Examining the nature and scope of strategic entrepreneurship in state-owned companies: an exploratory study

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Masters of Business Administration.

9th November 2011
ABSTRACT

Examining the nature and scope of strategic entrepreneurship in state-owned companies: an exploratory study

This study sought to examine strategic entrepreneurship and issues surrounding this type of activity in a public sector context. The concept of strategic entrepreneurship has received increasing attention in recent years; however, limited studies have focused on strategic entrepreneurship as a distinct construct in public sector context. Consequently, the objective of this study was to address the question of “What is the nature and scope of strategic entrepreneurship in the context of South Africa’s SOEs” through examination of theory and practice. The research question is addressed by first developing a revised framework of strategic entrepreneurship from literature on entrepreneurship, strategy, and public sector context. This revised framework is then examined on activity which is entrepreneurial and strategic within four SOEs operating South Africa as at 2011. Transcripts from a series of interviews, and publicly available documents are analysed thematically. The study identified additional supporting and external factors of strategic entrepreneurship which form a revised conceptual framework of strategic entrepreneurship. The study showed core, supporting, and the external environment elements of strategic entrepreneurship contribute to the increased level of entrepreneurial activity in the public sector context, in particular state-owned enterprises.
KEY WORDS

State-owned enterprises, strategic entrepreneurship, public sector context, resource-based view
DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorization and consent to carry out this research.

____________________________                  _________________________
Percy Mathebula                                               Date
ACKNOWLEDGEMENTS

I am sincerely grateful to:

- My Creator for graciously affording me the ability to conduct this study
- All the individual interviewees and respective organisations who gave their time to this study
- My supervisor Dr Johan Olivier for his guidance, insightful thoughts, expert advice and unwavering support
- My friends on the MBA class of 2010/11 for their invaluable encouragement and inspiration
- My wife (Beauhania), and my mom (Gladys) for their enduring love and support throughout the course of this study

And a special word of thanks to my little angel, P Jnr (Chinelo Phenyo), for understanding daddy’s prolonged absence from the house.
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CHAPTER 1: PROBLEM STATEMENT

1.1 RESEARCH TITLE

Examining the nature and scope of strategic entrepreneurship in state-owned-companies (SOCs): An Exploratory Study

1.2 INTRODUCTION

Baumol (1993) has referred to entrepreneurship as the core of the dynamics of capitalism, and not surprisingly, it is of tremendous interest to scholars, managers, and policy-makers alike. The potential benefits for entrepreneurship have been widely studied and reported, including business creation (Gartner, 1985), financial gain (Ireland, Hitt, Camp, & Sexton, 2001) competitive advantage (Zahra, 1991), national identity (Herrington, Kew, & Kew, 2009) and economic growth (Schumpeter, 1954). While most studies to date have examined entrepreneurial activities from the standpoint of individuals (McClelland, 1962) and organisations (Miller, 1983), governments too have received attention as to how they might foster entrepreneurial activity in order to deliver economic prosperity (Shome, 2006).
The combined study of entrepreneurship and strategy is increasingly recognised as a pathway for economic growth (Kuratko, 2007a). Recent studies in this area include the Global Entrepreneurship Monitor (GEM) Report (Herrington et al., 2009), which focused on the strategic importance of fostering entrepreneurial activity from a micro and macro-economic perspective (Kurakto & Audretsch, 2009). However, little is understood on the combination of entrepreneurship and strategy, and the more recent notion of strategic entrepreneurship, commonly referred to as the intersection of the two (Kurakto & Audretsch, 2009). The fields of strategy and entrepreneurship have developed significantly as independent concepts (Hitt et al., 2001), however, both focus on adapting to environmental change and exploiting opportunities, although from different points of view. Accordingly, a need for the integration of strategic and entrepreneurial thinking is important (Kurakto & Audretsch, 2009).

Essentially, the aim of this study is to examine the nature and scope of strategic entrepreneurship in South Africa’s state-owned companies (SOCs), previously referred to as state-owned enterprises (SOEs). Throughout this study, these two terms will be used interchangeably. Based on the analysis of existing literature, a theoretical framework of strategic entrepreneurship was derived comprising research propositions. This framework was then examined in the context of business activity within four separate state-owned companies to examine practical support for the framework in the first instance, as well as develop and refine the
framework based on knowledge gained inductively from an examination and comparison of the practical data and findings. Fundamentally the proposed framework and practical-based findings can be used as both a basis for further research, and a means to guide activity which is both entrepreneurial and strategic.

1.3 RESEARCH MOTIVATION

1.3.1 RELEVANCE OF STUDY

Based on the Global Entrepreneurship Monitor (GEM) Report for 2009 (Herrington et al., 2009), South Africa is ranked 35th out of 54 countries, with a total entrepreneurial activity rate below the average (11.7%) of all participating countries. The GEM report provides an assessment of the national level of entrepreneurial activity for 54 countries, examining total entrepreneurial activity (TEA), firm-level entrepreneurial activity (FEA), and structural support for the entrepreneurial activity.

Above all, the 2009 GEM Global Report highlighted that there is a positive, statistically significant association between national economic growth and the national level of entrepreneurial activity (Herrington, Kew, & Kew, 2009). This is consistent with numerous studies which identified both economic and non-economic benefits arising from entrepreneurship (Van Stel, Martin, & Thurik, 2005;
Wennekers, Van Stel, Thurik, & Reynolds, 2005). In addition, the GEM Global Report continued to highlight that entrepreneurship is one of the most important and dynamic forces shaping the economic landscape (Herrington et al., 2009), but noted that the causes and impacts of the phenomenon are still poorly understood. As a result, policy makers lack the resources to shape effective and appropriate policies in order to foster entrepreneurship.

Whilst the importance of fostering entrepreneurial activity is widely acknowledged (Herrington et al., 2009), much debate has centred on the existence, nature and application of entrepreneurship in the public sector (Hafsi & Luc, 2007). Moon (1999) argued however that political leaders are becoming more interested in fostering entrepreneurship in public sector firms in an attempt to improve government performance. Others, including Moe (1994), suggested the approach to improving government performance should be one of entrepreneurial policy which fosters entrepreneurial activity in an economy, rather than practice.

Given the importance of entrepreneurship and the significant impact of business activity on a country’s economy, an enhanced understanding of a more strategic approach toward entrepreneurial activity is necessary. Much has been written on the potential for benefit through combining entrepreneurship and strategy, as noted in Kurakto and Audretsch (2009).
Interestingly, much of the literature on the topic of combining entrepreneurship and strategy focuses on government policy as a source of guidance and direction for the private business sector (Verreynne & Luke, 2006). Few, however, have deliberated the issue of governments fostering entrepreneurship through leading by example (Verreynne & Luke, 2006).

