different levels of the business. It requires a sustained commitment to an entrepreneurial future on the part of senior management. This commitment must be coupled with ongoing attempts to craft the work environment properly around a harmonious blend of the elements of strategy, structure, culture, resource control, rewards and skills so as to produce an ethic of entrepreneurship throughout the business. The crafting of a work environment is always a work in progress.

This section of the literature review addressed various methods, techniques, frameworks, principles and practices to foster, develop and implement corporate entrepreneurship in a business. Most of the research can be classified under the five organisational antecedents that need to be in place in a business. The most appropriate way to start the whole process is by means of a strategy and continuous corporate entrepreneurial training. In the next section of this chapter (paragraph 3.8), attention will be given to corporate entrepreneurship as a strategy. The whole aspect of corporate entrepreneurial training programmes will be addressed in chapter 4. The information gathered and reported in this chapter will be beneficial when it comes to the findings and conclusions of this study.

3.8 CORPORATE ENTREPRENEURSHIP AS A STRATEGY

Ireland, Kuratko and Covin (2003:1) define corporate entrepreneurship strategy as a set of commitments and actions framed around entrepreneurial behaviour and processes that

the business designs and uses to develop current and future competitive advantages in promising technological or product-market arenas. The choice of using a corporate entrepreneurship strategy as a primary means of strategic adaptation reflects the businesses decision to seek competitive advantage principally through innovation and entrepreneurial behaviour on a sustained basis. Corporate entrepreneurship strategy is a fundamental orientation toward the pursuit of opportunity and growth that exists when it is embraced throughout the business and defines the essence of the businesses functioning.

Morris, *et al.* (2008:194) define an entrepreneurial strategy as a vision-directed, business-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the business and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.

According to Ireland, Kuratko and Covin (2003:1) the corporate entrepreneurship strategy is not to be found at one level or place within the business. Rather, it is reflected across the business and ingrained as part of its core being, and holds across time.

Kuratko, *et al.* (2004:80) state that the formulation and implementation of a strategy aimed at achieving the businesses goals are the responsibilities of the businesses executive management, as is the evaluation of the firm's progress towards its strategic objectives. Kuratko, *et al.* (2004:80) note that research has shown a number of strategic options that are available to the business, including *diversification* (Palepu, 1985; Davis and Duhaime, 1993; Markides, 1995; Hitt, Hoskisson and Kim, 1997), *acquisition* (Hitt, Hoskisson and Ireland, 1990 and 1994), *rightsizing* (Hitt, Keats, Harback and Nixon, 1994), *turnaround* (Robbins and Pearce, 1991) and *innovation* (Dougherty and Hardy, 1996; Lawless and Anderson, 1996; Klein and Sorra, 1996).

According to Hitt, Ireland, Camp and Sexton (2001:480), strategic entrepreneurship is entrepreneurial action with a strategic perspective. Strategic entrepreneurship is the integration of entrepreneurial (e.g. opportunity seeking) behaviour and strategic (e.g. advantage seeking) perspectives in developing and taking actions designed to create wealth.

Ireland, Hitt, Camp and Sexton (2001:510) note that effective integration of entrepreneurial actions and strategic management actions facilitates a business's wealth-creating efforts. Independently, the actions involved with entrepreneurship and strategic management processes contribute to the businesses growth and success. When integrated these actions create synergy that enhances the value of its outcomes.

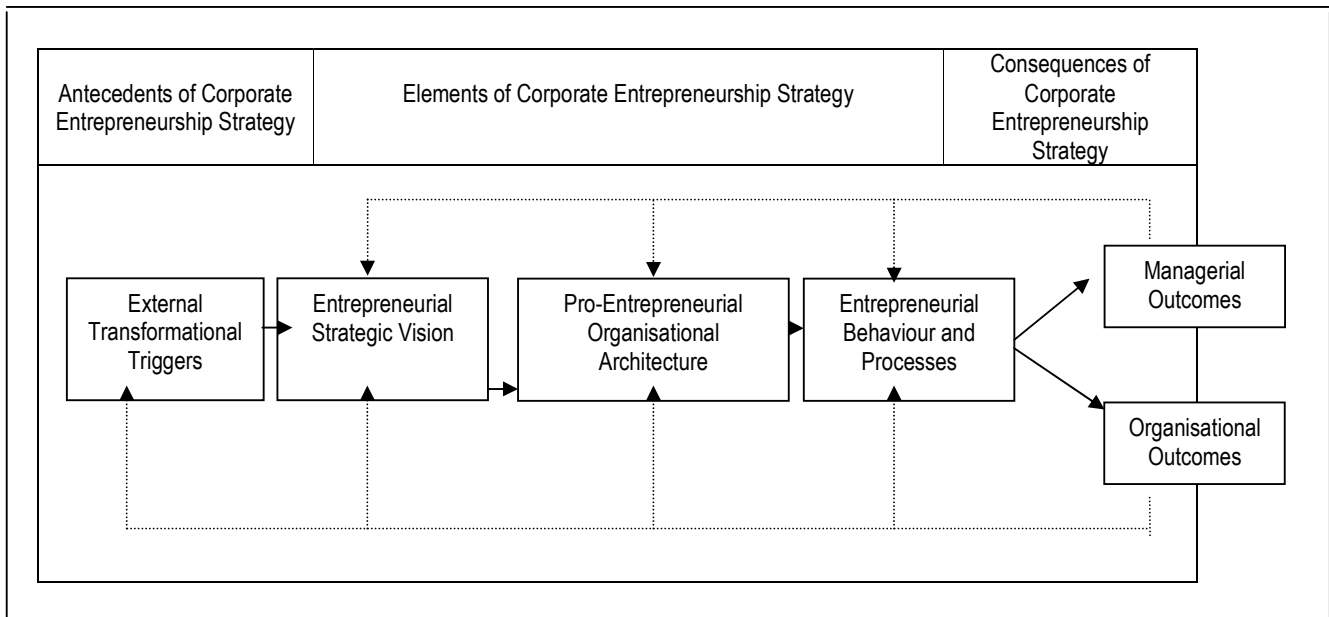
In this section a model of corporate entrepreneurship strategy will be discussed, followed by critical aspects related to corporate entrepreneurship strategy.

3.8.1 A model of corporate entrepreneurship strategy

Ireland, Kuratko and Covin (2003) developed a model illustrating how a corporate entrepreneurship strategy is manifested through the presence of three elements. This model is illustrated in figure 3.13.

According to Ireland, *et al.* (2003:1), top-level managers purposefully shape the strategic context of entrepreneurial initiatives and oversee, nurture and support attempts to use entrepreneurial behaviour as the foundation for product, process, and administrative innovations. Middle- and first-level managers are responsible for executing induced entrepreneurial initiatives and instigating autonomous entrepreneurial initiatives. Ireland, *et al.* (2003:2) proposes in the model that manager's at all organisational levels operate as innovators and as part of the overall entrepreneurial process.

