

Chapter 4

Corporate entrepreneurship

The creative act is not an act of creation in the sense of the old- testament. It does not create something out of nothing. It uncovers, reshuffles, combines, and synthesises already existing facts, ideas, faculties, and skills. The more familiar the parts the more striking the new whole.

Smith and Gregorio 2002:129

4.1 Introduction

This chapter introduces corporate entrepreneurship. It discusses the different facets of entrepreneurship in established businesses, how they relate to and /or differ from each other and how they combine to be a single field. Each of these aspects and its related components is discussed in detail. The importance of each component as well as the whole is reviewed.

The chapter puts more emphasis on how to create an entrepreneurial business and how such a business operates as opposed to discussing what entrepreneurship is. The underlying assumption of this approach is that entrepreneurship is a mindset (thinking) and this translates to behaviour (entrepreneurial behaviour).

The key elements of entrepreneurship that are analysed include the entrepreneurial mindset strategic thinking, proactiveness, competitive aggressiveness and innovation.

The methods of creating a sustainable entrepreneurial environment the chapter presents are structural factors, entrepreneurial politics and strategic leadership. An entrepreneurial climate ensures the cultivation and sustenance of a business' entrepreneurial thrust.

Other entrepreneurship topics such as social and government (public sector) entrepreneurship are also discussed. It concludes by discussing the benefits of corporate entrepreneurship.

4.2 The evolution of corporate entrepreneurship (CE)

Corporate entrepreneurship is broadly defined as entrepreneurship in an existing business (Antoncic & Hisrich 2004:520; Morris & Kuratko 2002:31).

According to Antoncic and Hisrich (2003:19), intrapreneurship has evolved into three main areas, namely:

- The individual
- Formation of corporate ventures
- The entrepreneurial venture

These areas as well as the supporting literature are given in Table 4.1 below:

Table 4.1 Evolution of intrapreneurship

The evolution of intrapreneurship
<p>The individual entrepreneur: with main emphasis being on</p> <ul style="list-style-type: none">- Individual characteristics- Recognition and support of the entrepreneur in the business <p>(Souder 1981; Pinchot 1985; Luchsinger & Bagby 1987; Ross 1987; Knight 1989; Jennings <i>et al.</i> 1994; Lessen 1988; McKinney & McKinney 1989; Jones & Butler 1992)</p>
<p>Formation of corporate ventures: main emphasis being on:</p> <ul style="list-style-type: none">- Differentiation of types of new ventures- Their fit with the corporation- The enabling internal corporate environment <p>(Hisrich & Peters 1984; MacMillan <i>et al.</i> 1984; Vesper 1984; Hlavacek & Thompson 1973; Cooper 1981; Fast & Pratt 1981; Szypersky & Klandt 1984; Krueger & Brazeal 1994)</p>

The entrepreneurial venture: the emphasis being on the characteristics of such businesses

(Quinn 1979; Kanter 1984; Drucker 1985; Duncan *et al.* 1988; Kuratko *et al.* 1993; Hanan 1976; Schollhammer 1981; Burgerlman 1983; Pinchot 1985; Rule & Irwin 1988; Stevenson & Jarrillo 1990; Merrfield 1993; Stopford & Baden 1994; Muzyka *et al.* 1995).

Antoncic and Hisrich 2003:7

According to Thornberry (2003:330), issues of corporate entrepreneurship include the following:

- Corporate venturing (new ventures)
- Intrapreneuring (mindset)
- Business transformation (corporate renewal)
- Industry rule-breaking (industry change).

There is agreement among scholars in the field that these emergent behavioural intentions and behaviours of businesses are departures from the customary way of doing business. This behaviour refers to other innovative activities and orientations such as the development of new products, services, technologies, administrative techniques, strategies and competitive postures, new business venturing, self-renewal, risk-taking, proactive ness and competitive aggressiveness (Antoncic & Hisrich 2004:520). These dimensions, their definitions and theoretical grounds provided by Antoncic and Hisrich (2003:19) are shown as Table 4.2 below.

Table 4.2 Entrepreneurial dimension

Dimension	Definition	Theoretical grounds
New ventures	Creation of new autonomous or semi autonomous units or businesses	Schollhammer (1981) Hisrich & Peters (1984) MacMillan <i>et al.</i> (1984) Vesper (1984) Kanter and Richardson (1991)

		Stopford and Banden- Fuller (1994) Sharma and Chrisman (1999)
New businesses	Pursuit of and entering into businesses related to current products or market	Rule and Irvin (1988) Zahra (1991) Stopford and Banden-Fuller (1994)
Product / service innovativeness	Creation of new products and services	Schollhammer (1982) Covin and Slevin (1991) Zahra (1993) Damanpour (1996) Burgelman and Rosenblom (1997) Knight (1997) Tushman and Anderson (1997)
Process innovativeness	Innovation in product procedures and techniques	Schollhammer (1982) Covin and Slevin (1991) Zahra (1993) Damanpour (1996) Burgelman and Rosenblom (1997) Knight (1997) Tushman and Anderson (1997)
Self-renewal	Strategy reformulation, reorganisation and Organisational change.	Vesper (1984) Guth and Ginsberg (1990) Zahra (1991, 1993) Stopford and Banden-Fuller (1994) Muzyka <i>et al.</i> (1995) Sharma and Chrisman (1999)
Risk taking	Possibility of loss related quickness	Mintzberg (1973)

	in taking bold actions and committing resources in the pursuit of new opportunities	Khadwalla (1977) Miles and Snow (1978) Covin and Slevin (1986 1989, 1991) Stopford and Baden-Fuller (1994) Dess <i>et al.</i> (1996) Lumpkin and Dess (1996,1997) Lumpkin (1998)
Proactiveness	Top management orientation for pioneering and initiative taking	Covin and Slevin (1986,1991) Venkatraman (1989) Stopford and Baden-Fuller (1994) Lumpkin and Dess (1996,1997) Dess <i>et al.</i> (1997) Lumpkin (1998)
Competitive aggressiveness	Aggressive posturing towards competitors	Covin and Slevin (1986,1991) Miller (1987) Covin and Covin (1990) Lumpkin and Dess (1996,1997) Knight (1997) Lumpkin (1998)

Antoncic and Hisrich 2003:19

Corporate entrepreneurship processes go on in an existing business regardless of its size and refer not only to the creation of new business ventures, but also to other innovative activities such as developing of new products, services, technologies, administrative techniques, strategies and competitive postures (Antoncic & Hisrich 2003:9).

Wickham (2001:389), and Hisrich and Peters (2002:46) support the multidimensional view of entrepreneurship. A distinction between entrepreneurial and non-entrepreneurial businesses is a distinction between conservative (risk-averse, non-innovative and reactive) businesses

and entrepreneurial (innovative, proactive and risk-taking) businesses (Antoncic & Hisrich 2004:520).

4.3 Aspects of entrepreneurship

Hisrich, Peters and Shepherd (2005:520) define *entrepreneurship* as the process of creating something new with value by creating the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence. *Intrapreneurship* is entrepreneurship in a business.

4.3.1 Entrepreneurship

Entrepreneurship is a mindset and behaviour. It is the sum of a business's learning, innovation, renewal and venturing activities. The renewal involves revitalising the business's operations, focus and resource combination to enhance capability and shareholder value (Zahra 1996:715).

Antoncic and Hisrich (2003:13) and Weik and Westley (1996:445) associate business learning not only with the establishment of business routines but also with "disruptive non-routine behaviour" of alignment. Learning starts predominantly from what already exists, making an effort towards improving it, whereas intrapreneurship leaps into the relatively unknown, regardless of its starting base in terms of knowledge, routines or resources.

Rose and Ito (2005:9) note that by adopting a strategy of spinning new businesses, businesses create offspring that may be better adapted than the parent business for competing in a particular environment. The corporate offspring often create their own offspring resulting in large businesses which are inter-related. This is similar to survival strategies in nature in which actions are aimed at the survival of the entire group or species.

The reproduction process deliberately creates offspring to compete in specific different niches where it provides new genetic material for the family. Synergies are created, expanded and adaptation becomes more likely when conditions change.

This is supported by Michalski (2004:11), who claims that corporate ventures typically operate in emerging market environments where totally new resources and competencies are necessary and decisive for business success. Being independent of established corporate routines enables them to acquire and to build up new resources and competencies much faster in such environments.

Eliasson and Davidson (2003:1) state that corporate venturing can expand a venture's business by creating new products and entering new markets and that the literature suggests that innovative businesses that place higher emphasis on such activities tend to perform better than their less entrepreneurial ones.

4.3.2 The entrepreneurial mindset

Hitt *et al* (2002:2) argue that that an entrepreneurial mindset denotes a way of thinking about business and its opportunities that captures the benefits of uncertainty. These benefits are captured as individuals search for and attempt to exploit high potential opportunities that are associated with uncertain business environments. Hitt *et al.* (2002) add that strategic entrepreneurship is the integration of entrepreneurial (opportunity-seeking action) and strategic (advantage-seeking actions) perspectives. These entrepreneurial and strategic actions should be integrated in order to create maximum wealth. They should be complementary and not interchangeable.

According to Nutt (2004:27), a key trap to non-entrepreneurial behaviour is when decision-makers promote a single idea, resulting in a limited search trap that reduces prospects of success by 50%. To generate a pool of ideas, the search for alternatives should be expanded by finding an arena where they use broad objectives and search from several perspectives. The ability to take advantage of the munificent settings and survive the hostile environments is what being entrepreneurial is about. Hitt *et al.* (2002:6) note that entrepreneurial businesses create new resources or obtain and combine existing resources in unique ways to invent and innovate.

An intrapreneurial mindset enables the championing of new initiatives in established businesses to make some material difference by coming up with new valuable ideas which are resourced and developed in an encouraging, enabling culture (Thompson 2004:245).

One should focus on the entrepreneurial mindset when reviewing strategy. This is a way of thinking about the business that captures the benefits of uncertainty (McGrath & MacMillan 2000:1).

Speed in decision making and fresh insights are important by-products of the entrepreneurial mindset and by having this mindset entrepreneurs are able to effectively deal with a wide array of problems and irregularities inherent in developing new opportunities (Wright *et al.* 2001:114).

The entrepreneurial mindset is one of belief in change and innovation while recognising and developing the capabilities to achieve such change (Morris & Kuratko 2002:96).

McGrath and Macmillan (2000:3) outline the defining characteristics of entrepreneurs as follows:

- They passionately seek opportunities
- They stay alert, looking to make profits from change and disruption
- They pursue opportunities with enormous discipline
- They not only spot opportunities but they also act on them
- They only invest when the time is ripe
- They pursue only the best opportunities, therefore do not chase after every opportunity
- They tightly link their strategy to the choice of project
- They focus on execution, especially adaptive execution, offering directions as real opportunity and the best way to exploit it evolves
- They engage the energies of everyone in their domain, creating and sustaining an internal and external network of relationships, instead of working alone.

The entrepreneurial mindset is about creativity, innovation, opportunity taking, that result in business wealth creation and success. Such a mindset allows entrepreneurs to make convincing decisions in the face of uncertainty.

4.3.2.1 Strategic thinking

Strategic thinking is a way of solving problems that combines the rational and convergent approaches with creative and divergent thought processes and is intertwined with ongoing action processes, (Bonn 2005:338, Ratcliffe 2006:40, Mintzberg, Ahlstrand & Lampel 1998:42, Masifern & Vila 1998:16).

According to Abraham (2005:5) strategic thinking is the process of finding alternative viable strategies or business models of competing or delivering customer value which is done as part of the strategic planning process. Its challenge is to find a different way to do what the business now does or to adopt a business model different from its competitors. This is “finding your own race to run and win it”. It is about “walking in your customer’s shoes”, spotting where value lies then organising to deliver it.

This translates to a common definition of entrepreneurial thinking, ability for opportunity identification, satisfaction of needs and creation of value. “Organising to deliver” equates to mobilisation / combining of resources to create and deliver value.

This approach to strategic thinking is multi dimensional, integrating the micro-domain’s focus on individuals and groups with the macro-domain’s focus on businesses and their context Bonn (2001:63, 2005:340), futures thinking, scenario thinking and creativity, Ratcliffe (2006:48) and learning, Senge (1996).

Strategy is about ideas and the development of novel solutions to create competitive advantage. Strategic thinkers must search for new approaches and envision better ways of doing things, a prerequisite of which is creativity. Creativity is needed to imagine multiple possibilities and to search for alternatives to conventional approaches (Bonn 2001:65). Strategic thinking requires a holistic approach and attention to the underlying structures of complex situations and thinking that enable reconciliation of apparent contradictions and the development of alternative solutions. A holistic view requires recognition that businesses are components within large and complex systems, such as markets, industries and nations (Bonn 2001:65).

Thinking is both creative and intuitive because one cannot be intuitive on a subject without knowledge and experience in that field (Grattan 2004:66). Creativity and intuition will apply to both strategic and entrepreneurial thinking. The strategic entrepreneurial mindset which combines the two “types” of thinking is explored next.

4.3.2.2 Strategic entrepreneurial mindset

This holistic approach when combined with opportunity seeking and exploitative behaviour result in a strategic entrepreneurial mindset. This thinking is crucial to business success, (Wunderer 2001:193), competitiveness (Zahra & Bogna 2000:135), growth (O’Gormon 2001:64) value creation and profitability (Covin & Slevin 2002:310).

According to Michael, Storey and Thomas (2002:48), an entrepreneurial mindset focuses on value creation, opportunity seeking, recognition or discovering tomorrow’s business today. Strategic entrepreneurship is the integration of entrepreneurial (opportunity seeking actions) and strategic (advantage seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth (Sathe 2003:2).

Sathe (2003) further points out that strategy provide a starting point for the examination of corporate entrepreneurship, where core competences of a corporation can be leveraged to create new businesses.