Consequently, a practical examination of strategic entrepreneurship within this study will focus specifically on this area: government organisations employing strategic entrepreneurship in practice. In particular, this study aimed to explore the concept of strategic entrepreneurship by examining activity within four SOCs in order to gain a better understanding of the nature and scope of strategic entrepreneurship in South African SOCs.

Fundamental for the South African government is that a number of state-owned enterprises suffer operational inefficiencies, which negatively impacts on the economy (DPE, 2011; Mail and Guardian, 2010). As the OECD report highlighted (OECD, 2005), a number of countries are reforming the way in which they organise and manage their SOEs. In South Africa, the Department of Public Enterprises (DPE) is tasked with the responsibility of providing shareholder oversight and leadership to a number of state-owned enterprises (DPE, 2011). This was evident when recently, boards of a few SOEs, including Eskom and Denel, were overhauled (DPE, 2011). The DPE’s mandate is that of leadership and oversight as
defined and guided by a range of government policies and strategies including the New Growth Path and the Industrial Policy Action Plan ("Industrial Policy Action Plan", 2010). SOEs have been recognised as key levers to catalyse growth and higher labour absorption (DPE, 2011). In addition, they are pivotal in the imperative to reposition the economy to a new growth path, central to which is the overriding priority of job creation and poverty alleviation.

1.3.2 RELEVANCE OF ENTREPRENEURSHIP CONSTRUCT:

STRATEGIC ENTREPRENEURSHIP

Strategic Entrepreneurship (SE) refers to firms’ pursuit of superior performance via simultaneous opportunity seeking and advantage-seeking activities (Ketchen, Ireland, & Snow, 2007). It can also be described as a term used to capture firm’s efforts to simultaneously exploit today’s competitive advantages while exploring for the innovations that will be the foundation for tomorrow’s competitive advantage (Ketchen et al., 2007). Based on both academic literature and experiences being witnessed in a growing number of companies committed to practicing SE, effective SE will help an organisation position itself such that it is capable of properly responding to the types of significant environmental changes that face many organisations today (Ireland & Webb, 2007).

Beyond this, and importantly so, Ireland and Webb (2007) believed that effective SE will help organisations develop relatively sustainable competitive advantages.
In addition to being valuable and rare, sustainable advantages are also difficult for competitors to fully understand, as well as difficult to imitate as a result of that lack of understanding (Barney, 1991). As this will suggest, continuous innovation is at the core of what companies are able to achieve as a result of balancing exploitation and exploration (Ireland, Hitt, & Sirmon, 2003).

1.3.3 RELEVANCE OF UNIT OF ANALYSIS: STATE-OWNED ENTERPRISES

SOEs have a major challenge of balancing financial and social objectives (Mail and Guardian, 2010). This is illustrated by the challenges they face in marrying political, commercial and creative, technical and professional imperatives (Business Day, 2010). The South African Minister of Public Enterprises recently stated that unnecessary dichotomy exists between corporate interests - the pressure on SOEs to focus on profit and the bottom line – and broader national interests of implementing the vision set by the government (Mail and Guardian, 2010). The Minister further argued that the biggest reason for SOEs to make profit is so that they can fulfil bigger national interests: meeting infrastructure development and skills development objectives, contributing towards economic growth and ensuring through their programmes that they are able to inspire and generate the domestic economy and local industry (Mail and Guardian, 2010). Though problematic at
times, SOEs still have a vital role in making the economy tick over (Cape Times, 2009).

This approach to government is prevalent throughout the emerging economies. In general, as affirmed by Wettenhall (2001), SOEs are seen as an excellent example where the state is in business at the front. This has been reflected in the importation of private sector business methods into so much of what government does (Wettenhall, 2001).

Furthermore, much of the research on entrepreneurship in the public sector focuses on academic institutions (Verreynne & Luke, 2006) or government organisations at local or regional level (Teske & Scheider, 1994). With the exception of a few studies on SOEs (Luke, 2005; Luke, 2009; Verreyne & Luke, 2006), there are limited studies that have examined them, which is surprising given that SOEs face many of the same challenges as private sector organisations do, such as making profits and competing in an open market.

Hence, the importance of entrepreneurial and strategic activity as a means of survival, sustainability, and growth emerges. This research will, therefore, investigate entrepreneurship within South African SOEs to examine the nature and scope of entrepreneurial activities in these firms.
1.3.4 POTENTIAL USERS OF OUTCOMES OF STUDY

The findings of this report would be of interest to the South African government whose interest imperatives include increasing entrepreneurial activity in South Africa. Subject matter experts and/or academics interested in public sector entrepreneurship would find the results of this study useful. They will gain the understanding necessary to build on further knowledge on how public sector firms can exhibit strategic entrepreneurship in order to be competitive in the landscape they operate in. In its role to drive investment, efficiencies and transformation in its portfolio of SOEs (DPE, 2011), the Department of Public Enterprise will find this study on strategic entrepreneurship in SOEs very valuable. In addition, its customers and their suppliers will also find this study useful in their quest to unlock growth, create jobs and develop skills (DPE, 2011).

1.4 PROBLEM ORIENTATION

Entrepreneurship has been associated with numerous concepts such as innovation (Schumpeter, 1934), social and economic change (Menger, 1892), risk and profit (Knight, 1977), and reward (Hawley, 1893). Strategic entrepreneurship (SE), referred to as the intersection of entrepreneurship and strategy (Hitt et al., 2001), a balance of opportunity-seeking and advantage-seeking behaviour (Ireland et al., 2003); and a combination of exploration and exploitation (Ireland & Webb, 2007); potentially represents a more structured and logical approach to entrepreneurial
activity. As a result the evolving nature of this construct raises the question as to what the nature and scope of strategic entrepreneurship is in practice.

Essentially, the study of strategic entrepreneurship involves the combination of actions which are distinctly entrepreneurial, such as focusing on opportunity, with actions essentially of a strategic management nature, such as creating competitive advantage (Hitt et al., 2002). This combination is what Meyer and Neck (2002) referred to as the creation-performance relationship. There are certainly elements of entrepreneurship reflected in the theories put forward by Hitt et al. (2001). Arguably, however, the development of strategic entrepreneurship research from a predominantly management-oriented perspective has produced findings which are perhaps unnecessarily detached from the core principles of entrepreneurship. Recent studies on strategic entrepreneurship have addressed some of the theoretical concerns and criticism (Ireland et al., 2003; Luke, 2009; Kyrgidou & Hughes, 2010), but have added further detail and complexity without empirical support (Ireland & Webb, 2007). Thus, strategic entrepreneurship’s evolving nature and lack of empirical support indicates a need for a re-evaluation of strategic entrepreneurship theory, and an examination of strategic entrepreneurship in practice – the focus of this study.