FIGURE 3:13 A model of corporate entrepreneurship strategy



Source: Ireland, *et al.* (2003:6)

In this model the corporate entrepreneurial strategy is a logical response to the presence of four often-related environmental triggers: intense competition, rapid technological change, short product life cycles and evolving product-market domains. In response to one or more triggers, entrepreneurial businesses manifest corporate entrepreneurship strategies through three elements (Ireland, *et al.* (2003:2-3):

- An entrepreneurial strategic vision. An entrepreneurial strategic vision represents a commitment to innovation and entrepreneurial behaviour that is expressed in general terms. Entrepreneurial strategic vision is more a reflection of an entrepreneurial mindset – a way of thinking about business that captures the benefits of uncertainty, – than a precursor to particular commitments. Top-level managers also work to create organisational architectures in which entrepreneurial initiatives flourish without their direct involvement.
- Pro-entrepreneurship organisational architecture. This refers to the certain attributes (relating for example to structure, systems, culture and resources) that individually and collectively encourage entrepreneurial behaviour. Corporate entrepreneurship strategies are insignificant without pro-entrepreneurship organisational architectures. This is because the organisationally pervasive entrepreneurial behaviour that defines

corporate entrepreneurship strategies cannot occur unless the internal environment first elicits and then supports and nurtures it.

- Entrepreneurial behaviour and processes is any newly fashioned set of actions through which businesses seek to exploit entrepreneurial opportunities rivals have not noticed or exploited. With novelty (new resources, new customers, new markets, or a new combination of resources, customers and markets) as its defining characteristic, entrepreneurial behaviour is both a business- and an individual-level phenomenon that is framed around three key components: innovativeness, risk-taking and proactiveness.
- Entrepreneurial outcomes (Ireland, *et al.*, 2003:3) on the individual and organisational levels result from using entrepreneurial behaviour as the foundation for implementing a corporate entrepreneurship strategy. Individual managers and businesses evaluate the outcomes that have been achieved and the subsequent consequences relative to acquired costs and opportunity costs. Resulting from these evaluations are decisions regarding the status of personal entrepreneurial behaviour and the status of the corporate entrepreneurship strategy. For individual managers, the principal consequences to be evaluated concern the degree to which the business recognised and rewarded their entrepreneurial behaviour. For the business, consequences primarily concern the degree to which using a corporate entrepreneurship strategy resulted in acceptable (or better) current performance and portends the possibility of acceptable (or better) future performance.
- Managerial outcomes and consequences. The existence of an entrepreneurial strategic vision promotes awareness throughout the business of the general direction in which entrepreneurial initiatives and their associated architecture further encourages and nurtures entrepreneurial behaviour, providing a supportive context for the realisation of the vision. Without awareness, encouragement, and nurturing, entrepreneurial behaviour and its associated processes that are the final element of corporate entrepreneurship strategy will not surface or be used consistently in the business.

The managerial outcomes of individual-level entrepreneurial behaviour include things accruing to managers as a result of engaging in entrepreneurial behaviour. Three principal types of managerial outcomes associated with entrepreneurial behaviour are individual knowledge and skill development and contributions made to implementation of the corporate entrepreneurship strategy.

- Organisational outcomes and consequences. The organisational outcomes of corporate entrepreneurship strategy according to Ireland *et al.* (2003:4) include things that accrue to businesses as a direct result of implementing a corporate entrepreneurship strategy. There are two principle types of organisational outcomes associated with the implementation of the corporate entrepreneurship strategy – the organisational learning and competence development; and strategic repositioning and domain alteration. Just as individual managers can acquire knowledge and skills through their entrepreneurial behaviours, businesses can learn and develop competencies through implementing the corporate entrepreneurship strategy. The growth of internal ventures, for example, could result in the acquisition of knowledge about new markets or the emergence of new core competencies. Regarding strategic repositioning and domain alteration, the act of implementing the corporate entrepreneurship strategy could place the business in a new position within its pre-existing product-market domain(s); alter the attributes of that domain(s); and/or position the business within a new product-market domain(s).

According to Ireland, *et al.* (2003:4) the outcomes of corporate entrepreneurship strategies have consequences for businesses as well as for the future of corporate entrepreneurship strategies. For example, what the business has learned, created or otherwise achieved by implementing a corporate entrepreneurship strategy affects measures of business performance. The evaluation of performance can be based on financial criteria (e.g. sales growth rate), market criteria (e.g. stock price), innovation output criteria (e.g. new products introduced) and behavioural criteria (e.g. number of entrepreneurial opportunities identified). In turn, performance consequences affect the prospects for and focus of future corporate entrepreneurship strategies.

The model suggests that individual entrepreneurial cognitions and external environmental conditions are the initial impetus for adopting a corporate entrepreneurship strategy, and

outcomes are assessed to provide justification for the strategy's continuance, modification, or rejection.

Kuratko and Hodgetts (2007:63) state that for corporate entrepreneurship to operate as a strategy, it must run deep within the business. Top managers must drive the process. But, while top management can instigate the strategy, top management cannot dictate it. Those at the middle and lower ranks in the business have a tremendous effect on, and significant roles within, the entrepreneurial and strategic process. Without sustained and strong commitment from the lower levels of the business, entrepreneurial behaviour will never be a defining characteristic of the business, as is required by a corporate entrepreneurship strategy.

3.8.2 Critical aspects related to corporate entrepreneurship strategy

In developing a corporate entrepreneurial strategy, Kuratko and Hodgetts (2007:63-72) recommend the inclusion of the following aspects:

- Developing the vision. The vision must be clearly articulated by the businesses leaders, but the specific objectives are developed by the managers and employees of the business. Shared vision is critical for a strategy that seeks high achievement.
- Encouraging innovation. Businesses must understand and develop innovation as the key element in their strategy. Radical and incremental innovation requires an effort by top management to develop and educate employees concerning innovation and corporate entrepreneurship, a concept known as top management support. Encouraging innovation requires a willingness not only to tolerate failure but also to learn from it.
- Structuring for a corporate entrepreneurial climate. To develop employees as a source of innovations for corporations, companies need to provide more nurturing and information-sharing activities. An environment needs to be developed that will help innovative-minded people reach their full potential. Employee perception of an innovative environment is critical for stressing the importance of management's

commitment not only to the businesses people but also to the innovative projects. For businesses to promote innovation among their employees, they must give careful attention to the melding of individuals' attitudes, values, and behavioural orientations with the organisational factors of structure and reward.

- Developing individual managers for corporate entrepreneurship. As a way for businesses to develop key environmental factors for entrepreneurial activity, a corporate entrepreneurship training programme often induces the change needed in the work atmosphere.
- Developing venture teams: venture teams are referred to as a new strategy for many businesses. It is referred to as self-directing, self-managing or high-performing. A venture team is composed of two or more people who formally create and share the ownership of a new business. The team has a budget plus a leader (sometimes called the product champion or the corporate entrepreneur) who has the freedom to make decisions within broad guidelines. The unit is sometimes separated from other parts of the business – in particular, from parts involved with daily activities.