In addition, Williams (2004:187) emphasises that businesses should promote divergent thinking, (the process of generating many and differing ideas as an important aspect of individual creativity) in businesses which will result in creative problem solving.

4.3.3 Proactive ness and competitive aggressiveness

According to Hitt *et al.* (2002:7), proactiveness refers to a business’s response to market opportunities while competitive aggressiveness by contrast is a business’s response to competitive threats. A strong proactive tendency gives a business the ability to anticipate change or needs in the market-place and be among the first to act on them. A strong competitive aggressive stance gives a business the ability to be a decisive player in a field of

rivals and to act forcefully to secure or improve its position. Proactiveness shows a strong positive relationship to all measures of performance.

Proactiveness is an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (Kreiser *et al.* 2002:2).

According to Wickland and Shepherd (2005:75), proactiveness refers to a posture of anticipating and acting on future wants and needs in the market-place thereby creating a first mover-advantage. Proactive businesses have the desire to be pioneers, thereby capitalising on emerging opportunities.

In addition, risk-taking proactiveness is associated with a willingness to commit more resources to projects where the cost of failure is high and also implies committing resources to projects where the outcomes are unknown. The business is breaking away from the tried and true and is venturing into the unknown.

Hisrich and Peters (2002:47) state that proactive businesses are inclined to take risk by conducting experiments, taking the initiative and are bold and aggressive in pursuing opportunities. They tend to lead rather than follow competitors in such key business areas as the introduction of new products and services, operating technologies and administrative techniques.

According to Lumpkin and Dess (2001:433), proactiveness and competitive aggressiveness are separate concepts with distinct definitions. Proactiveness is a forward-looking perspective characteristic of a marketplace leader who has the foresight to act in anticipation of future demand and shape the environment, while competitive aggressiveness is the intensity of a business's efforts to out-perform its industry rivals. The latter is characterised by a strong offensive posture directed at overcoming competitors and may also be quite reactive as when a business defends its market position or enters a market that a rival has identified.

Lumpkin and Dess (2001) suggest that proactiveness is a response to opportunities, whereas competitiveness is a response to threats.

4.3.4 Innovation

Novel and useful ideas are the lifeblood of entrepreneurship. To be successful entrepreneurs must generate valuable ideas for new goods and services that appeal to some identifiable market. Having identified these opportunities, entrepreneurs must figure out how to bring the project to fruition. Novelty and usefulness are the hallmarks of creative ideas (Ward 2004:174).

Zhao (2005:27) notes that innovation has many facets and is multidimensional. Its main dimensions are, however, expressed in dualism as follows:

- Radical versus incremental
- Product versus processes
- Administrative versus technological innovation

Radical innovation refers to path-breaking while *incremental innovation* refers to the small improvements. *Product innovation* refers to change in the end product as opposed to changes in the way businesses produce end products. *Administrative innovation* is about the changes associated with the social structure of the business while *technological innovation* is about the adoption of a new idea that directly influences the basic output processes.

Zhao (2005:26) argues that invention is the narrowest definition of innovation. Innovation requires three basic components to work, namely the infrastructure, the capital and the entrepreneurial capacity required to make the first two, work. Innovation is the specific tool of entrepreneurship by which entrepreneurs exploit change as an opportunity for a different business or service. It meets market needs and requires entrepreneurship if it is to achieve commercial success.

Kreiser *et al.* (2002:2) points out that *Innovation* is embodied in a strong business commitment to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes. *Risk-taking* is the degree to which managers are willing to make large and risky resource commitments that have a reasonable chance of costly failure. This is one key element of innovation.

The innovativeness dimension of entrepreneurship in a business reflects a tendency to engage in and support new ideas, novelty, experimentation and creative processes thereby

departing from established practices and technologies. Technological and / or product innovation can be used to pursue new opportunities (Wickland & Shepherd 2005:75).

No matter how large or successful, businesses that cling to the status quo and do not rejuvenate will rapidly ossify into bureaucracies defending waning privilege while hungry upstarts overtake them (Rwigema & Venter 2004:81).

4.3.4.1 Disequilibrium and innovation

Hitt *et al.* (2002:2) note that disequilibrating actions can produce competitive advantages because they are complex and will be difficult for competitors to identify and imitate.

The aspect of disequilibrium is supported by Morris, Pitt and Berthou (1996:60), who claim that businesses that are more change oriented, dynamic, formal, professional and strategic are opportunity-driven and will do whatever is necessary to capitalise on a perceived opportunity while creating more of an external and strategic focus. This focus also produces continual turbulence inside the business. This is what Kazanjian *et al.* (2002:189) identify as:

- **Sustained regeneration**, which relates to the business's ability to regularly introduce new products or enter new markets, and
- **Domain redefinition**, which relates to the business's creation and exploitation of new product-market arenas.

Kazanjian (2002) adds that the creation of a new business within the bounds of an established business requires developing or adopting new business structures that spur innovation and new knowledge development. Creations that are not reliant on the existing knowledge of the business will be implemented largely by importing new knowledge into the business. These would typically be unrelated to existing businesses and therefore will require no co-ordination or sharing of resources.

Top management should play certain roles such as that of sponsor, to push innovation into the finished product, as mentor and coach of the innovative team, as critic to counter-balance the innovative idea and as an institutional leader who resolves conflict (Nieman *et al.* 2003:248).

4.3.4.2 Business environment and innovation

Sathe (2003:30) notes that the indicators for business creativity are measured by expenditure on new products and on research and development (R&D) as percentages of sales relative to the industry and by the amount of time that the top management spends on new business creation activities. Sathe (2003) identifies the following external environmental factors as ones that affect business creation:

- A long-term commitment to new business creation helps in the development of new competencies of the people involved and sustains creativity.
- Demanding customers spur new business creation. Those slow to adapt to new technology or who are not innovative hamper new business creation.
- The threat of indirect competition from substitutes can lead a business to acquire new products, services and technologies or to develop alternatives, which can lead to new business creation.
- Direct competition spurs new business creation because this is a way to differentiate one's competitive position from industry rivals in an attempt to create customer value.

Internal factors that Sathe (2003:55) identifies as affecting business creation are as follows:

- The demands of existing business can take the management's attention away from business creation. This is because there is a tendency to focus on a growing business and neglect or under-emphasise new business creation.
- New business creation is sought when the existing business is maturing or declining and a new business is sought as a remedy.
- New business creation is dampened if several new products have recently been launched.

4.3.4.3 Stimulants and obstacles to creativity

Amabile (1999:525) notes the following as environmental stimulants to creativity:

- Freedom to decide what to do and a sense of control of one's work and ideas

- Good project management: a manager who serves as a good role model and is supportive
- Sufficient resources: access to resources
- Encouragement
- Various business characteristics: a corporate climate marked by co-operation and collaboration across all levels
- Recognition: with, feedback and reward for creative work
- Sufficient time
- Challenges arising from assignments for the individual and the importance assigned to it by the business
- Pressure: A sense of urgency that is internally generated from competition with outside businesses or from a general desire to accomplish something important.

She also cites obstacles to creativity as the following:

- Various organisational activities such as inappropriate reward systems, excessive red tape, lack of co-operation across divisions and levels, lack of / or little regard for innovation in general
- Constraint: lack of freedom (opposite of above)
- Business disinterest: lack of organisational support, or perceived apathy towards accomplishments
- Poor project management
- Evaluation: inappropriate evaluation feedback
- Insufficient resources
- Time pressure: too great workloads with high frequency of fire fighting
- Overemphasis on the status quo, unwillingness to change or take risks
- Competition.

The stimulants should be cultivated while the obstacles should be removed or minimised.

Managers with experience in new business creation share the belief that failure is a common outcome and focus their energies on learning from failure rather than finding faults or apportioning blame (Sathe 2003:85).

4.4. Fostering an entrepreneurial climate

4.4.1 Climatic complexity

Hamel (2003:473) points out that, like all forms of complexity, strategy is poised on the border between perfect order and total chaos, between absolute efficiency and blind experimentation, between autocracy and complete adhocracy.

Complex behaviour need not have complex roots and therefore simple rule preconditions are as follows;

- **New voices**; bringing new genetic material into the strategy process by including young people, newcomers, and those at the geographical periphery of the business. The process must be a pluralist and deeply participative undertaking.
- **New conversations**; Dialogue about strategy should cut across business and industry boundaries to ensure that new strategy insights will emerge. Opportunities for new insights are created when one juxtaposes previously isolated knowledge in new ways.
- **New passion**; unleashing the deep sense of discovery that resides in almost every human being, and focusing that sense on the search for new wealth-creating strategies. People are against change when it does not offer opportunities and individuals will not invest emotionally in a business and its success unless they will get a return on that investment. They will invest when there is a chance to create a unique and exciting future in which they can share.
- **New perspectives**; management and individuals must search constantly for new lenses that help businesses reconceive themselves, customers, competitors and thereby their opportunities.
- **New experiments**; launching a series of small, risk avoiding experiments in the market which serve to maximise a business's rate of learning about which strategies will work and which will not work.

4.4.2. Entrepreneurial climate and business structure

Kazanjian (2002:192) suggests that the different tasks of knowledge leveraging present in varying degrees in different types of corporate entrepreneurship strategies create contingencies for forms of organisational structure. Designing appropriate business forms to

deal with these critical contingencies enhances the management of knowledge and ultimately the effectiveness of any strategy for corporate entrepreneurship.

Jennings (1994:188) reports that businesses with a low level of venturing activity tend to have what he terms “a defender strategy” and a mechanistic structure, while those with a high venturing activity tend to have a “prospector” strategy and an organic structure.

Hisrich and Peters (2002:49) note that researchers have characterised the image of an entrepreneurial venture as having features similar to Burns and Stalker’s organic structure, which is characterised by decentralisation, flexibility and the absence of rules and regulations.

The flat structures have networking and teamwork as sponsors and mentors.

This is in line with Thornberry (2003:330), who claims that the competitive pressures on large businesses to become lean and agile have helped many of them survive. The increasing dependency on team structures, enabled by technology and leanness has had a dramatic impact on the bottom-line.

A more network-oriented structure as opposed to a hierarchical management structure encourages entrepreneurial initiatives. The multiple, informal networks in an entrepreneurial business are designed to access resources from within and through collaborative network relationships and are flexible thereby creating an atmosphere where employees are free to create and seek new opportunities (Eliaison, Wickland & Davison 2002:2).

A mechanistic structure may be necessary for the effective application of a competitive aggressive process by focusing business members on business-wide competitive tactics such as controlling costs. However proactiveness may require an organic structure, which allows for flexibility and idea sharing to anticipate market opportunities (Zahra & Bogner 2000:135).

In the most advanced business forms, not only is there mechanism for rotation and shifting resources for more and quicker utilisation, but there are also mechanisms to simultaneously grow new resources, termed the cellular form, by Matthew, Miles and Coleman (1997). In cellular organism, each cell has the essential properties of the large organism, and when cells are combined, there is something far richer than an individual cell which enables the business to do new things because it is able to use all that it knew before as well as all the know how that it is generating, through self governing self- coordinating and self initiating units (Miles,

Heppard, Miles & Snow, 2000:105). Such cellular structures enable the business to regenerate itself, enabling it to be competitive.

4.4.3 Entrepreneurship and the competitive environment

Morris and Kuratko (2002:150) state that today's businesses find themselves operating in a newly competitive landscape which can be described in terms of four powerful forces, namely change, complexity, chaos and contradiction. The playing field is no more level, the rules not obvious and hierarchy no more provides context and orientation.

Chaos or confusion best describes the new business landscape. This is the "chaos theory" which says that a system's outcomes are governed by nonlinear differential equations or that random events can cause extreme consequences in business. The principle of the theory is that small changes or shocks to the system can have a major impact.

Stacey (1996:265) posits that "under conditions of nonlinearity and non randomness, incremental changes that may themselves seem insignificant can precipitate major discontinuous or qualitative changes because of the emergent properties triggered by marginal adjustments"

In looking at the aspect of "contradiction", Morris and Kuratko (2002:150) quote Collins and Porras (1994), who explain that the tyranny of the "or" pushes people to think that things should be "A" or "B" but not both. They argue that this exclusionary thinking is wrong and should replace the "or" with "and". The dominant logic (prevailing mindset of the time) needs to be unlearned to adapt to changes in the environment.

New product introductions are positively related to growth. High-growth businesses grow by building on existing strengths and by emphasising corporate relatedness. This is related to the population ecology growth theory of environmental selection. The selection becomes crucial in the business growth potential and the choice of the environment is more critical to growth than any strategic choices (O'Gorman 2001:64).

The dynamism of hypercompetitive markets leads to an increasing divergence between intended and emerging strategies and therefore there is need for the explicit promotion of emergent strategies, allowing the corporation to react faster and more flexible to trends in the hypercompetitive markets (Michalski 2004:16).

Zahra and Bogner (2000:135) indicate that dynamic environments served to encourage the development of radically new products and technologies in order to capture premium market segments or pre-empt new entries. They also found that these dynamic environments achieved the highest levels of performance by frequently developing radically new products. Non-innovative businesses were found to often fall behind in dynamic environments where consumer tastes and trends are quick to change.

4.5 Entrepreneurship and leadership

4.5.1 Entrepreneurial politics

In building corporate support for new business creation, Sathe (2003:182) states that the entrepreneur should build support through three corporate constituencies, namely his boss, top corporate executives and relevant corporate committees and staff groups. Those who are opposed to new business creation strategy and initiatives must be won over, neutralised or defeated. The more powerful the entrepreneur's (promoter) corporate network, the greater the support for new business creation. The stronger the political alliances, the more important it is to cultivate corporate support.