Lastly, whilst government have shown strong interest in promoting innovative and entrepreneurial activity, the question arises as to what level of government
involvement is feasible and/or advisable? Given the on-going privatisation versus corporatisation debate (Stiglitz, 2008), a key issue for consideration is whether government’s role should be limited to policy-making, or go beyond this to a more direct involvement role by way of entrepreneurial and strategic practice. There is certainly a general acceptance that government involvement is necessary (Minniti, Bygrave, & Autio, 2006).

Further, as support for innovative and entrepreneurial activity increasingly coming from governments pursuing and promoting economic growth, it is important to assess and understand the economic implications of such activity. Accordingly, this study seeks to understand the context and environment in which SOEs operate, and consider the potential for entrepreneurial and strategic activity in the public sector context of SOEs.

1.5 RESEARCH SCOPE

The focus of this research is strategic entrepreneurship in the context of South African SOEs. As the scope of strategic entrepreneurship research evolves, so too has the nature of the construct and its underlying elements. Yet a review of the present research also reveals a distinct emphasis on conceptual models and a notable absence of empirical or practical support for such theories. Accordingly, it is not clear whether this literature appropriately reflects the underlying elements of
strategic entrepreneurship in theory and practice. By examining this issue within the context of four SOEs, the central research question to be addressed is:

*What is the nature and scope of strategic entrepreneurship in SOCs?*

Given the unique nature of SOEs as government-owned and yet commercial organisations with specific profit-making requirements, specific research questions to be addressed as part of this study include:

1. *What is the context and nature of the environment in which State-Owned Enterprises operate?*
2. *Is there evidence of strategic entrepreneurship in State-Owned Enterprises?*
3. *To what extent is entrepreneurial activity possible and advisable in State-owned enterprises?*
4. *How might strategic entrepreneurship activity be best organised to take place in State-Owned Enterprises?*

### 1.5.1 RESEARCH OBJECTIVES

Therefore, the specific objectives of this study are first, to examine entrepreneurship and to a lesser extent strategy, as separate topics in order to identify the point of intersection between the two. Based on the findings from this examination, the second objective is to use the proposed framework of strategic entrepreneurship to appropriately understand the nature and scope of SE in South
Africa’s public sector, in particular the SOE sector. The third objective of this study is to examine activity recognised as both entrepreneurial and strategic within four SOEs in South Africa, for the purposes of investigating the application of strategic entrepreneurship within a government organisation context. The fourth objective of this study is to determine how strategic entrepreneurship activity might be best organised to take place in SOEs.

This investigation is particularly relevant given the increasing debate on the role of government in fostering economic entrepreneurial activity (Moe, 1994), and the potential for government to adopt entrepreneurship in business practice (Shome, 2006). This examination will provide a basis against which the proposed framework can be compared, as well as the opportunity to consider findings identified inductively from an examination of strategic entrepreneurship in practice, which effectively serves to develop and refine the framework. Thus, through a combination of deductive and inductive research, a framework reflecting the nature of strategic entrepreneurship within SOEs may be tested and refined.
2 CHAPTER 2: LITERATURE REVIEW

REVIEW OF STRATEGIC ENTREPRENEURSHIP LITERATURE

2.1 INTRODUCTION

An understanding of both entrepreneurship and strategy is widely viewed as key to organisational success and economic growth (Ireland & Webb, 2007; Herrington et al., 2009). Hence, the importance of both the entrepreneurship and strategy constructs has been noted from both a micro and macro-economic perspective. Effectively, these constructs represent the foundations of strategic entrepreneurship (Hitt et al., 2001). Therefore, in order to obtain an understanding of strategic entrepreneurship, it is first necessary to consider literature on each of the founding concepts before proceeding to an examination of previous research, specifically addressing the intersection of the two – strategy and entrepreneurship.

Accordingly, this section will examine the construct of strategic entrepreneurship, from foundations in entrepreneurship and strategy, to its development as a unique construct. From a review of literature on entrepreneurship, strategy, strategic entrepreneurship and public entrepreneurship, a conceptual framework of strategic entrepreneurship is developed highlighting the elements viewed as fundamental to
this construct. The limitations of existing research will be briefly discussed and a summary will be presented to outline the direction this study will assume.

2.2 EXAMINING ENTREPRENEURSHIP

The debate over entrepreneurship is universal. It is spoken of, written about and discussed frequently, both in academia and in the public press (Herrington et al., 2009). Regardless of where the debate occurs, entrepreneurship has been identified as being vitally important to the wellbeing of any economy, and its potential to contribute to the creation of employment and the alleviation of poverty has been well documented (Herrington et al., 2009).

Entrepreneurship as a construct has been examined in a number of disciplines, including economics (Schumpeter, 1954), psychology (McClelland, 1962), sociology (Weber, 1905), and anthropology (Barth, 1969). While detailed examination across these disciplines has led to entrepreneurship being associated with a number of concepts, there is still little consensus on the definition of an entrepreneur and the elements which characterise entrepreneurship (Audretsch, 2007; Beaver, 2003; Hitt et al. 2001; Shane, 2004; Shane & Venkataraman, 2000).

The failure of a single definition of entrepreneurship to emerge undoubtedly reflects the fact that it is a multidimensional concept (Audretsch, 2007). In recognising the
importance of the evolution of entrepreneurship into the twenty-first century, Kurakto (2007a) defined entrepreneurship as a dynamic process of vision, change and creation.

“Entrepreneur” is a French word with its origin dating back to the 1700s, and since then has emerged to mean someone who “undertakes a venture” (Herrington et al., 2009; p.12). In a more modern context, the Oxford Dictionary describes an entrepreneur as someone:

“…who organises, manages and assumes the risk of a business enterprise.”

However, the Oxford Dictionary definition remains somewhat limited as individuals with an entrepreneurial mindset are associated not only with business ventures, but are also found within welfare, social, adventure and sporting ventures (Herrington et al., 2009). Additionally, entrepreneurs are also found in government, universities and other similar institutions (Herrington et al., 2009).

Theories vary in their acceptance of this definition with respect to the different emphasis on aspects of entrepreneurial interpretation (Luke, 2009). Such elements include the nature and necessity of risk as a dominant aspect (Cantillon, 1755), representation or meaning of profit (Hawley, 1893), the significance of personal attributes inherent (McClelland, 1962), and the importance of the environment and the opportunities it presents (Acs & Audretsch, 2010). However, the range and
development of perspectives contributed by these theories provides a valuable basis from which to construct a more complete and precise view of what constitutes entrepreneurship.