Ramachandran, Devarajan and Ray (2006:85) state that for a strategy to succeed, businesses should develop an enabling economic and political ecosystem that does not impede small or large scale deployment of resources in new ways towards creative entrepreneurial ends. Businesses have a range of options to choose from to achieve this objective. At the one end of this option spectrum is “focused entrepreneurship”, wherein specific innovation initiatives are created with the rest of the business insulated from them. At the other end is a managerial approach that leads to the creation of “business wide entrepreneurship”. Entrepreneurship in such businesses is a shared value and drives managerial behaviour in conscious and subconscious ways and creates an entrepreneurial spirit organisation-wide. The contrast between patterns of focused and organisation-wide entrepreneurship runs across every element of the business, starting with its mission and covering strategy, structure, systems, processes, and people skills and attitude. Institutionalising the elements of entrepreneurship is crucial to building a sustaining competitive business in today's business environment.

In the research conducted by Dess, Lumpkin and McKee (1999:103) on the linking of corporate entrepreneurship strategy, structure and process, the findings stated that the effectiveness and efficiency of different entrepreneurial strategies, structures and processes is best addressed through longitudinal studies rather than cross-sectional studies. Detailed field work is needed to help ensure that researchers avoid making overly simplistic assumptions about corporate entrepreneurial activities. Such research should entail fine-grained methodologies including extensive field research and case studies. Such approaches could help researchers examine strategic objectives and their role in entrepreneurial behaviour. Dess, *et al.* (1999:103) continue and indicate that field research would also help improve the quality of outcome measures. For example, longevity may serve as a useful performance measure for joint venturing activities in many situations.

3.9 CONCLUSION

The aim of this chapter was to give a literature overview of the major aspects concerning corporate entrepreneurship. The issues addressed were the definition and necessity of corporate entrepreneurship; corporate entrepreneurship conceptual models; entrepreneurial orientation; corporate entrepreneurship and innovation; how to foster, develop and implement corporate entrepreneurship in a business and lastly corporate entrepreneurship as a strategy.

The researchers in corporate entrepreneurship are in agreement that no single definition of corporate entrepreneurship exists. The concept of corporate entrepreneurship is used under many labels in addition to corporate entrepreneurship. Concepts like internal corporate entrepreneurship, intrapreneurship, corporate venturing, entrepreneurial management; strategic renewal and strategic entrepreneurship. A table summarising most of the views on the concepts of corporate entrepreneurship were given. For purposes of this research the broad definition of Sharma and Chrisman (1999:18) is adopted "Corporate entrepreneurship is the process whereby an individual or a group of individuals, in association with an existing business, create a new business or instigate renewal or innovation within the business."

From the literature review it was very clearly stated why it is necessary for businesses to undertake corporate entrepreneurship. Businesses need corporate entrepreneurship to grow; integrate and develop an entrepreneurial spirit; create and sustain competitive advantage and to be adaptable, flexible, fast, aggressive and innovative. The benefits of instilling corporate entrepreneurship in a business can also be summarised. Businesses that instil corporate entrepreneurship can gain and sustain competitive advantage at all levels of the business; rejuvenate and revitalise the existing business; develop new products, services and processes; pursue entrepreneurial opportunities; create new businesses within existing businesses; foster strategic renewal of existing operations; improve growth and profitability; sustain corporate competitiveness; increase financial performance and create new value. Corporate entrepreneurship can affect the economy by increasing productivity, improving best practices, creating new industries and enhancing international competitiveness.

Ten conceptual models of corporate entrepreneurship were covered. Mostly these models were developed to address the various aspects, concepts, processes and phenomena of corporate entrepreneurship. Researchers also use these models to guide their research. As research on corporate entrepreneurship improves, researchers are improving and extending existing models of corporate entrepreneurship. The biggest criticism towards the development of models by researchers in the field of corporate entrepreneurship is that most have not been tested empirically.

The entrepreneurial orientation (consisting of risk-taking, proactiveness, innovativeness, competitive aggressiveness and autonomy) is used to determine how entrepreneurial a business is. Entrepreneurial orientation has been used very extensively by researchers in the field of corporate entrepreneurship.

Various methods, techniques, principles and practices utilised for the fostering, development and implementation of corporate entrepreneurship in a business were discussed. A framework for sustainable corporate entrepreneurship was given to guide this process. The antecedents for corporate entrepreneurship are very important for purposes of this study. These antecedents are managerial support, autonomy/work discretion, rewards/reinforcement, resource/time availability and organisational boundaries. One aspect in terms of fostering and developing corporate entrepreneurship

that is getting more and more attention is the aspect of corporate entrepreneurship training programmes. This aspect will be reviewed in chapter 4.

Lastly this chapter addresses corporate entrepreneurship as a strategy. A corporate entrepreneurship strategy is a set of commitments and actions framed around entrepreneurial behaviour and processes that the business designs and uses to develop current and future competitive advantages.

CHAPTER 4: CORPORATE ENTREPRENEURSHIP MEASURING INSTRUMENTS AND DEVELOPMENT PROGRAMMES

“As corporate attention switches from delayering and downsizing to business development and value creation for individual customers, enterprise, innovation and creativity will move centre stage. In many companies, passive and cynical employees are everywhere to be found, while motivated entrepreneurs are few and far between. Not everyone will have what it takes to become an intrapreneur. People may lack motivation, inspiration and drive. They may not be ready to think for themselves, make choices or take risks to the extent required by an enterprise culture. Hence, the need for relevant training and development”.

Coulson-Thomas (1999:260)

“Many HRD managers hail intrapreneurial training as the solution to a range of corporate woes, from leveraging competitiveness to a lack of challenging jobs. But what is it really?”

Kuratko and Montagno (1989:83)

4.1 INTRODUCTION

Anon (2001:28) states “...it is one thing to designate managerial competency training and/or entrepreneurial training as a priority, another to develop adequate training programmes to meet this priority, yet another to relate this in practice to the needs of the business, and yet another to provide the organisational circumstances to benefit from individual corporate entrepreneurial behaviour”.

This statement reflects on major challenges to be able to define and measure entrepreneurial competencies or attributes; to improve capability in training and education that can adequately make provision for the development; to develop appraisal systems which can more adequately identify such needs and the organisational contexts; and to define the circumstances under which entrepreneurial behaviour in businesses will benefit and will be supported by the business.

In chapter three development programmes were identified as one possible route to foster, implement and/or develop corporate entrepreneurship and innovation in a business. Various authors and researchers have supported this option (Toftoy and Chatterjee, 2005; Marcus and Zimmerer, 2003; Pinchot, 1985; Hisrich, *et al.*, 2005; Rule and Irwin, 1988; Kuratko, *et al.*, 1990).

This chapter will focus on various measuring instruments that are available and that have been used, with success, to measure components of corporate entrepreneurship. The biggest motivation in applying these measuring instruments is to identify areas of improvement or the fostering of entrepreneurship in a business.

The second section of this chapter will address various corporate entrepreneurial development programmes that have been captured in the academic literature. Specific attention will be given to the content and objectives of these development programmes. A report will be given on similar executive programmes that are offered worldwide. The various development or executive programmes will be compared in terms of similarities and differences. The findings of this comparison will be used as a frame of reference to develop a corporate entrepreneurship development programme for short-term insurance businesses in South Africa.