This is necessitated by the fact that independent intrapreneurs are ill-suited for corporate entrepreneurship because of the lack of the essential gradient to corporate entrepreneurship. They are also limited in the ability to comprehend the political and cultural rapids of large corporations in order to get things done i.e. getting the attention and support new initiatives need to survive and succeed.

Sathe (2003:183) suggests political strategies and tactics to building corporate support as reflected in Tables, 4.3 and 4.4.

For the sake of control, managers often influence their subordinates' behaviour in ways that reduce divergent thinking and creativity. Some degree of conformity and predictability is normally required for integration (planning) of business members' efforts. Instead their influence should promote divergence in order to produce entrepreneurial thinking (Scott 2004:187).

Wunderer (2001:193) notes that changes in the business environment and management philosophy have led to an increasing number of businesses demanding internal entrepreneurship not only from their managers but from their employees. This is because the “shepherd philosophy”, where the business’s success is due to the “boss” alone, has become obsolete.

Table 4:3 Political strategies and tactics for building corporate support

Strategy 1: Use reason and appeal

- Reframe the case for new business creation so that it is perceived as less risky, more compelling and / or legitimate.
- Communicate effectively via persuasive presentations and memorable memos.
- Give people confidence in a new product or service by allowing them personally to experience it.

Strategy 2: Avoid or delay opposition

- Do not ask for permission, ask for forgiveness later if necessary.
- Use political timing to one’s advantage.

Strategy 3: Overcome opposition with political power

- Use political power to overcome opposition.

Sathe 2003:183

Effective strategic leaders have an entrepreneurial mindset that results in their constant and conscious attempt to achieve growth or super-normal profit. This is a way of thinking about business that “captures the benefits of uncertainty” by consciously searching for and trying to exploit high-potential opportunities that are associated with uncertain business environment. There is need for an entrepreneurial dominant logic which exists when the business and its members interpret, value and act on information on the basis of the potential of the value creation and profitability of the business (Covin & Slevin 2002:310).

The authors add that the benefits that may accrue to those who embrace an entrepreneurial dominant logic include increased flexibility, adaptability to the environmental demands, emergency of strong capacity for internal innovation, enhanced ability to pre-empt competitors in the exploitation of the product, market opportunities and greater receptivity to the adoption of novel yet promising business models.

Table: 4.4 Building corporate support for new business creation

Changing mindset and behaviour for new business creation	Assessing, repositioning, motivating and supporting people
<ul style="list-style-type: none"> ▪ Get people to buy in one at a time ▪ Involve people in creating the vision ▪ Communicate the vision over and over again ▪ Reassure people when results are bad or are not early ▪ Educate, train, coach and mentor people 	<ul style="list-style-type: none"> ▪ Via a sense of destiny ▪ Via external benchmarks ▪ By giving people freedom ▪ By supporting people

Sathe 2003:197

4.5.2 Entrepreneurial strategic leadership

Visionary leadership is being touted as the cure for many of the ills that affect businesses in today's fast-changing environment. This type of leadership creates excitement in work, works from high-risk positions and seeks out risky ventures, especially if the rewards are high. Visionary leadership is future-oriented and concerned with risk-taking and is not dependent on the business for their sense of which one is (Rowe 2001:84).

Duane and Hitt (2003:20) offer the following recommendations for business effective strategic leadership practices:

- A growth orientation, where a business focuses on growth instead of downsizing or cost reduction

- Knowledge management, where leaders should enable their businesses to develop, exploit and protect the intellectual capital contained in their citizens bases
- Mobilisation of human capital
- Developing effective business culture
- Remaining focused on the future, leaders using their time and energies to predict future competitive conditions and challenges.

The old leadership paradigm, founded on a parent-child model, using the tools of control, compliance, and conformity to gain alignment, serves only to perpetuate an increasingly stagnant status quo, and it devastates commitment, creativity, and diversity, the foundations of renewable entrepreneurship does not work in today's marketplace (Robb 2005:3).

Strategic leaders must be entrepreneurial, visionary, and transformational because they have a key role in shaping the dynamic dominant logic. This is achieved by having a diverse management team that provides different experiences and talents, allowing for effective leadership in the new competitive landscape (Hitt and Reed 2000:34).

4.5.2.1 Factors in entrepreneurial leadership

A number of leadership approaches exist in leadership theory. These include the transactional and the transformational. The former approach emphasises the importance of one-to-one relationships or “dyads” the leader establishes with the followers, where the leader sets expectations and assumptions and defines what the business should do or not do and how it should go about its task. On the other hand, the transformational leader uses her or his charisma and personal vision to transform individuals into followers. This perspective points to a collective leadership, since the whole business is involved (Wickham 2001:369).

Entrepreneurial leadership is about being both transformational and transactional and these are distilled and integrated as shown in Figure 4.1.

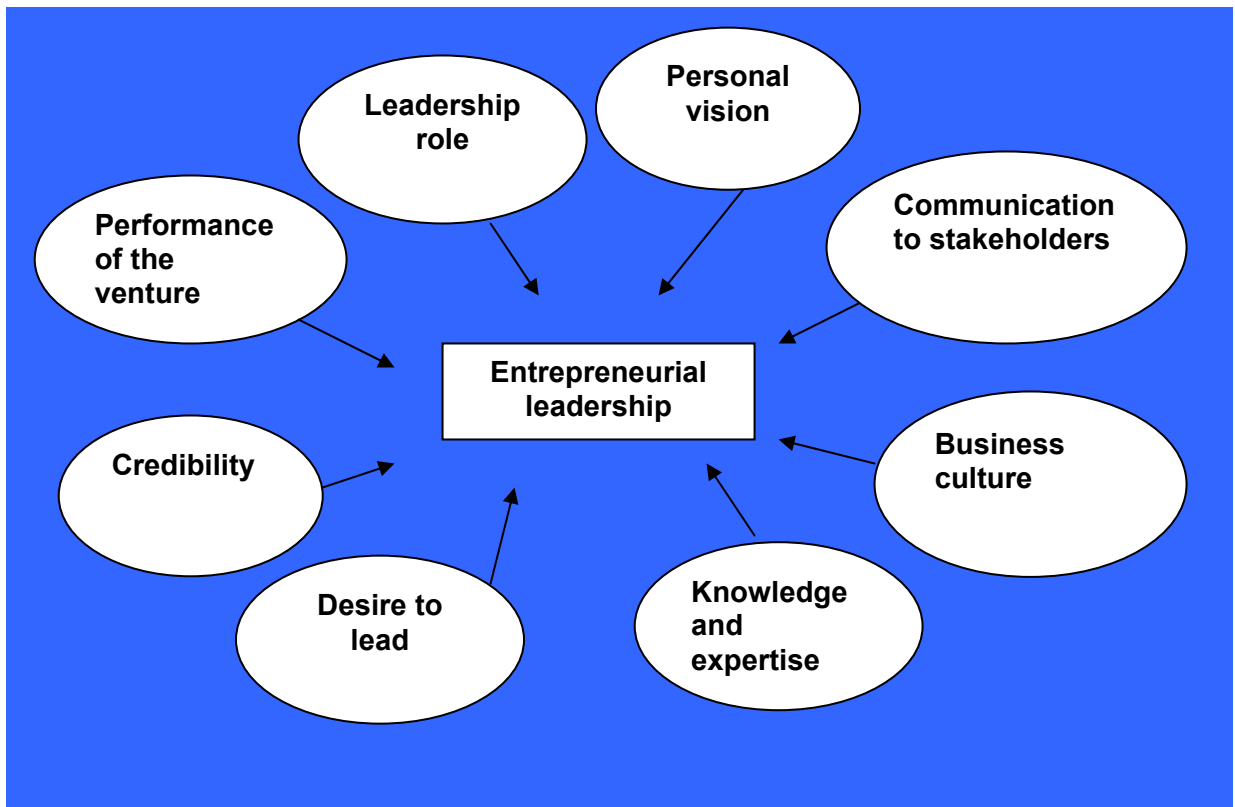
As a result, the strategic leadership of the business must not only support radical innovation, but also inculcate a radical innovation and a corporate entrepreneurship mindset into the culture of the business. Without strategic and cultural support, there is little reason for the

traditional business units to “buy in” and support existing and future entrepreneurship systems (Kelly *et al* 2002:7).

4.6 Entrepreneurial culture

Human culture can be described, however loosely, as a set of commonly held beliefs, attitudes, dispositions and modes of behaviour (Hunt and Levie, 2003:1). This is what George and Zahra (2002:5) refer as the enduring set of values of a nation, a region or a business.

Figure 4: 1 Factors in entrepreneurial leadership



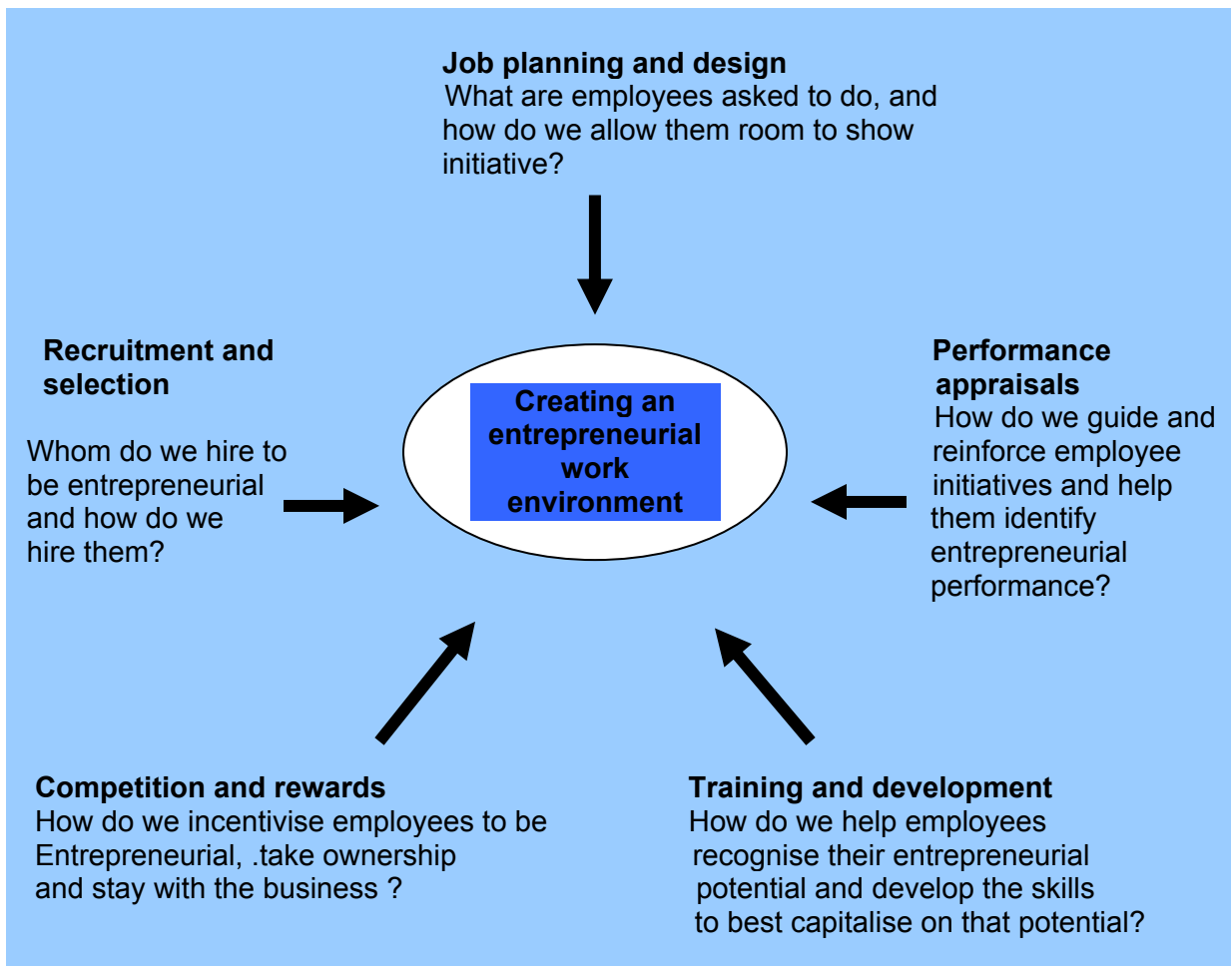
Wickham 2001:370

4.6.1 Entrepreneurial culture and the human resources function

The importance of the human resources function is that it processes the recruitment/ selection, development and rewards of employees among many other duties. An

entrepreneurial business should ensure that the function is highly sensitive to its entrepreneurial endeavour. As argued by Morris and Kuratko (2002:238), the function should ensure that it recruits the right people (entrepreneurs / potential entrepreneurs) rewards entrepreneurship and sees to it that a conducive entrepreneurial work environment is created. This is shown in Figure 4.2.

Figure 4: 2 Human resources system and the entrepreneurial environment



Morris and Kuratko 2002:238

4.6.2 Innovation culture

Hitt *et al.* (2002:420) point out that for a business to be entrepreneurial, it must not only provide appropriate autonomy and incentives for individual initiatives to surface, but must also

promote co-operation and group ownership of innovation if it is to be implemented successfully.

Many businesses are now looking at “corporate entrepreneurship” as a way of combating the lethargy and bureaucracy that often accompany size, what Michalski (2004:18) terms “cultural lock-in”. Related to this is the fact that management techniques tend towards order, rationality, predictability, tried and tested methods and the general depersonalisation of economic endeavour. This emphasis appears difficult to integrate into the more charismatic approach of genuine entrepreneurs without damaging their special potential (Thornberry 2003:329).

Ibrahim and Soufani (2002:426) indicate that research has shown that the following managerial skills are associated with successful entrepreneurs,

- Strategy
- Financial planning
- Marketing skills
- Leadership
- Networking

Thompson (2004:246) argues that intrapreneurs come up with new and valuable ideas which they are able to resource and develop in an encouraging enabling culture.