2.2.1 ECONOMIC PERSPECTIVE OF ENTREPRENEURSHIP THEORY

Entrepreneurship has been associated with a number of elements within the sphere of economics. From the early works of Cantillon (1755) and Smith, (1776), profit has been identified as a central element of entrepreneurship. Profit has also been viewed as a reward for services (Marshall, 1893), investing and risking capital (Hawley, 1893), a return for entrepreneurial or uninsurable risk (Knight, 1977) and reinforcing the importance of both profit and risk. There is also an emphasis on economic change through decision-making (Menger, 1892), behaviour which both influences the future and is influenced by it (Von Misses, 1919), and creative destruction (Schumpeter, 1934), which highlight innovation and change as key themes within entrepreneurship.

More recently, Shane (2003), and McMullen and Shepherd (2006) have emphasised the identification and exploitation of opportunity within entrepreneurship. Thus, within the divergent viewpoints, a number of themes emerge as central to entrepreneurship, including innovation, risk, reward, and opportunity identification. Thus, in an effort to gain further insight, it is necessary to consider theories of entrepreneurship in other fields of research.
Lately, perspectives on entrepreneurship encompass a wide range of applications and contexts. Such viewpoints include social entrepreneurship (Dees, 1998; Leadbeater, 2000), which focuses on social rather than commercial outcomes. Civic (Drucker, 2007) or public sector entrepreneurship (Bellone & Goerl, 1992; Klein, Mahoney, McGahan, & Pitelis, 2010), examines the need for government organisations to be entrepreneurial, and the concept of intrapreneurship, where individuals within an organisation instigate acts of entrepreneurship which have not been influenced by the direction of an organisation’s strategy, structure, or culture (Carree & Thurik, 2010; Acs & Audretsch, 2010). Thus, the breadth and diverse nature of entrepreneurship emerges.

2.2.2 ALTERNATIVE VIEWS OF ENTREPRENEURSHIP THEORY

Beyond the sphere of economics, entrepreneurs and entrepreneurship have also been examined from a number of other humanitarian or social perspectives. Such perspectives include anthropology, history, psychology, and sociology, and are considered briefly below (Barth, 1969).

In the field of anthropology, Barth (1969) projected entrepreneurship as connecting two spheres in society, each with different values, and transferring value between them. Such risk, as Barth suggested, may lead to the questioning and challenging of basic social norms and community values, which extends the ethical and moral aspects of entrepreneurial activity (Cornwall & Naughton, 2003).
Economic history findings focus on the relationships inherent in entrepreneurial situations, with a particular emphasis on the history of the industrial corporation (Chandler, 1990). In contrast, psychology studies on entrepreneurship have focused on personality traits and patterns of behaviour (McClelland, 1962). These studies identify entrepreneurs as risk-takers and social deviants, with a high need for achievement and an internal locus of control. Studies on entrepreneurship within the field of sociology identified entrepreneurs as charismatic leaders whom others want to follow; breaking the constraints imposed by established norms to create change (Weber, 1905). Accordingly, themes of risk, opportunity, and reward are further reinforced.

### 2.2.3 PROPOSED VIEW OF ENTREPRENEURSHIP

In light of the literature review discussed above, perhaps the most comprehensive definition of entrepreneurship is that put forward by Hisrich and Peters (1998), cited in Luke (2005), who presented entrepreneurs as those creating something of value to improve economic efficiency, assuming final and social risk in the process, and receiving resulting rewards. Shane and Venkataraman (2000, p. 218) emphasised that entrepreneurship is a “nexus that involves the study of sources of opportunities; the process of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them”. However, several authors have postulated that in the initial stages of venture creation and launch, entrepreneurs often have to do more with less and use whatever abilities and resources they have at their disposal with a minimum of
capital and a maximum of ingenuity and improvisation (Harrison, Mason, & Girling, 2004; Miner, Bassoff, & Moorman, 2001). Established mid-to-large firms however face very different conditions (Kyrgidou & Hughes, 2010).

Building on this definition, it seems entrepreneurs can be identified as those who identify opportunities to create value, arguably to improve economic efficiency, but inevitably resulting in economic and social change. Consequently, by extension, entrepreneurial activity can be identified as activity which encompasses the elements of opportunity identification and the creation of value resulting in social and economic change, with the intention of reward in some form, be it growth, profit, or otherwise. Although their resource base is evidently greater, their entrepreneurial capacity for innovativeness and risk-taking are constrained by structures, systems and processes set-up over time to formalise their operations toward achieving efficiency and effectiveness (Mintzberg, 1979). At the same time, established and larger sized firms do have considerably greater knowledge and competence at creating, shaping and deploying competitive advantages, but there exists an entrepreneurial imperative for firms to innovate and adapt rapidly to change or face obsolescence and failure (Hitt et al., 2001).

Having established the key elements of entrepreneurship, the next step is to examine corporate entrepreneurship, strategy, strategic management, and their
relationships with entrepreneurship in order to identify their point of intersection - strategic entrepreneurship. Such is the focus of the following section.

2.2.4 CORPORATE ENTREPRENEURSHIP

The concept of corporate entrepreneurship (CE) has evolved over the last four decades and the definitions have varied considerably over time. The early research in the 1970s focused on venture teams and how entrepreneurship inside existing organisations could be developed (Hill & Hlavacek, 1972; Peterson & Berger, 1971; Hanan, 1976 cited in Kuratko, 2007b).

In the 1980s, researchers conceptualised CE as embodying entrepreneurial behaviour requiring organisational sanctions and resource commitments for the purpose of developing types of value-creating innovations (reference). CE was defined simply as a process of organisational renewal (Alterowitz, 1988; Kanter, 1985).

In the 1990s, researchers focused on CE as re-energising and enhancing the firm’s ability to develop the skills through which innovations could be created (Jennings & Young, 1990; Merrifield, 1993; Zahra, 1991). Also in the 1990s, more comprehensive definitions of CE began to take shape. Guth and Ginsberg (1990) stressed that CE encompassed two major types of phenomena: new venture creation within existing organisations, and the transformation of on-going organisations through strategic renewal. Zahra (1991) observed that CE may be formal or informal activities aimed at creating new businesses in established
companies through product and process innovations and market developments. These activities may take place at the corporate, division (business), functional, or project levels, with the unifying objective of improving a company's competitive position and financial performance (Zahra, 1991). Sharma and Chrisman (1999, p. 18) suggested that CE “is the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation.”