4.2 CORPORATE ENTREPRENEURSHIP MEASURING INSTRUMENTS

Six measuring instruments, found through a literature search in academic literature, that have been developed to assess aspects related to corporate entrepreneurship will briefly be explained.

4.2.1 Entrepreneurial Orientation

Miller and Friesen developed an instrument to determine a business's entrepreneurial orientation in 1982 (Zahra and Covin; 1995:51). The instrument has seven scale items which are measured on a seven point Likert scale. The scores on the items are averaged to produce an overall corporate entrepreneurship index. A high score on the index shows high involvement in corporate entrepreneurship activities and a low score shows low

involvement in corporate entrepreneurship activities. The index surpassed minimum internal consistency requirements.

4.2.2 ENTRESCALE

Khandwalla (1977) developed a popular questionnaire to measure various organisational dimensions that are applicable to corporate entrepreneurship (Goosen, De Coning and Smit; 2002a:42). The ENTRESCALE measuring instrument was refined by Miller and Friessen (1983) and, Covin and Slevin (1989). It was tested in various studies, including a study for cross-cultural reliability by Knight (1997) and Antoncic and Hisrich (2001). Knight (1997:213) summarises that the goal of the ENTRESCALE is to determine entrepreneurship at the organisational level reflecting the innovative and proactive disposition of management.

The ENTRESCALE includes the corporate entrepreneurial orientation as seen in research and development activities, leadership and proactiveness. It also explores activities such as the number of marketed new lines of products and services. It assesses not only management's orientation (external posture) towards corporate entrepreneurship, but also what management favours and how management acts, especially in terms of the external environment and the competition. It does not address adequately the internal orientation towards corporate entrepreneurship (Goosen, De Coning and Smit, 2002a:42).

The ENTRESCALE is a nine item scale that examines eight items reflecting the innovative and proactive disposition of management at a given business, according to Knight (1997:213). According to Knight (1997:214) the ENTRESCALE has been found to possess strong reliability and validity in numerous studies (e.g. Covin and Slevin, 1989; Khandwalla, 1977; Miles and Snow, 1978).

4.2.3 Corporate Entrepreneurial Assessment Instrument (CEAI)

Kuratko, *et al.*, (1990:49) developed an instrument that is useful in diagnosing the degree of the corporate entrepreneurship culture in a business. Based on an analysis of the most consistent elements in literature, a multidimensional scale consisting of five factors was hypothesised to summarise the major sub-dimensions of the concept of corporate

entrepreneurship in businesses (Kuratko, *et al.*, 1990:53). The five dimensions are management support for corporate entrepreneurship, reward and resource availability, organisational structure and boundaries, risk-taking, and time availability. Reference is also made to the origin of these five dimensions in chapter 3, table 3.2.

The CEAI was originally known as the Intrapreneurial Assessment Instrument (IAI) and initially had 28 items that were constructed around a hypothesised five factors. The IAI was developed together with a corporate entrepreneurial development programme (this development programme will be discussed in paragraph 4.3).

Each of the factors identified by Kuratko, *et al.*, (1990:53) is an aspect of the business over which management has some control. The five factors are briefly explained according to Hornsby, Kuratko and Zahra (2002:259).

- Management support: The extent to which the management structure itself encourages employees to believe that innovation is, in fact, part of the role set for all members of the business. Some of the specific conditions reflecting management support would be: quick adoption of employee ideas, recognition of people who bring ideas forward, support for small experimental projects, and seed money to get projects off the ground.
- Autonomy/work discretion: Workers have discretion to the extent that they are able to make decisions about performing their own work in the way that they believe is most effective. Businesses should allow employees to make decisions about their work process and avoid criticising employees for making mistakes when being innovative.
- Rewards/reinforcement: Rewards and reinforcement enhance the motivation of individuals to engage in innovative behaviour. Businesses must be characterised by providing rewards contingent on performance, providing challenge, increasing responsibility and making the ideas of innovative people known to others in the organisational hierarchy.
- Time availability: The fostering of new and innovative ideas requires that individuals have time to incubate these ideas. Businesses must moderate the workload of people,

avoid putting time constraints on all aspects of a person's job and allow people to work with others on long-term problem solving.

- Organisational boundaries: These are boundaries, real and imagined, that prevent people from looking at problems outside their own jobs. People must be encouraged to look at the business from a broad perspective. Businesses should avoid having standard operating procedures for all major parts of jobs and should reduce dependence on narrow job descriptions and rigid standards of performance.

The CEAI has been developed and expanded and now consists of 78 questions that need to be answered on a 5-point Likert scale (Morris, *et al.*, 2008:331).

Hornsby, *et al.* (2002:269) indicates that the CEAI has practical implications for managers. The CEAI can be used as an assessment tool for evaluating corporate development needs in entrepreneurship and innovation. Determining these training needs can set the stage for improving managers' skills and increasing their sensitivity to the challenges of building and supporting a corporate entrepreneurship programme.

Morris, *et al.* (2008:335) also states that the CEAI can be used to provide a basis for determining ways in which controllable factors within the work environment influence employee actions, together with insights regarding the relative importance of various factors in different industry, market and organisational contexts.

The CEAI has been proven to be both valid and reliable.

4.2.4 Factor based instrument to measure corporate entrepreneurship

Goosen, De Coning and Smit (2002:39) developed a factor based instrument to measure corporate entrepreneurship. The model consists of three key factors or primary building blocks, namely proactiveness, innovativeness and management. Proactiveness and innovativeness represent an outward posture and management an inward posture. The two key factors projecting outwards were taken from the well-researched work of Kwandalla (1977), Knight (1997), Miller and Friesen (1983), Covin and Slevin (1989) and Antoncic and Hisrich (2001). These two factors encompass changes to product lines,

changes to products, research and development leadership, new techniques, the businesses competitive posture, risk-taking propensity, environmental boldness and the decision-making style relating to competition.

The third key factor, management, was added by Goosen, De Coning and Smit (2002:42). This factor represents management's influence on corporate entrepreneurship internally, especially in terms of structures and processes, and internal relations. The key factor, management, represents ten dimensions of corporate entrepreneurship namely: goals; creativity and innovation; systems; rewards; intra-capital and communication; staff input; intrapreneurial freedom; a problem solving culture; Intrapreneurship championing; and staff empowerment. This instrument has also been found to be both reliable and valid.

4.2.5 Intrapreneurial Intensity Index (III)

Hill and Moerdyk (2003:1) developed the Intrapreneurial Intensity Index (III) that can be used to ascertain the intensity of corporate entrepreneurship present in a large business. The instrument can provide an overall view of the businesses ability as well as identify the specific areas in the business that requires change or modification in order to become entrepreneurial. The III consists of six elements: task innovation index; intrapreneurial employee index; structural flexibility index; the incentive policies index; the intrapreneurial leadership index; and the intrapreneurial culture index. Each of the sub-indexes uses a Likert scale and consists of various question items designed to measure each of the six constructs. This South African developed questionnaire was tested and found to be both valid and reliable. Together with this instrument, a means of scoring and interpreting the results was also developed. The frequency of responses for each sub-index was assessed, based on the responses emerging from the sample of six intrapreneurial businesses and two non-entrepreneurial businesses.