Antoncic and Hisrich (2004:540) also found organisational support to be an important direct predictor of corporate entrepreneurship, as well as an indirect influence on performance. In addition, business growth can be impacted by fitting the level of organisational support to the level of corporate entrepreneurship. Management and organisational support should be the primary concern in increasing the level of corporate entrepreneurship which in turn has a substantial influence on business wealth creation, growth and profitability.

On the need to create an entrepreneurial culture, Hisrich *et al.* (2005:45) points out that the traditional culture differs significantly from an entrepreneurial culture. The guiding direction in a traditional corporate culture is to adhere to the instructions given, not to make mistakes, not to fail, not to take initiative but wait for instructions, to stay within one’s turf and protect one’s backside. The goals of an entrepreneurial business are different, namely, develop vision, goals and action plans, be rewarded for actions taken, suggest, experiment, create and

develop regardless of area and take responsibility and ownership. According to them an “entrepreneurial environment” is an environment where:

- The business operates on the frontiers of technology
- New ideas are encouraged
- Trial and error is encouraged
- Failure is allowed
- There are no opportunity parameters
- Resources are available and accessible
- There is a multidiscipline teamwork approach
- There is a long time horizon
- There is a volunteer programme
- Appropriate reward system sponsors and champions are available
- There is support from top management.

It is heartening to know that entrepreneurship can be learnt. What the training does most effectively is to give participants the tools, techniques, and discipline to distinguish between a good idea and a good opportunity (Thornberry 2003:336).

4.6.3 Culture as a driver

According to Elliason *et al.* (2002:3) business culture is one of the key factors fostering entrepreneurial activities in businesses. They quote Brown *et al.* (2001); Covin and Slevin (1991); and Zahra (1993) to support this assertion.

The culture of a business touches and influences everything that people do. It is pictured as existing on different levels, such as assumptions, values (substance) and artifacts (forms) rules of conduct, vocabulary, methodology, rituals and rites, myths and stories (Morris and Kuratko 2002:255). Morris and Kuratko (2002:260) posit that culture is rich in entrepreneurial businesses and this culture drives them. Elements of an entrepreneurial culture include the following:

- People and empowerment focused
- Value creation through innovation and change
- Attention to basics
- Hands-on management
- Doing the right thing

- Freedom to grow and fail
- Commitment and personal liability
- Emphasis on the future and a sense of urgency

The pursuit of entrepreneurship creates new and potentially complex sets of challenges on both theoretical and practical levels. This is because most of the current management practice styles do not include entrepreneurship theory. On a practical level managers find themselves in uncharted territory. They lack guidelines on how to direct entrepreneurship and the business infrastructure in terms of systems, policies and procedures, and structures are based on traditional management which often does not apply (Morris & Kuratko 2002:264). This leads to business constraints on corporate entrepreneurship as shown in Table 4.5.

Table 4.5 Categories of organizational constrains on corporate entrepreneurship

Systems	Structures	Strategic Direction	Policies and Procedures	People	Culture
Misdirected reward and evaluation systems	Too many hierarchical levels	Absence of innovation goals	Long, complex approval cycles	Fear of failure	Ill-defined values
Oppressive control systems	Overly narrow span of control	No formal strategy for entrepreneurship	Extensive documentation requirement	Resistance to change	Lack of consensus over priorities
Inflexible budgeting systems	Responsibility without authority	No vision from the top	Over reliance on established rules of thumb	Parochial bias	Lack of fit
Arbitrary cost allocation systems	Top-down management	Lack of commitment from senior executives	Unrealistic performance criteria	“Turf” protection	Values that conflict with entrepreneurial requirements
Overly rigid, formal planning system	Restricted communication channels	No entrepreneurial role at the top		Complacency	
	Lack of accountability			Short term orientation	
				Inappropriate skills / talents	

Morris 1998:97

Businesses, their strategies, structures and management teams, are becoming more complex and businesses need to know where they are, where they are going and how to manage (Desai 2000:685).

The complexities noted by Desai and the constraints summarised in Table 4.4 need to be well understood and managed delicately if a business has to be entrepreneurial and succeed.

4.7 Corporate entrepreneurship (CE) and performance

Srivastava and Lee (2005:461) quote Capon *et al.* (1990) and D'Aveni (1994) in support of the fact that new product moves are an important mechanism for a business to achieve competitive advantage and that this is considered a key driver to performance. The importance of this entrepreneurial activity is indicated by the fact that a number of empirical studies have linked the introduction of new products to wealth creation for shareholders. They further point out that the strategic choice of a business describes the entrepreneurial orientation of top management to take risks, to be innovative and to be proactive. Studies include those by Antoncic and Hisrich (2004) and Hitt *et al.* (2001).

4.7.1 Growth performance

Pasanen (2003:422) points out that high-growth businesses seem to be characterised by multiple entrepreneurship (new businesses) instead of single business and that multiple entrepreneurship is most frequent among innovative growth businesses.

Antoncic and Hisrich (2004:524) show that improved business results, in terms of growth and profitability have been found to be a result of corporate entrepreneurship in established businesses. The researchers quote Peters and Waterman (1982); Kanter (1984) and Pinchot (1985) to show that corporate entrepreneurship is part of successful businesses and Covin & Slevin (1986); Zahra (1991) and Zahra and Covin (1995) to assert that it is related to growth and profitability in both large and small businesses.

According to Simler (2003:475), the biggest myth in the minds of the corporate world is that every business needs to keep growing to be successful. The ultimate measure of a business's success is not how big it gets but how long it survives. Some businesses are meant to be big, but others are meant to be medium and others small. A business should be

let to find its own size, a size at which it can maintain profitability and keep its customers happy. There is nothing wrong with a business staying the same or even shrinking as long as the bottom line stays healthy.

4.7.2 The population ecology

Johnson and Van de Ven (2002:71) provide a number of frameworks for the entrepreneurial business, one of which is the population ecology model. In this model, entrepreneurial businesses rely on early market entry through opportunity recognition. Businesses earn profits in the period of time before an industry reaches carrying capacity and businesses can only earn rents if new entrants are barred. The first businesses to enter a niche will perform well until new entrants increase the competition for inputs. This suggests that performance of entrepreneurial businesses will be higher than that of businesses entering a niche that is already populated and the business that is able to repeatedly identify and enter new niches will sustain above-normal profits.

4.7.3 Innovation

Artz and Norman (2001:2) confirm that the effectiveness of a business in using its entrepreneurial capabilities to generate innovation is a critical determinant of its long-term success and profitability.

Zhao (2005:28), researching on perceptions of entrepreneurship and innovation, found that entrepreneurial businesses (businesses that were continuously creating new products and services, projects, new business opportunities and markets), regardless of size and the industry, had a positive link with performance. He also found that these businesses incorporated their vision of innovation into their entrepreneurial strategies and actions.

4.7.4 Wealth creation

Research by Antoncic and Hisrich (2004:533) on entrepreneurship and wealth creation shows that, “corporate entrepreneurship is a good direct predictor of business wealth creation as well as profitability and growth”. This is supported by Wickland and Shepherd (2005:73), who note that those businesses that adopt a more entrepreneurial strategic orientation perform better. They quote studies by Wickland (1999); Zahra (1991) and Zahra and Covin (1995) in support.

4.8 Importance of corporate entrepreneurship

The importance of corporate entrepreneurship cannot be overemphasised. This is the more so with regard to its nature, innovation and proactiveness (Miller & Friesen 1983:222; Covin & Slevin 1991:10), strategic renewal (Zahra 1993:321; Guth & Ginsberg 1990:5) opportunity seeking (Lumpkin & Dess 1996:146) among other factors. These factors are discussed further.

4.8.1 The entrepreneurial (opportunity seeking) mindset

Corporate entrepreneurship is quickly becoming a weapon of choice for many large businesses because it takes the mindset and skills demonstrated by start-up entrepreneurs to inculcate these into the cultures and activities of large businesses. It becomes a strong antidote to large-business staleness, lack of innovation, stagnated top-line growth and the inertia that often overtake mature large businesses. Corporate entrepreneurship has a cache that is hard to resist, because entrepreneurs exploit opportunities that others either miss or perceive as unattainable (Thornberry 2003:329).

Corporate entrepreneurship can be an important driver of business wealth creation as well as growth and profitability. Most entrepreneurial businesses exhibit, to a larger extent than other businesses, entrepreneurial activities such as pursuing new businesses, creating new units or businesses, innovativeness in terms of products, services, processes, strategic self renewal, risk-taking and proactiveness (Antoncic & Hisrich 2004:524).

Pearce and Carland 111 (1996:3) state that several researchers have found links between performance and the presence of intrapreneurship. They quote a number of researchers who found higher performance in large businesses with entrepreneurial intensity. They also found that businesses with a high level of in-house innovation outperformed businesses that pursued opportunities through joint ventures or acquisitions. He cites Kramer and Venkataraman (1993) who show that rapid sustained growth is a characteristic of entrepreneurial businesses.

Corporate entrepreneurship has strategic and organisational change connotations and includes a redefinition of the business concept, reorganisation and the introduction of system-wide changes to increase innovation (Hisrich & Peters 2002:46).

An entrepreneurial business needs to have a management team whose skills are complementary, not the possession by an individual of a single, absolute set of skills or a profile. The art and craft of entrepreneuring involves recognising the skills and know-how needed to succeed in a venture. In addition, it is important to know what each member does or does not know and then compensating shortcomings either by getting key people on board to fill voids or individuals accumulating the additional needed “chunks” (Timmons 2000:246).

4.8.2 Innovation core competency

According to Morris and Kuratko (2002:157), the challenge for entrepreneurship is to develop innovation as a core competence of the business. The business’s strategy for entrepreneurship serves to stimulate such innovation. Strategic positioning (a distinct set of activities that a business does differently and better than others) represents the linkage to both strategy and to entrepreneurship.

Hitt *et al.* (2003:416), note that research conducted by the Centre for Entrepreneurial Leadership at the Kauffman Foundation shows that in recent years 100% of jobs created in the United States (USA) were created by entrepreneurial businesses of less than two years of age. Evidence suggests that corporate entrepreneurship practices are facilitated through the effective use of the business’s strategic management (planning) process and effectively using the business’s human capital. Top management should therefore try to establish an entrepreneurial culture that inspires individuals and groups to engage in corporate entrepreneurship. Studies have shown a strong positive relationship between the rate of entrepreneurial activity and economic development in a country.

The whole point of entrepreneurial success is to get around problems that others find impassable and these barriers could be institutional or technical (Mambula & Sawyer 2004:31).

4.8.3. Entrepreneurial management style

Thomson and McNamara (2002:682) reflect that businesses that promote corporate entrepreneurship encourage teams to try out new ideas, modify administrative procedures and explore new possibilities. The process of improvements builds on the experience gained from both successful and unsuccessful experimentation, providing what works and what does not work.

Antoncic and Hisrich (2001:512) posit that the first antecedents that influence intrapreneurship are business characteristics, communication openness, control mechanisms, environmental scanning intensity, management support and business value. These can be related to the antecedents of planning in terms of planning communication up and down the business, environmental analysis, resource allocation as a form of planning support and control as a planning (implementation) corrective measure.

Kuratko, Ireland and Hornsby (2001:68) point out that the supportive words (from top management) are one thing; seeing their leaders behave entrepreneurially creates employee commitment to do the same and has a more significant effect than words.

Rwigema and Venter (2004:80) emphasise the fact that the intrapreneurial ventures become centres of excellence that permit collaboration and cross-fertilisation in addition to aiding in the following:

- Business rejuvenation, because no matter how large or successful, businesses that cling to the status quo will rapidly ossify into bureaucracies defending waning privileges
- Retaining innovation employees by giving them room to experiment and innovate and to unleash their creative potential, with potential large gains for the corporate parent
- Growth and profitability; entrepreneurial start-ups account for a growing share of profit and revenues and are rapidly becoming the prize pupils.

The importance of corporate entrepreneurship cannot be overemphasised, especially in an environment that is characterised by dynamism and a complex competitive environment.

4.9 Public sector entrepreneurship

Entrepreneurship can be applied to all businesses including not-for-profit institutions and government (Lee, Chang & Lim 2005:28). The, not-for-profit entrepreneurship (public or private) is normally termed social entrepreneurship, while government entrepreneurship is termed, for this discussion, public sector entrepreneurship. The different types of public sector entrepreneurship will be discussed next.

4.9.1. Social entrepreneurship

Social entrepreneurs create innovative ways of tackling pressing and intractable social problems such as youth crime and drug dependency. They take neglected and under utilised resources, find ways to use them, satisfying unmet and unrecognised needs and often operate in non-profit, voluntary sectors. They mobilise a diverse network of people and private-sector businesses in order to tackle social problems (Zerbinati & Souitaris (2004:5).

Austin, Stevenson and Wei-Skillem (2006:2) point out that common across all definitions of social entrepreneurship is that its underlying drive is to create social value rather than personal or shareholder wealth and that the activity is characterised by innovation, or the creation of something new, rather than simply the replication of existing businesses or practices. Social entrepreneurship is an innovative, social value creating activity that can occur within or across the non profit, business or government sectors.

According to Dees (2001:4) social entrepreneurs play the role of change agents in the social sector by,

- Adopting a mission to create and sustain social value (not just private sector)
- Recognising and relentlessly pursuing new opportunities to serve that mission
- Engaging in a process of continuous innovation, adaptation and learning
- Acting boldly without being limited by resources currently at hand
- Exhibiting heightened accountability to the constituencies served and for the outcomes created.

Social entrepreneurs have bold visions and they attack underlying causes of problems rather than the symptoms and, as noted by Drayton (2005:1), social entrepreneurs are not content just to give a fish. They will not rest until they have revolutionised the fishing industry.