Finally, in this millennium, researchers have gained a greater focus on the concept. Various authors (Channon, 1999; Kuratko, 2007a; Kurakto, 2007b; Morris, Kurakto, & Covin, 2008) described corporate entrepreneurship as being manifested in companies, either through ‘corporate venturing’ or ‘strategic entrepreneurship’. Corporate venturing approaches have as their commonality the adding of new businesses (or portions of new businesses via equity investments) to the corporation (Kuratko, 2007a). According to Kurakto (2007a), this can be accomplished through three implementation modes – internal corporate venturing, cooperative corporate venturing, and external corporate venturing.

By contrast, strategic entrepreneurship approaches have as their commonality the exhibition of large-scale or otherwise highly consequential innovations that are adopted in the firm’s pursuit of competitive advantage (Kuratko, 2007a). These innovations may or may not result in new businesses for the corporation (Kuratko, 2007a). With strategic entrepreneurship approaches, innovation can be in any of
five areas - the firm’s strategy, product offering, served markets, internal organisation (i.e., structure, processes, and capabilities), or business model (Ireland & Webb, 2007). The focus of this study is therefore on this later concept; strategic entrepreneurship (explored further below).

Ireland, Covin, and Kurakto (2009) defined CE strategy as a vision-directed, organisational-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity. Morris, Kurakto and Covin (2008) contended that when the actions taken in a large firm to form competitive advantages and to exploit them through a strategy are grounded in entrepreneurial actions, the firm is employing an entrepreneurial strategy. Further, when establishing direction and priorities for the product, service and process innovation efforts of the firm, the company is formulating its strategy for entrepreneurship (Morris, Kurakto, & Covin, 2008).

The next section, describes in detail the existing literature on the evolution of strategic entrepreneurship.

### 2.2.5 THE EVOLUTION OF STRATEGIC ENTREPRENEURSHIP

In defining entrepreneurship, Shane and Venkataraman (2000, p. 218) emphasised that it is a “nexus” that involves entrepreneurial individuals seizing and exploiting lucrative opportunities. “The field involves the study of sources of opportunities;
the processes of discovery of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them” (Shane & Venkataraman, 2000, p. 218).

Kyrgidou and Hughes (2010) have argued that strategy is often likened to a process of planning that places emphasis on improved decision-making, brought about by managing resources within a framework of structures, systems and processes. According to Darling and Seristo (2007), strategy is considered a primary advantage that differentiates entrepreneurial firms and creates organisational excellence. It provides the context within which firms can exploit identified opportunities, thereby aiding firms to specialise and gain competitiveness. Entrepreneurial firms risk focusing excessively on opportunity recognition and risk-taking activities (Ireland & Webb, 2007). As a result, they can lack a balanced strategic focus which can then undermine the benefits and value their entrepreneurial initiatives might generate (Kyrgidou & Hughes, 2010).

The excessive formalisation of a firm’s organising activity that strategy necessitates, can create conditions that restrict rapid adaptation to change and tolerance of frame-breaking ideas (DeSimone, Hatsopoulos, O’Brien, Harris, & Holt, 1995), which in turn might prevent the firm from capturing the benefits that its entrepreneurial behaviour could create. Thus balancing entrepreneurship and strategic management can help firms avoid the trap of excessive risk-taking.
activities while preventing inertia caused by iteratively adding to present advantages (Kyrgidou & Hughes, 2010).

Strategic management theory, epitomised by the resource based view, emphasises the creation of a unique resource position for the firm to create advantages that allow it to compete effectively into the long term (Barney, 1991; Wernerfelt, 1984). However, this perspective does not adequately explain long-term success when firms face volatile and environment conditions. As a result, firms must continuously explore new opportunities over and above merely exploiting their resource advantages over other firms (Leonard-Barton, 1992).

Owing to their emphasis on innovation and entrepreneurial outmanoeuvring, entrepreneurial ventures, regardless of size, are characterised by high degrees of uncertainty, so their managers must simultaneously maximise their ability to recognise and pursue new business opportunities while minimising the strategic risk related to venture development, by improving the formation, management and leverage of temporary competitive advantage (Ireland, Hitt, Camp, & Sexton, 2001). This problem can be viewed as one of creating and sustaining strategic entrepreneurship (Kyrgidou & Hughes, 2010).
2.2.6 THE HERITAGE OF STRATEGIC ENTREPRENEURSHIP

According to Hitt, Ireland, Camp and Sexton (2002), strategic entrepreneurship crystallises the mutual support and interdependence that exists between entrepreneurship and strategic management. As outlined in the earlier sections, the emergence of SE has its roots in the field of economics (Knight, 1921; Schumpeter, 1934) and later in the field of management (Drucker, 2007). Several studies have uncovered the relationship between strategic management and entrepreneurship. Covin and Slevin (1989), following Miller’s (1983) conception of an entrepreneurial firm, defined strategic posture as a firm’s competitive orientation on a spectrum from conservative to entrepreneurial.

Lumpkin and Dess (1996) subsequently developed the construct of entrepreneurial orientation. Ireland et al. (2001) viewed strategic management as a context for entrepreneurial actions. Barringer and Bluedorn (1999) examined the relationship between entrepreneurship intensity and five specific strategic management practices and concluded that scanning intensity, locus on planning and strategic controls positively influence entrepreneurial intensity. Therefore, the relationship between strategic management and entrepreneurial activity has emerged in an interrelated way over many years, but has only recently been crystallised into a construct of practice (Kyrgidou & Hughes, 2010).
Schumpeter’s (1942) theory, a key theory of entrepreneurship, viewed entrepreneurship as a disequilibrium phenomenon. Through creative destruction, where industrial and market dynamics “destroy” old business models and new more effective ones emerge from the activities of innovating entrepreneurial firms, less-innovative incumbents are replaced and a higher degree of economic growth is achieved in the longer term (Schumpeter, 1942). In Schumpeter’s (1942) framework, entrepreneurship referred to the creation of new productive resource combinations through the act of innovation. The Schumpeterian definition also viewed entrepreneurship contextually as the key factor leading to a fundamental shift in entire production systems, thus it implicitly made entrepreneurship a fundamental strategic consideration for all types of organisations. The Schumpeterian tradition is featured in studies that focus on entrepreneurship as a way of describing and characterising a firm’s actions (Kyrgidou & Hughes, 2010).

In their quest for wealth creation, entrepreneurial firms focus on innovative, proactive and risk-taking behaviours which are conducive to the formation of new business models and organisational forms (Lumpkin & Dess, 1996).