The III (Hill and Moerdyk, 2003:6) can be used to provide an overall view of the organisation's entrepreneurial ability, as well as to identify the specific areas in the organisation that possibly require change or modification in order to become more entrepreneurial. The instrument identifies areas in a business that requires change or modification in order to survive in tomorrow's corporate environment (Hill and Moerdyk, 2003:6).

4.2.6 Corporate Entrepreneurial Health Audit

The corporate entrepreneurial health audit forms the basis of this research and will be discussed in more detail than the other instruments discussed so far.

Ireland, *et al.* (2006b:21) state that a corporate entrepreneurship strategy is an important path that a business can take to make it possible for employees to engage in entrepreneurial behaviours, using knowledge as the foundation for continuous and successful innovations. Creating a work environment where all employees are encouraged and are willing to innovate in their jobs is at the heart of an effective corporate entrepreneurship strategy. A business needs to develop an internal work environment capable of cultivating employees' interest in, and commitment to, creativity and innovation. Ireland, *et al.* (2006b:21) developed a corporate entrepreneurial health audit as a tool that can be used to diagnose and address the extent to which a business is capable of fostering sustainable entrepreneurial behaviour as the path to improved performance. Measurement at the organisational level can be used to: benchmark and track organisational-wide entrepreneurial performance; establish norms and draw industry comparisons; formulate entrepreneurial goals; develop strategies; and assess relationships between entrepreneurial actions and organisational performance variables over time (Morris, *et al.*, 2008:326).

The entrepreneurial health audit consists of three steps. Firstly the businesses entrepreneurial intensity needs to be measured. The entrepreneurial performance of a business at a given point in time is reflected in its entrepreneurial intensity score. Entrepreneurial intensity is concerned with the degree and frequency of entrepreneurship occurring within a business (Ireland, *et al.*, 2006b:22). As previously indicated in chapter 3 the degree of entrepreneurship refers to the proactiveness, innovativeness and risk-taking in the business. Frequency involves the measuring of the number of new innovative products, processes and services over some defined time period.

The entrepreneurial intensity index can be used to measure the businesses entrepreneurial intensity. The instrument consists of 21 items. The first 12 items measure a business's degree of entrepreneurship and the remaining items the frequency of entrepreneurship. The instrument has been proven to be valid and reliable (Ireland, *et al.*,

2006b:22). The instrument can be used to evaluate not only the whole businesses entrepreneurial intensity, but also that of different parts of the business.

The second step in the entrepreneurial health audit is to diagnose the climate for corporate entrepreneurship. Determining the climate for corporate entrepreneurship can assist to determine the underlying reasons why a given level of entrepreneurial intensity is being achieved. According to Ireland, *et al.* (2006b:24) the CEAI can be used to assess, evaluate and manage the businesses internal work environment in ways that support entrepreneurial behaviour and the use of a corporate entrepreneurship strategy. When using the CEAI to inventory the businesses current situation regarding entrepreneurship, managers identify parts of the businesses structure, control systems, human resource management systems, and culture that inhibit, and those parts that facilitate entrepreneurial behaviour as the foundation for successfully implementing a corporate entrepreneurial strategy. The CEAI is discussed in paragraph 4.2.3.

The CEAI has been shown to be psychometrically sound as a viable means for assessing areas requiring attention and improvement in order to reach the goals sought when using a corporate entrepreneurship strategy. Very importantly, Ireland *et al.* (2006b:28) state that low scores of the CEAI suggest the need for training and development activities to enhance the businesses readiness for entrepreneurial behaviour as well as successful use of a corporate entrepreneurship strategy.

The final step in the entrepreneurial health audit involves determining the degree to which a corporate entrepreneurship strategy and the entrepreneurial behaviour through which it is implemented, are understood and accepted by affected parties (Ireland *et al.*, 2006:28). Commitment to any strategy increases when the people involved are fully aware of the outcomes being sought by using that strategy. Ireland *et al.* (2006b:28) state that key decision makers must find ways to explain the purpose of using a corporate entrepreneurial strategy to those from whom entrepreneurial behaviours are expected. The readiness of each actor to display entrepreneurial behaviour should be realistically assessed. Actions to enhance entrepreneurial skills of employees should then be set in motion. These commitments and processes help to shape a common vision around the importance of a corporate entrepreneurship strategy and the entrepreneurial behaviour that is critical to its successful use. Ireland, *et al.* (2006b:29) suggest the development of

a training programme to communicate the value of entrepreneurial behaviour that the business is requesting of the relevant parties, as the foundation of a successful corporate entrepreneurial strategy. According to Ireland, *et al.* (2006b:29), a corporate entrepreneurial development programme consists of the following components: introduction to entrepreneurship; entrepreneurial breakthroughs; creative thinking; idea development process; barriers, facilitators and triggers to entrepreneurial thinking and venture planning. The detailed content of this programme will be discussed in paragraph 4.3.

Only six measuring instruments were discussed, each measuring an aspect of corporate entrepreneurship. It would be interesting to use more than one measuring instrument on the same sample to determine whether the results would be similar. These measuring instruments are used widely by researchers in the field of entrepreneurship and corporate entrepreneurship but the biggest concern is that the results and effects of these measuring instruments are not made available in research. There is also a lack of case studies in this regard. For purposes of this research it was decided to make use of existing measuring instruments (as adopted in the corporate entrepreneurial health audit). These instruments have been proved to be reliable and valid and have never been applied in South African short-term insurance businesses.

4.3 CORPORATE ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES

Toftoy and Chatterjee (2005:15) state that corporate entrepreneurship development programmes within the business, will separate businesses from their competitors. The corporate entrepreneurship development programme is a way to launch corporate entrepreneurial teams, via corporate entrepreneurship workshops and seminars.

The academic literature is very poor in terms of recording of corporate entrepreneurship development programmes and what they should include. In this section, firstly the two corporate entrepreneurship development programmes cited in the academic literature will be discussed. Secondly a comparison will be made between a few popular executive

programmes in corporate entrepreneurship found in various parts of the world. Lastly general aspects with regard to development programmes will be noted.

4.3.1 Corporate entrepreneurship development programmes cited in academic literature

The corporate entrepreneurship development programme mostly cited and used is the one developed by Kuratko, *et al.* (1990:54). This development programme was developed over 12 years and received an award from the American Society for Training and Development (ASTD). The programme consists of six four-hour modules, each designed to move participants to the point of being able to support entrepreneurship in their own work area. The modules address the following topics:

- Introduction to Entrepreneurial Management. This consists of a review of management and organisational behaviour concepts, definitions of corporate entrepreneurship and related concepts, as well as a review of several corporate entrepreneurial cases.
- Thinking creatively. This module attempts to define and stimulate personal creativity. It involves a number of creativity exercises and has participants develop a personal creative enrichment programme.
- Idea development process. Participants at this point are given the opportunity to generate a set of specific ideas on which they would like to work. The process includes examining a number of aspects of the corporation including structural barriers and facilitators. Additionally participants determine needed resources to accomplish their projects. Participants are instructed to meet in groups and utilise evening time to flush out entrepreneurial ideas that they will present the next day.
- Assessing entrepreneurial culture. The entrepreneurial assessment instrument is provided and described, which assesses the level of entrepreneurial culture within the business. Participants complete the survey and results are fed back to all

participants. Areas for improvement are addressed during the remaining seminar topics.