4.9.2 Public sector entrepreneurship

Roberts (1992:56) defines public entrepreneurship as the generation of a novel or innovative idea and the design and implementation of the innovative idea into public sector practice. Individuals who generate, design, and implement innovative ideas in the public domain become known as public entrepreneurs.

The external environment of today's public sector businesses is characterised as highly turbulent, implying an increasingly dynamic, hostile and complex set of environmental conditions. As a result the term entrepreneurship has appeared in public administration literature with increasing frequency in the past decade. Popular terms include reinventing government, downsizing, re-engineering, continuous improvement, participative management, privatisation, or outsourcing certain activities to the public sector (Morris & Kuratko 2002:305).

Zerbinati and Souitaris (2004:7) argue that entrepreneurship is a universal construct that can be applied in the public sector business as well as large private businesses. They stress that this is because both have formalised hierarchies, established stakeholder groups with competing demands, deeply entrenched cultures to guide financial controls, budgeting, employee rewards and the managers have higher job security for the managers, lower personal responsibilities and an established pool of resources.

Morris and Kuratko (2002:306) posit that entrepreneurship is an attitudinal and behavioural activity, whose underlying dimensions are innovativeness, risk taking and proactiveness and that these characteristics are applicable to the public sector business. A business's overall entrepreneurial orientation, or intensity is the result of combining the number of entrepreneurial events taking place to the extent to which these events are innovative, risky and proactive (degree).

4.9.2.1 Unique public sector entrepreneurship characteristics

To understand public sector entrepreneurship, some unique characteristics of the sector should be borne in mind. Some of these unique characteristics, cited by Morris and Kuratko, (2002:312) are summarised below,

- They do not have a profit motive; they are instead guided by social and political motives
- They have less exposure to the market and incentives for cost reduction
- They receive funds from an involuntary taxpayer rather than from a satisfied and voluntary customer
- They serve many “publics” and can not easily identify the businesses’ customer
- They produce services that have consequences for others beyond those immediately involved
- They are subject to public scrutiny and so decisions have to be made with transparency, and must involve consensus among a variety of interest groups and constituencies
- They face risk / reward trade-offs that strongly favour avoiding mistakes.

The author is of the opinion that the above factors present a completely different set of challenges from those of the business entrepreneur. One such problematic characteristic is the existence of the multiplicity of constituencies (customers) and the rigid bureaucratic nature of the systems that have to deliver to the many publics.

Sadler (2000:32) provides a summary of factors that foster as well as inhibit public entrepreneurship. These are shown in Table 4.6.

Sadler (2000:29) points out that public sector obstacles emanate from the attitudes, “turf fights” and general resistance to change inherent in bureaucracies, inadequate resources, legislative or regulatory constraints or political opposition and obstacles arising in the environment outside the public sector such as doubts about the programme, inability to reach the target group, public or private sector opposition because of the need to compete with the public sector.

Table 4.6 Factors that foster or inhibit public sector corporate entrepreneurship

Factors that foster public sector corporate entrepreneurship	Factors that inhibit public sector corporate entrepreneurship
<ul style="list-style-type: none"> ▪ Participative or decentralised decision making ▪ Decisions made by people with specialised training ▪ Decision making relying on few integrating devices ▪ Performance objectives developed from shared participation ▪ Managers tend not to be penalised if risky projects fail and risk taking is encouraged ▪ Business autonomy ▪ Hostile operating environment ▪ Organic business structure ▪ Availability of resources for innovation and project size ▪ Cohesive work groups ▪ Moderate personnel turnover ▪ Smaller, flexible businesses 	<ul style="list-style-type: none"> ▪ Bureaucratic process ▪ Exposure to the media on projects which fail ▪ Lack of competition ▪ Lack of resource control ▪ Massive regulation and accountability requirements (red tape) ▪ Measurement of inputs rather than outputs ▪ Multiplicity and ambiguity of goals ▪ Ongoing government financial backing ▪ Ongoing need for consultation with stakeholders before decision making ▪ Political intrusion into management ▪ Restrictive employee policies and rigid salary scales ▪ Risk aversion tendencies ▪ Soft budget constraints ▪ Skewed and ineffective reward / punishment systems ▪ Weak financial discipline

Sadler 2000:32

According to Cornwall and Perlman (1990:226), efforts to pursue entrepreneurship have to overcome the following obstacles, peculiar to the sector:

- Multiplicity and ambiguity of goals which paralyse management
- Limited managerial autonomy with high potential for interference, which discourages innovation
- High visibility, which results in over-cautious managerial behaviour
- Short-term orientation, which discourages, larger longer term, high impact entrepreneurial initiatives
- Restrictive personnel policies which reduce the leaders' ability to motivate subordinates.

The author's opinion is that the factors that inhibit public sector entrepreneurship are huge, given their structures as well as their mandates which are usually of a service nature. The practice of public sector entrepreneurship becomes very important if quality service delivery is to be met.

4.9.2.2 Importance of public sector entrepreneurship

Despite the differences regarding entrepreneurship in private and in public businesses creating value for customers, putting resources together in unique ways and being opportunity driven are not inherently in conflict with public sector businesses. There is an increasing need for entrepreneurial approaches in public sector agencies. This is more so considering the fact that the contemporary environment confronting public sector management is far more complex, threatening and dynamic than in the past. In addition the ability of the business to recognise and adequately respond to their changing circumstances is severely limited not only by resources but by also philosophies and structures that characterises public businesses (Morris & Kuratko 2002:314).

However, according to Sadler (2000:26), while calls for innovation and entrepreneurship in the public sector have global significance, there is little significant evidence of an international paradigm of reform or application and governments around the world regularly lament the absence of entrepreneurial behaviour in the public sector.

When a business is faced with circumstances in which funding is not dependable, client demographics and needs are in flux, technology is rapidly changing, social and environmental pressures are increasing, skilled labour shortages are the norm, citizens are calling for privatisation, litigation is rampant and a host of other discontinuities continue to present themselves, then the public sector bureaucratic framework fails to provide the flexibility, adaptability, speed or incentives for innovation that are critical for the carrying out of the mission of the business (Morris & Kuratko 2002:314). Entrepreneurship becomes a critical requirement.

Kirby (2003:309) notes that for the public sector to adopt a more innovative entrepreneurial approach to service delivery there needs to be more consensus and commitment on the part of staff for the need to change. This is achieved by creating an environment where staff, feel valued and involved. The key to successful innovation is people and it is people or the leaders who are able to motivate and create a team with the requisite skills, attitude and a commitment to translate ideas into reality.

The conventional view of public sector businesses as monopolies having no sound performance measures, which can perform poorly for extended periods until they encounter a publicly visible crisis (Sadler 2002:29), calls for a big rethink, with entrepreneurship as a solution for pro-activity and not reactivity.

4.9.2.3 Entrepreneurship in South Africa

Parastatals, faced with dwindling subsidies, increased public scrutiny, and privatisation the need for entrepreneurship become even be greater. Most South African parastatals are now striving to recast their management styles into an entrepreneurial mode and these include, Transnet, Eskom, and the South African Post Office.

Government is used to lumbering bureaucracies funded from the public fiscus and often deaf to public services, with mission largely undefined or unfulfilled. Government departments are condemned to permanent dependence on public funding because they create little value and eschew innovation in the face of changing times (Rwigena and Venter 2004:10).

The author notes that the challenges for entrepreneurship in the public sector are greater considering the poor service delivery that is being witnessed today as reflected by countless and continuous demonstrations against poor service delivery. Some of these demonstrations have been violent. The government has introduced the **Batho Pele** (*people first*) initiative, which aims to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services.

Batho Pele requires that eight service delivery principles be implemented (Department of Public Service and Administration) and these are as follows:

- Regularly consult with customers
- Set service standards
- Increase access to services
- Ensure higher levels of courtesy
- Provide more and better information about services
- Increase openness and transparency about services
- Remedy failures and mistakes
- Give the best possible value for money.

The availability of the service charter is an attempt to create an entrepreneurial environment for civil servant entrepreneurship but the situation on the ground (violent demonstrations) points to complete failure or the existence of a non-entrepreneurial climate. The author is of the opinion that factors from the service charter that offer entrepreneurial challenges include increasing access to services, remedying failures and mistakes, increasing openness and transparency and giving the best value for money. One doubts, however, whether the entrepreneurial skills and the entrepreneurial structures are in place to enable execution of an entrepreneurial service.

Rwigena and Venter (2004:10) point out that besides parastatals and government, South African businesses have speedily cottoned on to the benefits of intrapreneurship. Large corporates like Anglo American and major banks are restructuring, removing other layers, outsourcing non-core functions and spurring intrapreneurship among existing profit centres and new ventures. The objective is to inject new energy and a fresh ethos that will enable them to compete in a globalising world.

4.9.3 Global entrepreneurship

Rwigena and Venter (2004:10) note that globalisation exposes entrepreneurs everywhere to merciless competition as tariffs reduce and trading straddles national borders. Survival will depend upon the creativity and resilience of a country's entrepreneurs.

According to Zahra, Neck and Kelly (2004:147), international corporate entrepreneurship refers to those activities a business undertakes to identify, evaluate, select and pursue opportunities outside its home markets. These activities involve innovativeness, proactiveness and a willingness to take risks, thereby applying this posture to geographic exploration and expansion.

Hisrich, Peters and Shepherd (2005:92) add that this international entrepreneurship may consist of licensing, opening a sales office in another country, exporting (direct / indirect / investment), turnkey projects, management contracts or direct investment.

Zahra and George (2002:258) define international corporate entrepreneurship as a process of creatively discovering and exploring opportunities that lie outside a business's domestic markets in the pursuit of comparative advantage. They further point out that advantages in technology coupled with increased cultural awareness have made once-remote markets accessible to businesses and that all businesses of different ages and sizes often engage in entrepreneurial activities as they venture into international markets. Exploiting global markets and using co-operative strategies are two actions that contribute to strategic flexibility through entrepreneurial strategy creation and implementation.

4.9.3.1 Dimensions of international entrepreneurship

Zahra and George (2002:264) identify three key dimensions of international entrepreneurship, namely:

- Extent / degree of entrepreneurship
- Speed
- Scope.

The extent / degree of internationalisation is measured by the percentage of sales generated from foreign markets. Speed is defined as the length of time that lapsed between the year the

venture is created and the year of its first foreign sales, while scope is measured by the number of countries (other than country of origin) in which the venture generated sales.

Thompson and Strickland (2001:200) put forward the following reasons as to why businesses expand into foreign markets;

- To gain access to new customers
- To achieve lower costs and enhance business competitiveness
- To capitalise on its core competencies
- To spread its business risk across a wider market base

Zahra and George (2002:277) present a framework of international entrepreneurship in which they outline the following factors as influencing a business's rate of internationalisation: business, strategic, external (environmental factors) and international factors. These result in the expected competitive advantage outcomes. The framework is shown in Figure 4.3.

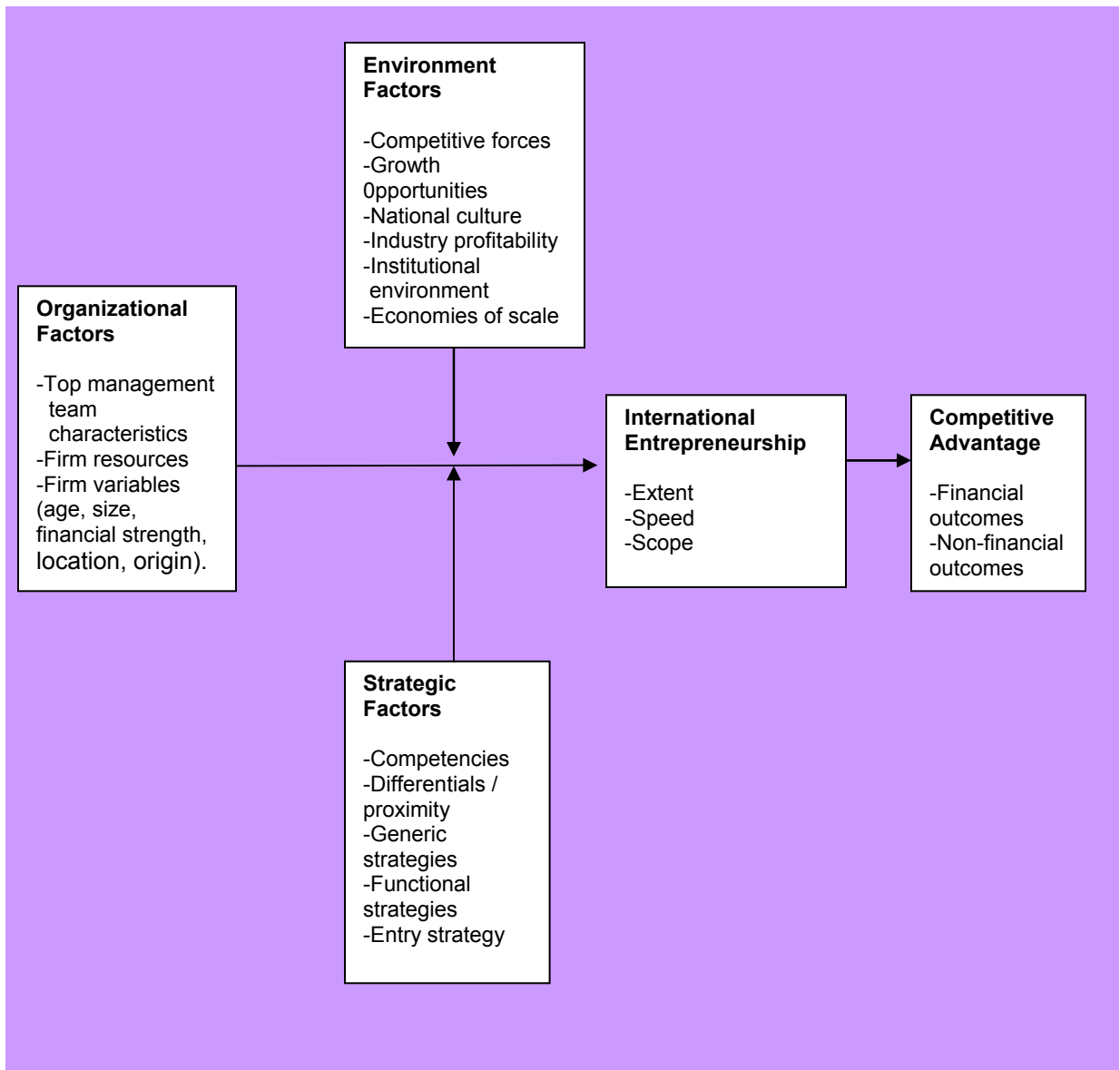
Zahra and George identify the other factors that positively influence the speed and degree of internationalisation as the following;

- Tangible assets such as reputation and networks
- Ability to gather information from foreign markets
- Unique product and product differentiations
- Managers' motivation to achieve growth
- The business's general and task environments (competences, market practices, customer profiles)

The environmental factors are basically competitive factors. The outcomes are both financial and non-financial.