Building on the Schumpeterian base, Shane and Venkataraman (2000) stated that entrepreneurship is about discovering and exploiting new opportunities in the environment. This highlighted, they contended, the chief role of opportunity identification as well as doing something with these opportunities, which is conducive to wealth creation (Shane & Venkataraman, 2000).
Penrose (2009) contributed to the resource-based view (RBV) of the firm, focusing on resource heterogeneity as the primary source of competitive advantage. Although a dominant framework in strategic management, the resource-based view framework has been used to analyse the resource characteristics, resource combinations and dynamic capabilities that drive entrepreneurial acts (Foss, Klein, Kor, & Mahoney, 2008). Using the RBV theoretical lens, entrepreneurship is seen as a context-dependent social process through which individuals and teams create wealth by creatively bringing together unique “packages” or “bundles” of resources to exploit marketplace opportunities (Kyrgidou & Hughes, 2010, p. 47; Morris, 1998).

Kyrgidou and Hughes (2010) stressed that of particular importance for the entrepreneurial process is the dynamic capability perspective that has emerged from the resource-based view. In unpredictable environments, dynamic capabilities are essential drivers behind the recombination of existing resources into new sources of firm value (Eisenhardt & Martin, 2000). This perspective, Eisenhardt and Martin (2000) argued, overcomes the static limitations of the RBV, which places emphasis only on the effective leverage of resources at any one moment. In addition, the tension between combining explorative and exploitative activities suggest that managers from decisions through to processes and activities face constant pressures in balancing entrepreneurial and strategic activity (Adner & Levinthal, 2008).
The dynamic capability, on the other hand, focuses on the internal organisation as key to achieving a firm's success (Kyrgidou & Hughes, 2010). Numerous studies have described the way in which dynamic capabilities have allowed firms to profitably enter emergent markets (King & Tucci, 2002), tie up industry relations (Dyer & Hatch, 2006) and restructure underperforming resources (Galunic & Eisenhardt, 2001). Each act, although strategic in nature, was driven by an entrepreneurial imperative (Kyrgidou & Hughes, 2010).

Thus, from the above discussion, SE can be defined as a process that facilitates a firm’s efforts to identify opportunities with the highest potential to lead to value creation, through the entrepreneurial component and then to exploit them through measured strategic actions based on their resource base (Kyrgidou & Hughes, 2010).

Strategic entrepreneurship results from combining attributes of strategy and entrepreneurship (Ireland & Webb, 2007). Ireland and Webb (2007) further postulated that in this instance, the firm combines exploration-oriented attributes with exploitation-oriented attributes to develop consistent streams of innovation and to remain technologically ahead of their competitors. Accordingly, SE is concerned with actions the firm intends to take to exploit the innovations that result from its efforts to continuously explore for innovation-based opportunities (Ireland & Webb, 2007).
Continuing with this definition, the entrepreneurial aspect contributes to the ability of identifying opportunities and to the willingness of firms to pursue new opportunities, whilst the strategic perspective enables them to isolate and explore those opportunities most likely to lead to sustainable competitive advantage and the subsequent means by which to form advantage (Hitt, Ireland, Camp, & Sexton, 2001).

2.2.7 UNCOVERING STRATEGIC ENTREPRENEURSHIP

According to Hitt et al. (2002), entrepreneurs are essentially involved in the creation of goods and services, and managers ultimately seek to establish a competitive advantage with the goods and services created. Thus the two functions are seen as complementary, particularly in the context of wealth creation. For this reason, then, the concepts of entrepreneurship and strategic management have been integrated to form the basis of strategic entrepreneurship.

As noted above, Ireland et al. (2001) further developed the association between the two concepts by identifying six domains which are relevant to both entrepreneurship and strategic management. These domains include innovation (creating and implementing ideas), networks (providing access to resources), internationalisation (adapting quickly and expanding), organisational learning (transferring knowledge and developing resources), growth (stimulating success and change), top management teams and governance (ensuring effective selection and implementation of strategies). Activity in these areas, they contended, can be
jointly classified as both entrepreneurial and strategic. Hence the intersection of entrepreneurship and strategic management is identified (Ireland et al. (2001), although with a strong strategic emphasis, which arguably overlooks themes central to entrepreneurship.

Ireland, Hitt, and Sirmon (2003) revised the dimension central to strategic entrepreneurship to include an entrepreneurial mind-set, entrepreneurial leadership and culture, strategic management of resources, and applying creativity to develop innovations. The integration of these dimensions, Ireland et al. (2001) contended, results in wealth creation. This model reflects a significant change in the direction of the literature, and is important for several reasons. First, it addressed many of the criticisms raised with respect to previous research on strategic entrepreneurship, and in particular incorporates a more appropriate balance of entrepreneurial and strategic elements. Second, it develops the notion of strategic entrepreneurship as a distinct construct.

More recently, developments in strategic entrepreneurship literature have moved away from models and focused on conceptual details. In 2007, Ireland and Webb (2007) emphasised strategic entrepreneurship as a balance between opportunity-seeking (exploration) and advantage-seeking (exploitation) behaviours, and highlighted the importance of continuous innovation. Later that year, Ketchen, Ireland and Webb (2007) reinforced the exploration and exploitation balance and
promoted collaborative innovation, together with continuous innovation through networks. Table 2.1 summarises the main dimensions of the strategic entrepreneurship frameworks presented from 2001 to 2007, highlighting the progression of strategic entrepreneurship from a developing concept to emerging construct.
TABLE 2-1 COMPARISON OF STRATEGIC ENTREPRENEURSHIP FRAMEWORKS

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Note: Adapted from Luke (2009)

Ireland and Webb’s (2007) and Ketchen et al.’s (2007) subsequent analysis of strategic entrepreneurship adds both direction and emphasis on elements within
strategic entrepreneurship, such as a balance between exploration and exploitation, as well as continuous and collaborative innovation. Yet the emphasis remains theoretical, with little practical support or guidance. Thus a gap remains for the development of a more coherent and perhaps pragmatic framework of strategic entrepreneurship from a conceptual standpoint, and more useful guidance for businesses aiming to employ strategic entrepreneurship in practice. This study will seek to close this gap.