- Barriers and facilitators to entrepreneurial thinking. The most common barriers to innovative behaviour are reviewed. Participants complete several exercises which help them deal with barriers in the work place. In addition, video case histories are shown which depict actual corporate entrepreneurs that have been successful in dealing with corporate barriers.
- Action planning. During this time each participant is asked to complete a personal action plan that sets a goal, establishes a work team, assesses current conditions, determines necessary resources, develops a step by step timetable for project completion, and a method of project evaluation. Participants can also be assigned to groups for this activity. Top management is encouraged to provide support for the projects, evaluate the completion and reward entrepreneurial activity.

To determine the outcome of this training intervention, Kurtako, Montagno and Hornsby (2001:205) conducted a study on low- to mid-level manager. The research study included three steps. Firstly the Intrapreneurship Assessment Instrument (IAI) (previously referred to in paragraph 4.2.3) was administered to all the participants to obtain a baseline on the participants' perceptions of the businesses culture. Secondly, the participants took part in all the phases of the development programme. Finally, the IAI was re-administered four months after the training. A control group who completed the IAI on both occasions but did not participate in the training was utilised to provide an unbiased comparison of the development programme results. The results of the research study showed a significant increase in all the factors following the completion of the Corporate Entrepreneurship Development Programme. Important observations made from this study include the following: this development programme cannot be conducted only once, it must be repeated in the business with as broad an audience as possible; the development programme's value and its effectiveness are limited because of the lack of free time to develop ideas that are critical; and a reward system must be in place. Top management needs to create an integrated strategy for the change effort.

This programme was designed based on a review of the literature on corporate entrepreneurship, and represents an attempt to operationalise the factors discussed in the literature review (Kuratko, *et al.*, 1990:54).

When this development programme was being developed, Kuratko and Montagno (1989:83) also noted that to gain success from this development programme, potential corporate entrepreneurs need to be identified early in their careers, corporate entrepreneurial projects need to be sponsored, both diversity and order in a business's strategic objectives need to be established, allowing experimentation and tolerating failure, developing new managerial approaches and innovative administrative arrangements so that corporate entrepreneurs and the business can cooperate effectively.

Toftoy and Chatterjee (2005:15) support the content of this development programme and add that the following topics could also be included: researching the specific target market, competitor analysis, ways of developing funding support, selling tips and organising a corporate entrepreneurial team. Toftoy and Chatterjee (2005:15) also support the notion to validate the effectiveness of the development programme by means of assessment instruments like the CEAI.

Koen (2001:214) developed a corporate entrepreneurial development course for students in the Masters of Technology Management course taught at Steven Institute of Technology. The course is divided into four parts and taught for 2.5 hours over a 14 week period. The course syllabus is illustrated in table 4.1.

The principal purpose of part I of this syllabus is to allow students to learn the key factors that separate successful from unsuccessful corporate ventures. Students evaluate the key findings from 10 studies done in corporate venturing. This foundation helps students to understand the key issues associated with successful corporate ventures. In order to reinforce these concepts, students are required from the first case to evaluate both a successful and an unsuccessful venture in their business. Part II focuses on the organisational and cultural factors, as well as management behaviour, that play a vital role in determining venture success. Both successful and unsuccessful businesses are reviewed. In case II the students evaluate the processes and organisational structure in their own business for attempting a venture. The reason behind this is to enable the

students to get a better understanding of the obstacles and hurdles which might be encountered.

TABLE 4.1 Course syllabus of a corporate entrepreneurial development programme for the Masters of Technology Management course taught at Steven Institute of Technology

Lecture	Topic	Lecture	Case presentation or simulation
1	Introduction and course overview	•	
Part I – Foundation			
2 and 3	Corporate venture lessons	•	
4	Case I – Students evaluate a successful and unsuccessful venture in their company		•
Part II – Organisational and cultural factors			
5	Venture businesses in established companies	•	
6	Organisational cultural factors which affect ventures	•	
7	Case II – Students evaluate the venture process and organisational structure in their own company		•
8	Comparison of Intrapreneuring (starting projects in large businesses) to high technology entrepreneuring (starting your own high technology business)	•	
Part III – The simulation			
9	The business plan	•	
10	Orientation to the simulation	•	
11	Case III – students prepare a business plan for simulation and run the simulation		•
Part IV – The Business venture			
12	Case IV – students prepare a preliminary presentation of their venture		•
13 and 14	Final presentation of the business venture		•

Source: Koen (2001:217)

In part III students get the experience of developing a business plan for a business simulation. In part IV students in teams of 3 to 4 develop an actual business venture for a business. All ventures require an executive champion within the business who is typically a senior management executive, a supporter of the project and capable of directly or indirectly influencing access to social assets, capital assets, knowledge assets and funding by the start-up. Students are required to complete and present the business plan

to the executive champion and a multi-company executive review panel at the conclusion of the course.

The success of this course was amazing, with start-up funding approved for seven of the thirteen business ventures developed (Koen, 2001:216).

The focus of these two corporate entrepreneurship development programmes is totally different. The development programme of Kuratko, *et al.* (1990) focuses on the total entrepreneurial development of a business, idea development and the business plan for new ventures. The development programme of Koen does not focus on entrepreneurial development in total but only on corporate venturing. The outcome of both programmes is to come up with venture plans for new ventures in the existing business.

4.3.2 Comparing popular executive programmes in corporate entrepreneurship

From an Internet search with the key words: corporate entrepreneurship development programme; intrapreneurship training programme; corporate venturing training programme, executive development training programme and innovation and growth training programme several training programmes were identified that were not part of a tertiary institution's formal programmes. Ten corporate entrepreneurship development programmes were analysed and compared in terms of their course name, duration of the course, content and who should attend the course. These comparisons are tabulated in table 4.2. From these comparisons the following similarities and differences are noted in table 4.3.