According to Li Puma (2006:247), though business size does not appear to limit business ability to internationalise, larger businesses are able to commit more resources to international activities and increase their share of sales derived from international markets.

Figure 4.3 An integrated model of international entrepreneurship



Zahra & George 2002: 277

4.9.3.2 International corporate entrepreneurship and implications for business learning

Competition in today's dynamic markets is knowledge based and therefore knowledge creation and exploitation are important in global success. Knowledge advances are no longer limited to a few countries and internalisation is motivated by a need to gain access to

knowledge that resides in other parts of the world. This knowledge is in the form of differences in resource endowments, national cultures, systems of innovation, and district innovation clusters and networks. The different markets also develop and shape certain skills and competencies and the institutional arrangements help to culture, transmit and protect sources of comparative advantage (Zahra & George 2002:157).

Huse, Neubaum and Gabrielsson (2005:320) note that regardless of the reasons for becoming international, businesses engaged in international competition can gain advantages over purely domestic businesses in the following ways;

- A business's expanded knowledge base increases the ability to revitalise and renew the business's products and services
- The costs of pursuing large-scale Research and Development (R&D) activities may require a large customer base that can only be realised by a business competing in numerous international markets
- A business can capitalise on resources that may exist in various locations, thereby revitalising its business by entering new economic regions or foreign markets
- Internationalisation allows businesses to interact more with each other, thereby handling critical problems in a way that in the long run is beneficial to all parties involved
- Businesses are exposed to a wider range of products and services and production methods and may integrate these novel ideas into their own existing operations, resulting in a stronger foundation to pursue innovation activities in a more extensive manner.

Zahra and George (2000:157) add that national cultures are an important source of knowledge, as they transmit values that encourage exploration and discovery. Innovation and industry clusters that develop over time enable interaction among these groups, creating trust that allows people to share. This can influence a business's innovative performance by improving patents, new product creation, enhancing quality of new products and the speed of new product introduction.

As noted by Pinchot and Pellman (1999:7), most innovation requires working together across boundaries of the business. For this reason, businesses whose cultures and systems support co-operation across boundaries are more effective.

4.10 Problems faced by intrapreneurs

Intrapreneurship presents greater challenges, particularly in older businesses that are set in their ways. This is because it involves revamping existing mindsets. The entrepreneur should convince management and colleagues of both the wisdom and viability of innovation. Scepticism and hostility are perennial obstacles and the entrepreneur should cajole, persuade and sometimes outwit opponents. Failure may be punished and may even cost the intrapreneur a career and a future (Wickham 2001:78).

As noted by Kuratko, Ireland and Hornsby (2001:62), entrepreneurial actions continue to be seen as an important path to competitive advantage and improved performance in businesses of all types and sizes. However, as pointed out by Desai (2000:685), businesses, their strategies, structures and management teams, are becoming more complex and businesses need to know where they are, where they are going and how to manage, in short be entrepreneurial.

Entrepreneurial management, though a powerful management style, has limitations. These include the fact that it focuses on the integration of the whole business, but this may lead to the underestimation of the value of some specific specialist functions.

The entrepreneur may also still be pushing for change while investors and employees seek consolidation and stability, resulting in conflict (Wickham 2001:399).

As referred earlier on in Chapter one, Drejer (2004:513) points out that focus and resources are slowly but surely being drained from innovative and business creating activities, leading to a vicious circle where the ability to improve competitive position is being diminished and the competitive position is being eroded.

Lack of political will or diminishing support calls for a higher level of political manoeuvring as well as other survival methods discussed below.

4.10.1 Overcoming obstacles and limitations

Corporate entrepreneurs must rely on their ingenuity and persistence to build influence which will enable them to change current behaviour patterns of individuals and units. They should therefore build social capital, an inventory of trust, gratitude, and obligations that can be cashed at the opportune time.

- Gaining legitimacy through personal influence or influence networks to secure endorsements when needed
- Political legitimacy: political skills are critical and should be relied upon to gain legitimacy, garner resources and to overcome inertia and resistance
- Resource acquisition; the major method of securing resources is through co-operation, or leveraging under-utilised resources. Co-operation includes borrowing, begging, scavenging and amplifying (Morris & Kuratko 2002:183).

According to Miles, Heppard, Miles and Snow (2000:102), to set the stage for entrepreneurial strategies, top management must develop and institute a strategic vision for the business that is conducive to entrepreneurship action. It should have content and process and be broad so as not to inhibit the actions it is trying to promote.

4.10.2 Gauging entrepreneurial position

Morris and Kuratko (2002:341) note that urgency is something that pervades the entrepreneurial business and it is reflected in many facets of a business's daily operations. They provide ten questions which entrepreneurial management should ask itself to measure the extent to which it has created a sense of entrepreneurial urgency.

- How big is the comfort zone surrounding managers at each level in the business?
- Are managers expected to challenge one another's comfort zones?
- Does the business measure itself against the best, but even more so against itself?
- If a customer complains or is not satisfied, does the business measure how quickly the situation is rectified, and has that time been reduced by at least 10 percent in the past year?
- Do managers in the business want to change the world?

- Which of the following is the most emphasised in the business: (a) thorough and well formulated analysis; (b) properly managed consensus- building; (c) sensitivity to process and procedure; or (d) a willingness to take action and make something happen?
- If timetables are not met, are the perceived costs or penalties significant?
- How much of this year's sales should come from products that did not exist three years ago?
- To what extent can decision making be characterised as a promise of compromise to satisfy multiple constituencies?
- When managers talk about "the future" are they referring to a time that is twenty, ten, five, or two years from now?
- How much of a sense of regret do managers feel for missed opportunities and missed targets?

High comfort zones, managers not dreaming of changing the world, having no penalties for deadlines not met, do not spur entrepreneurship. Not measuring customer recovery time, having no targets for new products introduction and having no regrets for lost opportunities show complacency and a failure by the business to steer itself towards an entrepreneurial vision. Instead it is allowing itself to drift to nowhere.

The author notes that an exercise that challenges the status quo, which creates disorder such as entrepreneurship, will always rock people's worlds and cause friction and hostilities. Creative leadership is therefore highly required, to be able to engage everyone, play the political game, create a sense of ownership and build a business which as a single unit, with a common purpose can face the outside, customers and competitors. Being entrepreneurial means creating a sense of urgency, be ready to pounce on opportunities and keeping a tab on the renewal cycle.

Robb (2005:3) points out that managing an entrepreneurial process requires a "full engagement", "full bandwidth" approach. Full engagement means involving the entire business, as well as senior leadership, in every phase of the entrepreneurial cycle. "Full bandwidth" means going beyond addressing only the rational, practical, technological and political dimensions of urgency but reaching people's deep emotional, creative, intuitive - even "spiritual" levels, too.

4.10.3 Sustaining entrepreneurship

According to Brockner, Higgins and Low (2004:208) the multistage of entrepreneurial success shows that an assortment of motives, beliefs and behaviours need to be present for entrepreneurial success to occur. Among these is a promotion instead of a prevention focus. A combination of promotion driven and prevention driven motives, beliefs and behaviours are needed for entrepreneurial success.

Brockner *et al.* (2004:209) note that when it comes to the conception / creation / invention of potentially successful ideas, studies have found that individuals in a promotion focus generate more alternatives than those in the prevention focus. This is because, according to the *regulatory focus theory* (Higgins' 1998), people approach pleasure and pain in two distinct self regulatory systems, with a promotion focus and with a prevention focus. The former is motivated by growth and advancement needs while the latter is motivated by safety and security needs (survival). The promotion focus is similar to the *prospector mentality* of the entrepreneur.

Entrepreneurship is a thread that should be woven through many facets of a business. It should serve as a dominant logic, as a measurable objective, as part of corporate strategy, be structured as an element of corporate culture, act as a performance criterion in employee appraisal and compensation programmes and more.

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A relationship must be established and be carefully nurtured. It is a two-way relationship predicated on trust and mutual investment. The willingness of a sponsor to protect the champion / entrepreneur and project, to be associated with a project requires a significant investment, which needs to be protected (Morris & Kuratko 2002:331).

4.10.4 Renewal of corporate entrepreneurship (institutionalisation)

In an entrepreneurial business, business models, strategies, products and services are in a state of continual renewal. So are supporting components like business processes, business designs, competencies, culture and technologies. To remain competitive and retain the entrepreneurial spirit, senior executives must lead the business through the *cycle of renewal* on an ongoing basis (Robb 2005:2).

Figure 4:4 Cycle of entrepreneurial renewal



Robb 2005:2

The cycle is a never-ending movement between the poles of disciplined execution and creative exploration. The cycle has five phases:

- **Action:** Disciplined execution of the current business model and strategy.
- **Awareness:** Intellectual awareness that change or reinvention is necessary to create, or respond to, a new, rule-changing business innovation.
- **Acceptance:** Emotional and political readiness to let go of the old and move on to the new.
- **Focus:** Creative exploration of alternative business models, strategies, products and services, coupled with disciplined lasering down to the critical "right" next move.
- **Build:** Design and implementation of changes required to any or all of the elements inside the circle in the graphic above.
- **Action:** The cycle begins anew!

Each move through the cycle is like a rebirth: some part or parts of the business, connected to its perceived identity like its business model, or long-held strategy, or suite of products, or culture has to literally die, and something new needs to be "born." This is energising and creative, but it is also profoundly challenging and painful. Remember, the deeper the change, the more profound and deeply embedded the resistance (Robb 2005:2).

In addition to these, Buden-Fuller and Stopford (2003:189) suggest the following as a way to institutionalise entrepreneurship:

- *Galvanise*: create a top team dedicated to renewal.
- *Simplify*: cut unnecessary and confusing complexity.
- *Build*: develop new capabilities.
- *Leverage*: maintain momentum and stretch the advantages.

McGrath and McMillan (2000:3) and Covin and Slevin (2002:311) point out that it is important to find ways to unleash the entrepreneurial potential that is already there. They stress the fact that only when all levels of the business feel empowered and obliged to think and act like entrepreneurs, will the self-renewing business become a reality.

Kirby (2003:300) points out that the fundamental challenge businesses face will be to reinvent themselves and their industries, not just in terms of crisis but continuously bringing a current product to a current market, provided it is better or cheaper than the previous product or that of the competitor.

Entrepreneurship should be institutionalised. It should be created and be recreated and at any time be the dominant logic that drives the business.

4.11 Chapter summary

The chapter's focus was on entrepreneurship. It gave a detailed analysis of the different dimensions of entrepreneurship, such as innovation, venturing, and strategic renewal. Ways and methods with which to cultivate an entrepreneurial environment were discussed in detail.

Entrepreneurship in the social context, in the public sector and in its international context was also analysed.

The entrepreneurial mindset denotes a way of thinking about business and its opportunities that capture the benefits of uncertain dynamic environments.

This mindset should be cultivated through out all levels of a business in order to maximise its benefits which are creativity, proactiveness, competitive aggressiveness and innovation. The cultivation of an entrepreneurial culture involves building appropriate flexible (organic) structures, empowering employees with entrepreneurial political skills and also promoting entrepreneurship through strategic leadership.

Entrepreneurship can be applied to all businesses including not-for-profit institutions and government. The not-for-profit entrepreneurship (public or private) is normally termed social entrepreneurship, while government entrepreneurship is termed, public sector entrepreneurship.

The benefits of entrepreneurship cut across different types of businesses, profit or non profit seeking and in the private or public domain. Entrepreneurship is paramount in that it brings about innovative ways of best combining limited resources to satisfy unmet needs in a dynamic environment. It should therefore be widely promoted and practiced in order to derive the benefit of competitiveness that it brings.

Entrepreneurship should be institutionalized.

Chapter 5

Corporate Entrepreneurship and Strategic Planning: The Relationship

Change alone is unchanging.

The same road goes both up and down.

The beginning of a circle is also its end.

Not I, but the world say it.

All is one. And yet everything comes in season.

Chaharbaghi et al 2005:6.

5.1 Introduction

This chapter attempts to provide the theoretical proof of the existence of a relationship (if any) between strategic planning and corporate entrepreneurship (intrapreneurship).

In Chapter 2, the same relationship was discussed in terms of whether the two concepts were the same thing or different and whether there was an interface or intersection between the two. At this concluding point the focus is on finding out whether the two constructs can be found in the same class as separate independent concepts. In such a case, each concept can therefore be found in a business without mutual exclusivity. As a result of this, the presence or absence of each is likely to have an independent effect on the behaviour of an entity.