### 2.2.8 THE CONCEPT OF SE AND ITS FUNDAMENTAL COMPONENTS

The study of SE involves the combination of actions distinctly entrepreneurial (focusing on opportunity) with actions essentially of a strategic nature (creating competitive advantage) (Kyrgidou & Hughes, 2010). SE concepts may be viewed as an extension of entrepreneurial strategy making, being a mode of strategy which integrates creation with the ability to make quick decisions in a changing environment (Bird, 1988). Specifically, Mintzberg and Walters (1982) characterised entrepreneurial strategy making by its degree of deliberateness and clear vision within SE, with the flexibility to allows that vision to change. Bird (1988) reinforced the concept of vision within SE, by identifying a focus on the present with a firm's vision of the future. Eisenhardt, Brown, and Neck (2000), on the other hand, reinforced flexibility within the notion of managing the chaos of change, proposing six fundamental processes in order to make entrepreneurship a standard strategic practice. These processes included improvisation, co-adaptation, patching, regeneration, experimentation and time pacing (Kyrgidou & Hughes, 2010).
Eisenhardt et al.’s (2000) six-processes framework is similar to the six domains of SE identified by Ireland et al. (2001): innovations, networks (access to resources), internationalisation, organisational learning (transferring knowledge and developing resources), growth and top management teams and governance (effective selection and implementation of strategies). Hitt et al. (2001) revised these domains to external networks, resources and organisational learning, innovation and internationalisation. While both these views place an emphasis on networks, learning and growth, Hitt et al. (2001) revised workplaces as an added emphasis on resources, competencies and capabilities to develop a sustainable competitive advantage when undertaking entrepreneurial behaviour.

Grounded on the broad range of components associated with SE and the common themes it shares with literature in the disciplines of entrepreneurship and strategy, it is possible to identify and evaluate those components that are consistently highlighted to contribute to the fundamental principles of SE (Kyrgidou & Hughes, 2010).

Specifically, these can be summarised as opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth (Kyrgidou & Hughes, 2010). This is evident in Meyer and Heppard’s (2000) notion of dominant logic; Hitt et al.’s (2001) emphasis on innovation within their six domains of SE; Lumpkin and Dess’ (1996) reference to an acceptance of risk within the notion of an entrepreneurial orientation; Eisenhardt et al.’s (2000) emphasis on flexibility when operating on the
edge of chaos; Covin and Slevin’s (1989) reference to vision within the notion of an entrepreneurial strategic posture; and Ireland et al.’s (2001) emphasis on growth orientation. Each component is set against the common value of resource management and dynamic capability generation, resulting in a total of eight components relevant to the study and analysis of SE (Figure 2.1). Given that these eight components were consistently associated with SE at its birth, concentrating on these components remain true to the origins of the SE concept (Kyrgidou & Hughes, 2010).

FIGURE 2.1 COMPONENTS OF STRATEGIC ENTREPRENEURSHIP

Note: Adapted from Kyrgidou and Hughes (2010)
In the literature of SE, opportunity identification has been suggested to be an important source of competitive advantage (Hitt et al., 2002), which can lead to entrepreneurial opportunity creation while setting the ground for exploitation (Zahra, 2008); notwithstanding such a view is carefully considered because of the inherent need to value, select and purposefully exploit only those that fit with the prevalent conditions of the firm. To ensure that opportunities will be of strategic value to the firm, Bhide (1994) emphasised the importance of balancing opportunity identification with analysis and strong execution skills.

Innovation or the ability to innovate on the other hand is one of the distinctive competencies of entrepreneurial firms (Stokes, Wilson, & Mador, 2010). Kurakto and Hodgetts (2009) expanded on this concept, proposing that the most effective way to position an entrepreneurial firm is to use risk and innovation. Risk may be explained by referring to perceived environment (Smircich & Stubbart, 1985). Thus, risk not fundamental to SE, but rather the perception of risk within an entrepreneurial mindset, differs from the wider perception of risk (Janney & Dess, 2006). The entrepreneur does not make a conscious decision to engage in highly risky projects, but rather their perception of that situation is of moderate rather than of high risk (Cuervo, Ribeiro, & Roig, 2007). Consequently, it is an acceptance of risk that is characteristic of entrepreneurs and when balanced with intuition and strategic action, it becomes a potential source of competitive advantage (Kyrgidou & Hughes, 2010).
Regarding flexibility, within the SE perspective, it becomes evident that firms should be able to respond to change quickly, independent of their current strategy (Eisenhardt et al., 2000). Flexibility refers to balancing structure with the freedom to implement and change strategy (Eisenhardt, et al., 2000). In this way, flexibility leads to competitive and sustainable advantage (Barney, 1991). If a firm fails to renew its resources or key strengths, its future strategic options will be eliminated (Teece, Pisano, & Shuen, 1997; Hitt & Reed, 2000). Hence, establishing a clear vision and developing strategy that focuses both on opportunity and advantage within that vision (Hitt et al., 2001) enhances opportunity identification and exploitation, as well as the strategies formulated to achieve this exploitation.

Another central theme, both within the entrepreneurship and strategy literature (Ireland et al., 2001), growth, is related not only to innovative and creative ideas, but also to the structure and strategy to turn such ideas into profitable ventures.

Finally, resources and dynamic capabilities appear as two additional critical components in the study of SE. Resources are perceived as value creation drivers via the development of competitive advantage (Ireland et al., 2003), suggesting that possessing valuable and rare resources provides the basis for value creation. The resource-based view (Mosakowski, 2002) is aligned with the main dimensions of SE; value creation in the marketplace through opportunity exploration and exploitation, and sustainable competitive advantage. Dynamic capabilities (Eisenhardt & Martin, 2000, Teece et al., 1997) are defined as the firm’s capacity to
renew physical resources and skills at a high pace and achieve congruence with a changing business environment (Winter, 2003). Therefore, a firm’s ability to continually improve current resources and build new ones is paramount to maintaining competitive advantages and the entrepreneurial exploitation of opportunities over time (Kyrgidou & Hughes, 2010).

These components can be viewed as fundamental characteristics of SE and can be used as a benchmark for comparison with activities employed by firms widely recognised as both strategic and entrepreneurial (Kyrgidou & Hughes, 2010).

Kyrgidou and Hughes (2010) argued that the essence of SE is such that the fundamental components work together in a common direction. They argued that it is not necessary that each component weigh equally, but that SE is both created and bound by these conditions. Individually, each of these eight components reflects a business’ strategic position and may interact directly with internal and external environmental factors.

Together, however, they form an integrated system creating SE (Kyrgidou & Hughes, 2010). If all eight components are not present, SE may be incomplete, leading to an incomplete process, creating the opportunity for components which could otherwise contribute to SE, instead of operating in different and inconsistent directions. According to Kyrgidou and Hughes (2010), once SE is established, it
ought to allow the firm to adapt in a changing competitive landscape, balancing innovation with risk-taking activities, facilitating the vision to both identify opportunities and to modify strategy as required.

Borrowing the work of Luke (2009), and based on the above, two propositions of strategic entrepreneurship are formulated.

**Proposition 1a:** Strategic entrepreneurship is a distinct process, founded on the combination of opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth.