TABLE 4.2 Comparing Corporate Entrepreneurship Development Programmes

Institute	Course name	Duration	Content	Who attend
Australian Graduate School of Management	Growth through Corporate Entrepreneurship and Innovation	3 days	<ul style="list-style-type: none"> • Pre-programme work: participants prepare a problem to be discussed – help structure participants’ plan of attack • Identify opportunities and setting strategy (define corporate entrepreneurship; entrepreneurial strategy) • Manage the corporate venture (structuring the venture; monitoring the venture) • Entrepreneurial people in a corporate environment (being an entrepreneur in a corporate environment; corporate venture review diagnostic) • Business plans • Six months later: seize new opportunities and convert them into revenue; balance innovation with current operations; review corporate entrepreneurship development programme 	Anyone in a business that wants to be more entrepreneurial
Auckland University of Technology	The Corporate Entrepreneur	2 day seminar and/or in-house training	<ul style="list-style-type: none"> • An introduction to corporate entrepreneurship • The entrepreneurial process • Inspiring an entrepreneurial culture • Creativity and innovation • Opportunity recognition, evaluation and development • Assessing risk in new opportunities • Developing the business plan • Turning opportunity into success 	Any functional or general manager responsible for developing and implementing strategy at any level
Babson College	Entrepreneurial strategies for innovation and growth	Six modules (each 2 to 3 hours)	<ul style="list-style-type: none"> • The essentials of entrepreneurship • Processes, outcomes and behaviours • Identifying and shaping opportunities • Corporate venturing • The corporate entrepreneurship business planning process • A systematic approach 	From upper management to the newest recruit



Haas School of Business UC Berkeley	Open Innovation and Corporate Entrepreneurship Executive Program	5 days	<ul style="list-style-type: none"> • Concepts of Corporate Entrepreneurship • Strategic innovation and renewal • Assessing your businesses entrepreneurial orientation • Entrepreneurial initiative • Key concepts and current strategies • Opportunity recognition • Intellectual property • Culture for innovation • Case study analysis • New product development • New product innovation management • Venture capital planning 	Middle to Senior managers
Indian Institute of Management Calcutta	Corporate Entrepreneurship	3 days	<ul style="list-style-type: none"> • Characteristics of corporate entrepreneurship • Generating ideas and identifying opportunities • Evaluating and assessing viability of opportunities • Developing business plan at corporate level • Identifying cultural factors that may be barriers or enablers of corporate entrepreneurship • Sustaining entrepreneurial commitment and reducing organisational uncertainties 	Senior executives and managers
University of Southern California	Corporate Entrepreneurship: Instilling the entrepreneurial spirit in your business	2 days	<ul style="list-style-type: none"> • What does it mean to be entrepreneurial • Is entrepreneurship inside a corporation an oxymoron? • Promoting an entrepreneurial culture in your business • Identifying and preparing for risks in an entrepreneurial business • Leading with an entrepreneurial spirit • Creating an entrepreneurial business model • Recognising opportunities for growth with an entrepreneurial lens 	Managers and executives who would like to develop a climate of entrepreneurship in their businesses Executives who need to encourage staff to take on new roles and challenges Professionals form different backgrounds



Pinchot and company	Business Innovation Accelerator	4 weeks	<ul style="list-style-type: none"> • How innovation actually happens • Nature of the Intrapreneur • Who are our customers? • Competitive strategy • Value proposition • How to write a business plan • Risk assessment • Venture capital 	Intrapreneurial teams
Technical University of Eindhoven and Philips Research	Corporate Entrepreneurship and Open Innovation	5 days	<ul style="list-style-type: none"> • How to organise and leverage the corporate setting to start and grow new, significant, globally competitive businesses • How to generate successful start-ups in an open innovation setting • How to use new business development and venturing as a tool in strategy making processes and corporate transformations • Starting a venture • Marketing, sales and finance • Setting up a business plan • Building a team • Environment scanning for new ideas • Create and recognise new opportunities for innovation • How to organise the businesses to optimally embrace, assimilate and integrate new technologies and business ideas • Negotiation • Leadership • Global sales 	Managers responsible for building new businesses based on breakthrough technologies; corporate research and development; new business development; and internal external venturing
University of Pretoria	Corporate Venturing and Business Building	5 days	<ul style="list-style-type: none"> • Identifying and analysing opportunities • Turning an opportunity into a focused strategy and well-defined initiatives • Formulating an “elevator pitch” and developing and selling a business idea • Attracting top talent and other key resources • Developing products and services • Building capabilities the business requires to exploit an early-stage opportunity • Evolving the strategy, business and leadership model as the business grows 	Senior and middle level managers



			<ul style="list-style-type: none"> • Building and managing high-performance teams • Recognising risk, and creating and measuring value 	
University of Pretoria	Corporate Entrepreneurship Development Programme (CEDP)	6 months	<ul style="list-style-type: none"> • The nature of Entrepreneurship in established companies and the development of an entrepreneurial vision • Supportive environment and an entrepreneurial orientation in established firms • Performance motivation, creativity, innovation and opportunity identification • Corporate venturing • Intrapreneurial marketing and finance • Strategic Corporate Entrepreneurial growth 	Middle level managers

TABLE 4.3 Similarities and differences of corporate entrepreneurship development programmes

Similarities of corporate entrepreneurship development programmes	Differences of corporate entrepreneurship development programmes
<ul style="list-style-type: none"> • Content similarities in all ten identified development programmes: <ul style="list-style-type: none"> ○ Generating ideas (this implies creativity), identification, evaluation and development of opportunities ○ Turning opportunities into success • Content similarities in four or more development programmes: <ul style="list-style-type: none"> ○ Corporate venturing ○ Risk assessment ○ Developing a business plan ○ Inspiring an entrepreneurial culture 	<ul style="list-style-type: none"> • Course names are different • Duration of courses varies from 2 days to 6 months • The participants in the courses vary from anyone in the business, to functional and general managers (middle managers) to senior executives, to intrapreneurial teams • Content differences: <ul style="list-style-type: none"> ○ Venture capital ○ Identifying customers and developing a competitive strategy ○ Intrapreneurial marketing and finance ○ Building and managing high performance teams ○ Creating and measuring value ○ Attracting top talent and other key resources ○ The entrepreneurial process ○ Identifying cultural barriers or enablers of corporate entrepreneurship ○ New product development ○ Environment scanning ○ Negotiation ○ Leadership ○ Global sales

4.3.3 General aspects with regard to development programmes

From the identified corporate entrepreneurship development programmes compared in table 4.3, study results from only one development programme could be found in the literature. Thornberry (2003:329) from Babson College, reports on the results and lessons learned from six years (1996 – 2002) of corporate entrepreneurship developments for approximately 1000 managers. Babson College have created an experimental Entrepreneurial Orientation Survey which allows them to assess the type of change in behaviour from a pre- to post programme perspective.

The major findings were as follows (Thornberry, 2003:330):

- Pockets of entrepreneurial activity can develop and thrive in cultures that are not in themselves entrepreneurial (successful ventures can develop in non-entrepreneurial businesses with the right kind of tactical interventions).
- A lot of ordinary corporate citizens can learn to act as corporate entrepreneurs with the right education, development and support (the people are helped to develop an idea that they themselves are turned on to).
- Catalytic coaching and the business planning process were the two most important educational tools for the development of new business opportunities. Catalytic coaching pushes managers from an iterative focus to a platform focus.
- Entrepreneurs can come from anywhere in the business – it is difficult to predict who will be the entrepreneur and who not. When experience, creativity tools, coaching and a person's own confidence and desire collide with market knowledge, customer intimacy information and technological changes, entrepreneurial opportunities are identified.
- Decoupling idea creation and opportunity identification from implementation – any corporate entrepreneurship process must first be framed around the question of whether a business wants to develop corporate entrepreneurship processes or corporate entrepreneurs.
- A little difference can make a big difference. Not every manager needs to be an entrepreneur to help a business spawn significant new business opportunities.