It is the presence / absence of this relationship between the two independent variables that this chapter tries to establish.

In understanding the relationship between the two constructs, certain aspects which are deemed to belong to both facets are interrogated to see how they relate the two concepts or separate them. The link factors include business structure, strategy, competitive advantage, management style, firm performance, entrepreneurial thinking and strategic leadership.

5.2 Corporate entrepreneurship (CE) and Strategic planning (SP): The relationship

In corporate entrepreneurship, individual or group entrepreneurship is fostered within a pre-existing business setting and the business provides support for the development and exploitation of one or more innovations which are deemed strategically and financially consistent with the business's mission. Corporate entrepreneurship is strategic and therefore its contents should be the result of the process of strategy-making or formulation (planning) (Herbert & Brazeal 1999:1).

The two constructs are either treated as substitutes for each other (Michael *et al.* 2002:61) or as Siamese twins whose "in-separation" is paramount to business success and competitiveness. The understanding underlying substitution is that the items that are replacing each other are the same or perform the same function.

The view of the inseparable twins relationship has been coined *strategic entrepreneurship* by: Hitt, Ireland, Camp and Sexton (2002); Meyer, Neck, Meeks (2002); Hebert and Brazeal (1999); Kirby (2003); Kuratko and Welsh (2004) and Wickham (2004) or what is called *entrepreneurial business planning* by Legge and Hindle (2004:169).

The relationship and dependency seem necessary in that corporate entrepreneurship enables creativity and renewal while planning brings stability / order, looks ahead, controls and stabilises this disorder. The practice of both is the way forward. The underlying driving force is the mindset which has to be both strategic and entrepreneurial.

According to De Toni and Tonchia (2003:959), the relationship between strategic planning and entrepreneurship is that entrepreneurship comes first because it is about creation, and strategic management / planning is about how advantage is established and maintained from what is created.

5.2.1 Structure and the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

When analysing the relationship between the two concepts Kirby (2003:215) cites Mintzberg's (1983) classification of businesses in terms of structure. He relates corporate

entrepreneurship and strategic planning in terms of structures ranging from a simple business to bureaucratic, divisionalised and adhocracy (organic). Corporate entrepreneurship is associated with adhocracy, while strategic planning is associated with the bureaucratic business. Entrepreneurship is typified with chaos, and planning with order. Each approach has its own advantages and disadvantages and what is needed is an entrepreneurial mindset, which is able to narrow the continuum between chaos and order. This means harnessing the advantages, such as innovation brought about by corporate entrepreneurship, and risk aversion, by strategic planning.

5.2.2 Environmental factors and the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

The literature tends to suggest that the two cannot be found in the same group and that they are mutually exclusive. The reasoning here is that you cannot find order and chaos in the same situation. They are the extremes of a continuum. However, the business environment is chaotic (breeding disorder) and the business has to bring order (management) to enable it to function. The author is of the opinion that it is only the entrepreneurial businesses that are able to thrive in this chaos that are competitive and successful.

This is what Eisenhardt, Brown & Neck (2000:55) call the balancing act on the edge of chaos and which Kirby (2003:216) points out as the ideal position that lies between this “*edge of chaos*”.

Dynamism, hostility or heterogeneity refers to the perceived instability of a business’s market because of continuing changes. Corporate entrepreneurship helps to respond to the created new competitive forces through innovations. Businesses that view the environment as dynamic will emphasise corporate entrepreneurship. Environmental hostility and heterogeneity are expected to stimulate entrepreneurship. The role of entrepreneurial activity is to provide required diversity, whereas order can be achieved through planning and structuring. The task of strategic management (planning) is to maintain a balance between fundamentally different processes (Ferreira 2002:5).

The author argues that this balance is the “middle ground” that fuses the extremes by making both relate and work. Emphasising the positives minimises the negative effects of the inherent

disadvantages. Situations can and should always be created to develop, direct and manage behaviour towards end desirables.

Kuratko and Hornsby (2001:8) discuss the same principles when they point out that the environment often surprises businesses through abrupt changes that they term “jolts”. The resultant aftermaths of these jolts need to be managed through the process of strategic management. A primary part of strategic planning is adaptive specialisation, which involves a business optimally exploiting its material and business capacities while minimising any misfit. These jolts provide the impetus for businesses to behave entrepreneurially when other conditions are conducive to such behaviour.

Ferreira (2002:8) notes the availability of different types of businesses that represent entrepreneurship and strategic planning. These are defenders, prospectors, analysers and reactors, as noted by Miles and Snow (1978) and those typified as entrepreneurial or conservative by Miller and Friesen (1982) and Burgelman (1983).

The defenders / conservatives tend to be more strategic planning-oriented, while prospectors tend to be more entrepreneurial.

According to Postigo (2002:6), new ventures always take place in unknown territory where uncertainty rules and therefore create high levels of risk for these ventures. This is what corporate entrepreneurship is all about. It is about planning and evaluating in order to control the level of risk accepted. It is related to innovation and strategic renewal and its characteristics and results are influenced by the strategic leaders’ planning mindset, the business’s form and the business’s performance.

5.2.3 Behaviour and the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

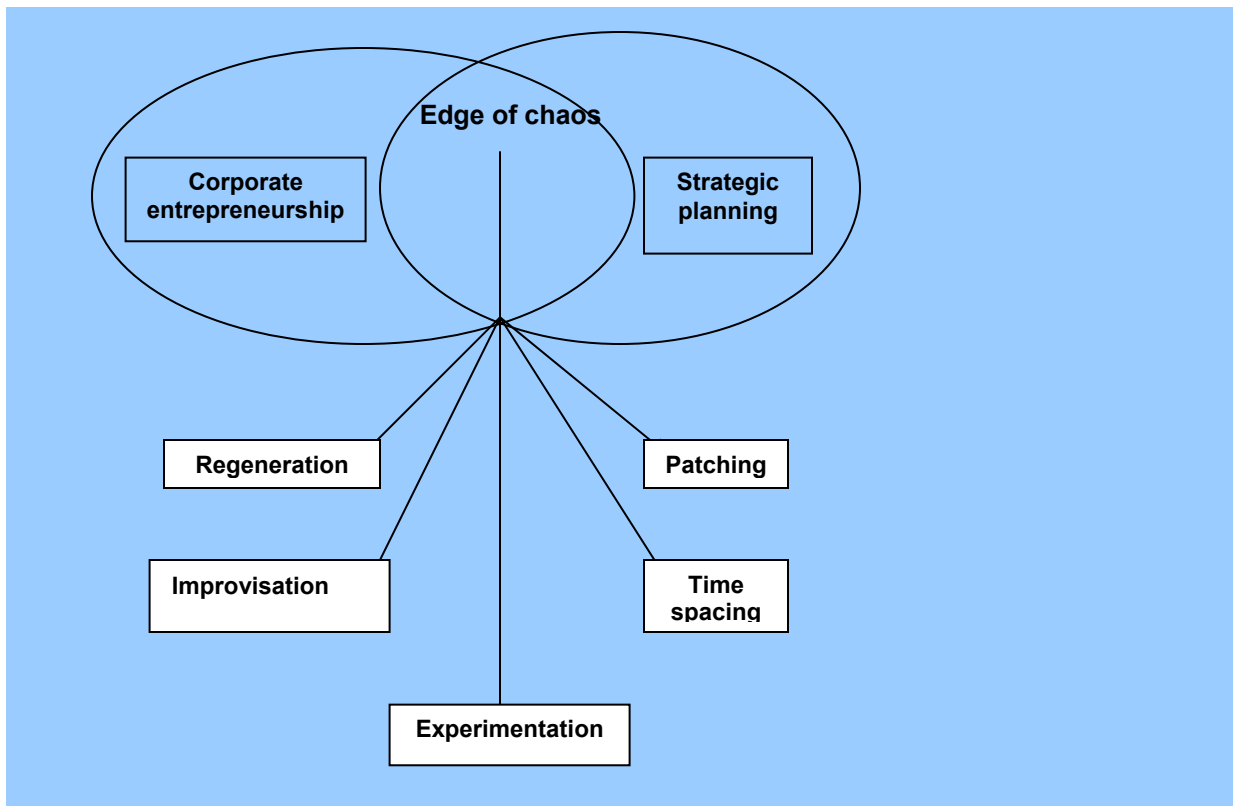
Eisenhardt *et al.* (2000:56) combine the issues of structure and time by noting that bureaucratic businesses tend to be locked in the past, while entrepreneurial ones tend to be future-oriented. Eisenhardt *et al.* state that, to build a relationship between the two a business should be proactive and show improvisation, co-adaptation / collaboration, patching, regeneration, experimentation and time pacing in the following ways;

- **Improvisation** involves operating flexibly within the constraints of rigid rules and regulations.
- **Patching** means being aware of weaknesses (internal) and threats (external) and being able to align the business with its markets and being able to close, “patch” these over.
- **Regeneration** means building the new, based on the past. The future is usually risky but has potentially higher-yielding opportunities / returns and this allows a move into new competitive spaces.
- **Experimentation** involves keeping ahead of the competition through first-mover advantage. It also involves learning from failure.
- **Time spacing / proactivity** allows for continuous innovation and regular or inbuilt monitoring and control.

These processes should make entrepreneurship a standard strategic practice. One can easily discern a relationship between corporate entrepreneurship and strategic planning in the terms and thinking underlying these concepts. Improvisation is the need for strategic planning to be **flexible** in order to allow and accommodate entrepreneurship. The ability to **align** the business with its markets involves being entrepreneurial. Regeneration (**renewal**) and experimentation (**innovation**) are primarily entrepreneurship sub-constructs, but looking at the past and learning from failure are attributes of the strategic planning process. **Proactivity** and inbuilt control are components of both entrepreneurship and planning. This relationship is illustrated in Figure. 5.1.

The author notes that the edge of chaos that is inherent in the entrepreneurship process is stabilised by strategic planning. Strategic planning which continuously probes the micro, market and macro environments aims at managing (bringing order) business operations.

Fig. 5.1 The relationship between corporate entrepreneurship and strategic planning



Eisenhardt, Brown & Neck 2000:56

5.2.4 Competitive advantage and the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

Kirby (2003:219), and Hitt and Reed (2000:19) note that, for top businesses to retain competitive advantage, they must be able to respond quickly to changing competitive conditions. To do this they should be continuously rethinking their strategic actions (should not be bureaucratic) and competitive advantages should be non-imitable (intangible assets). If a business does not update or protect its competitive advantage (creativity), resulting in the business's becoming absolute, then it restricts its strategic options (strategic planning). A corporate entrepreneurial venture not only adopts appropriate competencies to give it competitive advantage, but also retains strategic flexibility through flexible strategic planning that enables and allows for creativity.

Corporate entrepreneurship creates goods and services, while strategic planning seeks to establish a competitive advantage with the goods and services created. Entrepreneurial and strategic actions are therefore complementary and can achieve the greatest wealth when integrated (Hitt *et al.* 2003:3).

The author notes that a complementary relationship means that the one is not complete or adequate without the other. Each is a component of the “whole”. The issue is then, which is the whole? This “whole” would be the entrepreneurial mindset that encompasses thinking and behaviour, both strategic and entrepreneurial.

Schendel and Hoffer (1979:6) suggested that entrepreneurship is the foundation from which strategic and functional integration emanates. They point out that the entrepreneurial mind is the central concept without which there is no business. “This entrepreneurial choice is the heart of the concept of strategy and it is a good strategy that ensures the formation, renewal and survival of the total business that in turn leads to an integration of functional areas of the business and not the other way round.”

Meyer *et al.* (2003:31) point out that whether one argues that strategic planning (management) subsumes entrepreneurship or that corporate entrepreneurship subsumes strategic management, it is difficult to deny the continuing influence of strategic management on the field of entrepreneurship and the apparent intersection that exists.

Michael *et al.* (2003:61) state that entrepreneurial management is a new challenge that has arisen as a result of a “new competitive landscape” of hyper-competition and advanced technology and the focus on discovery, development and growth. They view strategic planning and corporate entrepreneurship as “substitutes” and they point out that tension between the two creates “a conflict potentially fatal for the business”. Operating results of real businesses demonstrate that continued reinvention of the corporation through entrepreneurial activity is necessary for its survival.

The notion of substitution does not, however, in this case suggest that each construct is independent and can replace (substitute for) the other. Instead, there is dependency because independency (isolation) can create tension that can be fatal.

Evidence suggests that corporate entrepreneurship practices are facilitated through the effective use of a business's strategic management (planning) process and effectively using a business's human capital. Larger and well-established businesses often have more resources and capabilities to exploit opportunities that have been identified and they are more advantage-seeking, while younger entrepreneurial businesses are generally opportunity-seeking. In the current landscape, however, business should identify and exploit opportunities but do so while achieving and sustaining a competitive advantage. This is the concept of corporate entrepreneurship which suggests that businesses can simultaneously be entrepreneurial and strategic, regardless of size or age (Hitt *et al.* 2003:418).

5.2.5 Administrative and entrepreneurial management aspects of the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

Michael *et al.* (2003:45) look at the relationship between the two concepts in terms of what they term *administrative management* (strategic planning / management) and *entrepreneurial management* (entrepreneurship). Administrative management (strategic planning) focuses more on loss prevention and co-ordination, while entrepreneurial management (corporate entrepreneurship) focuses on value creation, opportunity recognition or discovering tomorrow's business today. Strategic planning is seen as crucial to co-ordinate disparate activities within businesses and to fit those activities to the needs of the environment.

While the traditional / administrative management style emphasised maintaining the status quo, top-down hierarchy and the incumbent's entitlement, the entrepreneurial revolution of downsizing, delayering, restructuring and re-engineering is on the other hand about risk taking, job creation, lifelong learning and essentialising intellectual capital (Cooper, Markman & Ness, 2000:122). These differences are summarised in Table 5:1.

Covin and Slevin (2002:321) point out that the definitions of "business" and purpose are relatively enduring for traditional management, while for the entrepreneurial manager these definitions should periodically be examined.

Traditional management will institutionalise knowledge to avoid having to relearn business lessons, while in strategic entrepreneurial learning a questioning attitude such that learning and unlearning can co-exist should be institutionalised.

Table 5:1 Characteristics of traditional management and entrepreneurial strategy

Traditional management	Entrepreneurial Strategies
Security and job preservation Learn one skill Stability, tradition, consistency, robustness Top-down command, hierarchical structure Capital is equipment Regulation Segregation and compartmentalisation Transaction and control Status ascribed Scarcity mentality, zero-sum game	Risk- taking and job creation Lifelong learning Speed - change, adaptability, agility 360% integration, flat structure Capital is people’s know-how Deregulation Integration and synergy Transformation and empowerment Status is achieved Abundance mentality, win-win paradigm

Cooper, Markman and Niss 2000:123

According to Kuratko and Welsh (2004:212), the greatest value of the strategic planning process is the “strategic thinking” that it promotes among business owners. This is because it synthesises the intuition and creativity of an entrepreneur into a vision of the future.

Herbert and Brazeal (1999:4) confirms the findings by Barringer and Bluedorn (1996) that the extent of corporate entrepreneurship is highly dependent on a variety of strategic management activities, such as environmental scanning, planning flexibility, broad locus of planning and an emphasis on strategic controls.

Herbert and Brazeal emphasise the need for an entrepreneurial mindset which, according to McGrath and MacMillan, (2000:1) is characterised by opportunity-seeking, proactiveness, a prospector mindset in pursuit of attractive opportunities, engagement in energies of others, focus on execution of innovative ideas and a willingness to take risks, and is driven by a desire to be autonomous and competitively respond to customer needs.

Meyer and Haggard (2000:8) note that businesses pursuing entrepreneurial strategies experiment more, are futuristic and their portfolios of products and services have more new risky elements than typical businesses. In addition the entrepreneurial strategies focus primarily on the internal business, on how people can be innovative and creative and on building responsibilities and trust.

An entrepreneurial management style, as opposed to traditional style, focuses on change and making a difference, and is attuned to opportunities, with an eye of changing the entire business to be different and better (Wickham 2001:27).

5.2.6 Business performance and the relationship between corporate entrepreneurship (CE) and strategic planning (SP)

Research by Kreiser *et al.* (2002:8) show that entrepreneurial businesses maximise overall performance by matching levels of innovative, proactive and risk-taking behaviours with characteristics of strategic planning. Effective strategic planning, not only the process, is also associated with performance.

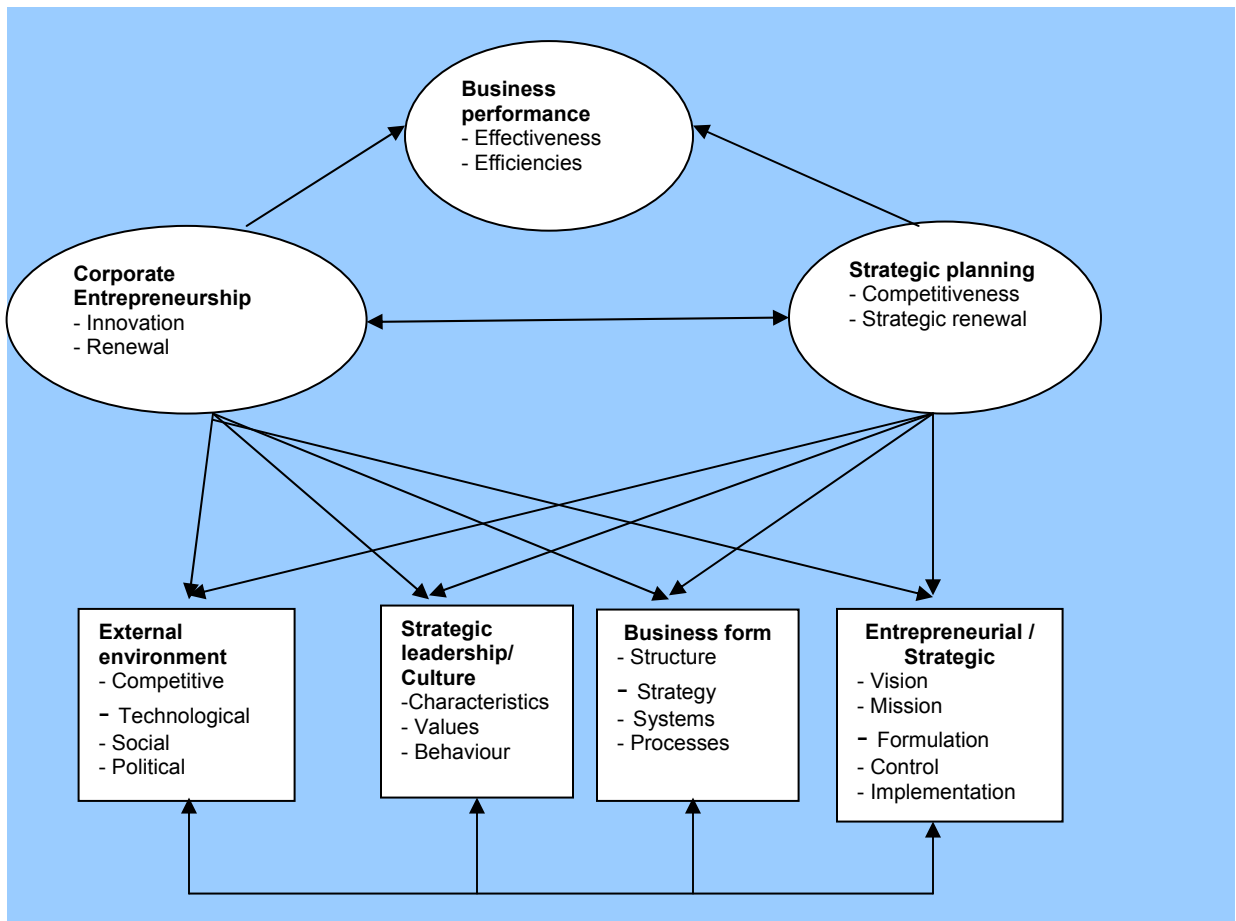
Corporate entrepreneurship is important for a business's performance. The corporate entrepreneurial management and corporate circumstances are significantly interrelated with the cultivation of corporate entrepreneurship. The corporate circumstances include the flexibility of strategy formulation, strategic financial control, an enterprising strategy, a flattened business structure and an innovation- oriented corporate structure (Chen, Zhu & Anquan 2005:539).

According to Elliason and Davidson (2003:2), entrepreneurial management facilitates corporate venturing that in turn can enhance financial performance, while administrative

management is geared towards holding things in place to ensure continuation of already developed activities.

The environment (environmental analysis), leadership (mindset / orientation), form, (structure and culture) are all aspects of strategic planning. This relationship between intrapreneurship and strategic planning and the effect of both on business performance are illustrated in Figure 5.2 below.

Figure: 5.2 The relationship between entrepreneurial strategic planning and business performance



Covin & Slevin (1991) and Guth & Ginsberg (1990:11)

5.3 Entrepreneurial strategic thinking

Skrt and Antoncic (2004:107) note that strategic thinking has become a must for all entrepreneurs in the time of global competition, technological change and increased dynamics in markets. They quote Stevenson *et al.* (1998) Hisrich and Peters (2001), and Timmons and Spinelli (2003) in support. Vision, mission and strategies are interconnected elements of entrepreneurial perspective which when combined turn the entrepreneurial wish for a positive change into a managerial tool for the achievement of that change. Entrepreneurs form intensive and strong visions about the value they can create and they act as strategic managers through strategy development and strategic planning.

Skrt and Antoncic (2004:107) cite Baum, Locke and Smith (2001) who point out that visions and objectives are the basis of strategies and strategic planning and that it is beneficial for an entrepreneur to have a clear vision, growth-oriented objectives and a belief that he or she can achieve the objectives. The same entrepreneur can benefit from using strategic planning tools and techniques such as market analysis, SWOT analysis, strategic development, resource allocation plans, development of business, financial plans and in addition, a crisis plan.

Research findings show that the internal factors in particular play a major role in encouraging entrepreneurial activities and determine the payoff from these activities. The formal strategy a business develops (strategic planning) is important to the facilitation of this internal entrepreneurship (Kuratko & Hornsby 2001:5).

Technology is allowing more for less, and more in less time. The process of information gathering and decision-making based on available information and action based on the decision made has been compressed to the point of virtually being “real time”. This real time demands responsiveness, speed, quick strategic thinking and planning and the capacity to break down bureaucratic slowness. This is the entrepreneurial mindset that is a high priority in corporations of all ages and sizes. Entrepreneurship should stand alone on its intellectual platform though the apparent linkages with strategic planning should be encouraged (Meyer *et al.* 2003:31).

The author is, however, of the opinion that in today’s real life and “real-time” operations of the business with turbulent environments, there is no time for intellectual combinations and separations. If one is operating on the “edge of chaos”, survival depends on what works.

What works tends to blur the relationship between the two constructs, and trying to find a relationship could be that intellectual endeavour.

5.4 Strategic Leadership

Covin and Slevin (2002:310) argue that strategic leadership will be promoted when leaders exhibit the following entrepreneurial imperatives, as reflected in Table 5:2.

Table 5.2 The entrepreneurial imperatives of strategic leadership

Nourish an entrepreneurial capacity	The capacity for entrepreneurship can and should be deliberately developed within businesses. This imperative facilitates both the recognition and the exploitation of opportunity.
Protect innovations that threaten the current business model	Disruptive innovations hold the promise of strategic renewal by potentially enabling the business to transition from less to more effective business models. This imperative primarily facilitates the exploitation of opportunity.
Let opportunities make sense for the business	The opportunity “radar screen” must be explicitly defined for business members. This imperative primarily facilitates the recognition of opportunity.
Question the dominant logic	Key industry market assumptions must be periodically reviewed and tested to ascertain their validity. This imperative primarily facilitates the recognition of opportunity.
Revisit the “deceptively simple questions”	A clearer, expanded, or otherwise different sense of purpose can emerge when the most basic business questions are revisited. This imperative primarily facilitates the recognition of opportunity.
Link entrepreneurship and business strategy	Strategy should define appropriate arenas for planned innovations, yet autonomous inventions and discoveries must be capable of impacting on the content of future strategy. This imperative primarily facilitates the exploitation of opportunity.

Covin and Slevin. 2002:312

In addition, Rule and Irwin (1994:280) provide the following six keys to successful entrepreneurship:

- Generation of new ideas mainly through recruitment of new people and ensuring that the whole business is employed to submit suggestions.
- Screening of new ideas to allocate resources. This is to be achieved through personal commitment, support of middle and senior management and need for a fit with the corporate mission.
- Supporting idea development. The generation and screening processes must be supported by real commitments of resources, time for exploration and development. The business should celebrate and reward achievement.
- Encouraging flexibility.
- Rewarding contributors. This will be in the form of giving them freedom to solve problems or to follow up on pet projects.
- Providing leadership from the top.

Strategic leadership presumes that the visionary (entrepreneurial) leader and the administrative leader can co-exist and that strategic leadership synergistically combines the two. This is irrespective of the fact that administrative leaders need order, not the chaos potentially inherent in human relations. They see themselves as regulators and conservators of the current state of their businesses' affairs and personally identify with the current order (Rowe 2001:84).

Entrepreneurial strategic leadership implies the ability to nourish entrepreneurship within a business. It also implies understanding that strategic planning is not about rigidity, especially in an environment that is turbulent and ever changing. The fact that planning is about relating the business to its environment, while entrepreneurship is about exploiting opportunities in the same environment shows how these two aspects cannot be separated. There is need for an integrative approach to ensure business success.

Not associating strategic management and entrepreneurship is a very short-sighted view of entrepreneurship and planning a new venture. Everything that an entrepreneur does in starting a venture or running a successful one such as mission statements, internal / external environmental analysis, strategy identification, implementation and evaluation is a link

between corporate entrepreneurship and strategic planning (Van Aardt, Van Aardt & Bezuidenhout 2005:113).

The dynamic businesses of tomorrow will be ones that are capable of merging strategic actions with entrepreneurial actions on an ongoing basis. Strategic planning focuses on achieving competitive advantage within a particular industry and market context while entrepreneurship seeks to exploit opportunities others have missed or ones that have not been completely exploited. Strategic actions provide the context within which entrepreneurial actions are pursued (Morris and Kuratko 2001:81).

5.5 Chapter summary

The relationship between strategic planning and entrepreneurship has been analysed in detail. Areas of convergence such as business structure, behaviour, environmental factors and management styles, among others, were elaborated on in linking the two constructs. Competitive advantage and performance are the primary aims of both strategic planning and entrepreneurship, and both should be practised as one concept, strategic entrepreneurship.

Strategic entrepreneurship is promoted through the practice of strategic leadership. This is reflected when leaders exhibit the following entrepreneurial imperatives, nourish an entrepreneurial capacity, protect innovations that threaten the current business model and are able link entrepreneurship and business strategy.

As noted by Skrt and Antoncic (2004) strategic thinking has become a must for all entrepreneurs in the times of global competition and technological change. Entrepreneurs should therefore form intensive and strong visions about the value they can create and act as strategic managers through strategy development and strategic planning.

The relationship between the two concepts can be viewed in terms of the *administrative management* (strategic management) and *entrepreneurial management* (entrepreneurship) The former focuses more on loss prevention and co-ordination, while the later focuses on value creation, opportunity recognition or discovering tomorrow's business today.

It is the practice of strategic entrepreneurship that ensures the success of businesses.