Businesses need to be realistic about how much corporate entrepreneurship is enough.

Pinchott (1987:19) indicates that developing people in acquiring corporate entrepreneurial skills is as important as knowing whom to hire. Though most people imagine that entrepreneurs are born and not made, results show that entrepreneurs can successfully be trained. Pinchott uses volunteers in the Pinchott Intrapreneur School. In this way a selected group of people are trained who are courageous enough to volunteer for corporate entrepreneurial roles. Training succeeds partly because it gives people permission to use a part of themselves that their supervisors have been trying to beat out of them for quite some time. Most corporate entrepreneurs are missing skills for which training can help.

Kenney and Mutjaba (2007:75) state that leaders of successful businesses like Du Pont have recognised that entrepreneurially inclined employees can be valuable contributors to a business's success if their skills are nurtured. Converting employees with entrepreneurial aptitude into corporate entrepreneurs can deliver exceptional value to stakeholders.

Erkkila (2000) in Kenney and Mutjaba (2007:77) states that 93% of scholars believe that entrepreneurial aptitude can be developed through education and training. Some facets of entrepreneurship (business planning) may be more teachable than others (opportunity recognition). There seems to be accord within the academic community that virtually all employees can be taught to be more innovative.

Kenney and Mutjaba (2007:77) have put together a list of ten most important considerations for executives and human resource managers who may be considering developing a corporate entrepreneurship development programme:

- The business should do a forensic analysis of its culture to determine whether it has an entrepreneurial orientation. It may be appropriate to have a consultant perform this analysis as the results of a self-administered test may not be valid. (This is in contradiction with the work of Kuratko, *et al.*, 1990).

- If it is expected of people to act as entrepreneurs, the people need to be paid as entrepreneurs. Entrepreneurs are not necessarily motivated by money, but will expect to be compensated fairly for the value created for stakeholders.
- There must be alignment between the goals of the business and the corporate entrepreneur. The vision of the venture should be clearly written, responsibilities ascribed to the appropriate stakeholders, and clear and measurable objectives must be determined.
- The corporate entrepreneur must be sufficiently intrinsically motivated, otherwise he/she may not have the commitment to accomplish the objectives.
- Bureaucracy is the biggest impediment to corporate entrepreneurship. A commitment to helping the corporate entrepreneur by establishing a flatter organisational chart will be helpful.
- Training should be continuous and not overly structured.
- Corporate entrepreneurship training should be conducted within every department of the business.
- The business, and training, should remain flexible. There is a positive correlation between learning and entrepreneurship. The lessons learned in a failed venture could prove valuable in the success of a subsequent venture.
- Senior management must train aspiring entrepreneurs to make a valid business case for their proposed venture before submitting it for consideration.
- Entrepreneurship is best demonstrated through experiential learning methodologies, training exercises should contain hands-on components.

From the research conducted by Kenney and Mujtaba (2007:81) it was found that rather than training all aspiring corporate entrepreneurs within a business, it would be more appropriate to identify corporate entrepreneurial candidates and provide ongoing, unstructured training that will nurture their talents. This will then create a culture that nurtures the holistic development of corporate entrepreneurship, rather than expecting new venture creation as a result of formal training.

Kenney and Mutjaba (2007:86) concluded from the research conducted by them that employees should feel empowered to propose new corporate entrepreneurial ventures for collaboration, but the business should have a carefully designed process for identifying

and selecting the opportunities it pursues. Allowing corporate entrepreneurs to launch the venture off-site, and develop a culture free from that of its parent business will result in increased employee commitment for the new venture. There must also be congruence between the mission of the business and the intrinsic motivation of the aspiring corporate entrepreneur.

Garavan and O’Cinneide (1994a:5) listed the most commonly cited objectives of entrepreneurship education and development programmes:

- to acquire knowledge relevant to entrepreneurship;
- to acquire skills in the use of techniques, in the analysis of business situations, and in the synthesis of action plans;
- to identify and stimulate entrepreneurial drive, talent and skills;
- to undo the risk-averse bias of many analytical techniques;
- to develop empathy and support for all unique aspects of entrepreneurship;
- to devise attitudes towards change; and
- to encourage new start-ups and other entrepreneurial ventures.

Garavan and O’Cinneide (1994a:6) note that entrepreneurship education and development programmes are frequently of very short duration compared to other educational programmes concerned with helping people embark on a major career.

Garavan and O’Cinneide (1994a:5) have suggested that longitudinal research designs, using control groups to compare participants with individuals who did not have entrepreneurial educational experience, are needed to examine the lasting effects of entrepreneurship education and training interventions.

In the research conducted by Henry, Hill and Leitch (2005:165) it is pointed out that one area in which relatively little research has been conducted is that of assessing the impact of educational and training initiatives. This is surprising, given the fact that the development and running of courses and programmes is potentially expensive in terms of time and money, to both participants and sponsors. Researchers have observed that one of the most efficient means by which to evaluate programmes is to assess the extent to

which the programme's objectives have been met. It is vital that entrepreneurship educators and trainers have a complete understanding of the objectives that need to be achieved from a course or programme from the outset, as this will have ramifications for its accurate assessment.

4.4 CONCLUSION

The aim of this chapter was to give an overview of corporate entrepreneurship measuring instruments as well as corporate entrepreneurship development programmes. In chapter three, corporate entrepreneurship development programmes were identified as a possibility to foster, develop and implement corporate entrepreneurship in a business. Before corporate entrepreneurship development programmes can be undertaken, a business must determine its level of corporate entrepreneurship and involvement of corporate entrepreneurship activities.

In this chapter, six measuring instruments were discussed: entrepreneurial orientation; ENTRESALE; corporate entrepreneurship assessment instrument; factor based instrument; the intrapreneurial intensity index and the corporate entrepreneurship health audit. For purposes of this research study the corporate entrepreneurship health audit will be applied in the short-term insurance industry in South Africa.

Two corporate entrepreneurship development programmes found in the academic literature were discussed. The academic literature is very poor in terms of records of corporate entrepreneurship development programmes and what they should include. A comparison was made between ten popular corporate entrepreneurship executive programmes found worldwide. These programmes were compared in terms of similarities and differences (Table 4.3). By investigating existing corporate entrepreneurship development programmes it will be used as a frame of reference to develop a corporate entrepreneurship development programme for the short-term insurance businesses in South Africa.

Lastly, general aspects with regard to corporate entrepreneurship development programmes were discussed. From the identified corporate entrepreneurship development programmes, only from the Babson College training programme could

results be found in the literature. Reflections on the effectiveness and results from corporate entrepreneurship training programmes are also an aspect that is very poorly addressed in academic literature. Future research can be explored regarding the assessment of development programmes as approaches, methods and theoretical frameworks can be useful in the application.