**Proposition 1b:** Strategic entrepreneurship is presented by entrepreneurial activity applied in the strategic context of businesses which develop expertise within their core skills and resources, and leverage from that by transferring and applying their knowledge of those skills and resources to new products, services, or markets.

A key attribute of this model is its treatment of SE as a construct consisting of four sequential, linear and alternating entrepreneurial and strategic activities. Ireland *et al.* (2003) specified four components to the process of SE:

1) an entrepreneurial mind-set, culture and leadership that support the search for entrepreneurial opportunity;
2) strategic management of resources involving managing the bundling, structuring and leverage of financial, human and social capital;

3) applying creativity to develop innovations and novel combinations to achieve radical and incremental innovation; and

4) forming and executing competitive advantages

Kyrgidou and Hughes (2010) argued that firms that follow this linear sequence of activities are apparently strategically entrepreneurial and should achieve wealth creation. The next section presents the limitations of this current model.

2.3 A REVIEW OF THE FRAMEWORK ON STRATEGIC ENTREPRENEURSHIP

Building on the concepts detailed previously, this section first review the current framework proposed by previous scholars and researchers. It then presents a proposed framework of strategic entrepreneurship, highlighting the fundamental elements of this construct. Drawing on findings from an examination of strategic entrepreneurship in theory and to a lesser extent, practice, a more refined framework of SE is developed in the following sections, detailing elements central to the integration of entrepreneurship and strategy. As part of the review of the current this current framework, two central issues are considered: creating strategic entrepreneurship within business, and managing strategic entrepreneurship on an on-going basis to realise financial benefits.
2.3.1 CREATING STRATEGIC ENTREPRENEURSHIP

On that basis, a refined framework of strategic entrepreneurship is proposed, comprising two key components. First, strategic entrepreneurship is founded on a combination of elements central to entrepreneurial activity, being opportunity identification, innovation, and acceptance of risk, flexibility, vision, and growth. Second, entrepreneurial activity is applied in the strategic context of businesses which develop expertise within their core skills and resources, and then leverage from that by transferring and applying their knowledge of those skills and resources to new products, services, or markets. These concepts are summarised below.

2.3.1.1 PROPOSITION 1A.

Strategic entrepreneurship is a distinct process, founded on the combination of opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth.

2.3.1.2 PROPOSITION 1B:

Strategic entrepreneurship is represented by entrepreneurial activity applied in the strategic context of businesses which develop expertise within their core skills and resources, and leverage from that by transferring and applying their knowledge of those skills and resources to new products, services, or markets.
Combined, these notions were referred to as the foundations of strategic entrepreneurship (proposition 1a – the core elements) and the foundations for strategic entrepreneurship (proposition 1b – the strategic context). Thus, the integration of these two concepts constitutes strategic entrepreneurship as a distinct construct, and is depicted in Figure 2.2 below.

![Figure 2.2 Strategic Entrepreneurship](image)

**FIGURE 2.2 STRATEGIC ENTREPRENEURSHIP**

Note: Adapted from Luke (2009)

Various authors (Dess, Lumpkin, and Covin 1997; Meyer, A, & Hining, 1993) proposed that the framework is essentially a configurational approach which identifies elements central to the concept of strategic entrepreneurship, and considers the integration and interdependency of these elements. Ultimately the framework reinforces a process-based view of entrepreneurship which is event-driven (Van den Berg & Johson, 2006), and may be applied by businesses in all forms to structure and refine their enterprise or business architecture (Veasey, 2001; Wolfenden & Welch, 2000). This process view essentially involves not only
establishing strategic entrepreneurship through the integration of entrepreneurship and strategy, but also managing and maintaining a balance of the central elements in a dynamic environment. Effective management, Ireland and Web (2006) noted, determines the financial benefits an organisation realises and maintains over time. The issue of managing strategic entrepreneurship to realise the financial benefits is considered further below.

2.3.2 MANAGING AND MAINTAINING STRATEGIC ENTREPRENEURSHIP

As noted by various researchers (Hitt et al., 2002; Porter, 1980; Sirmon et al., 2007; Veasey, 2001), refinement of both structure and strategy represent a continuous challenge to establish fit within a dynamic environment and maintain competitive advantage. With respect to the on-going management of strategic entrepreneurship, and the realisation of financial gain or wealth, such outcomes are considered to be a function of managing both internal forces and the external environment. Thus, an important feature of strategic entrepreneurship is maintaining a balance of the core elements and ensuring they are appropriately applied in a strategic context.

By way of example, innovation by itself does not constitute strategic entrepreneurship. But innovation, together with the other core elements, can facilitate strategic entrepreneurship. Hence it is essential that each of the core elements is combined to achieve a balance. The actual balance of these may
change over time. This balance and its fit with the external environment will determine the strength of any competitive advantage created. Thus, there may be occasions when a choice must be made between two elements (e.g. further growth versus risk; flexibility to change strategic direction versus vision to continue following that direction), such that different elements may dominate at different times.

Previous studies on strategic entrepreneurship have identified clear variation in the nature of strategic entrepreneurship. Innovation can be viewed as incremental in nature, or it can also be viewed as radical. Similarly, with respect to strategic aspects, clear variations are evident and innovation can be viewed as deliberate versus emergent (Verreynne & Luke, 2006). Figure 2.3 depicts these variations.

**FIGURE 2.3 CONTEXTUAL NATURE OF STRATEGIC ENTREPRENEURSHIP**

The variation depicted in Figure 2.3 represents an important departure from Ireland et al.’s (2003) framework of strategic entrepreneurship, which specified a need to
balance both incremental and radical innovation within strategic entrepreneurship, and indicates the range of innovation which strategic entrepreneurship encompasses. Consequently, radical innovation is not a pre-requisite for strategic entrepreneurship. Based on the above, the second concept is presented such that:

2.3.2.1 PROPOSITION 2

The nature of Strategic Entrepreneurship may take various forms, ranging from incremental to radical innovations, with deliberate to emergent approaches.

2.3.3 LIMITATIONS OF THE CURRENT MODEL

2.3.3.1 A PRACTICAL MODEL OF STRATEGIC ENTREPRENEURSHIP

Through their detailed studies of strategic entrepreneurship (Eisenhardt & Graebner, 2007; Ireland et al., 2001; and Hitt et al., 2003), the eight-component model of strategic entrepreneurship was presented. The SE construct focuses on how opportunity- and advantage-seeking behaviours can be integrated to create balance between both behaviours to achieve sustainable competitive advantage (Ireland et al., 2003). However, studies have failed to consider the time and spatial considerations associated with “balance”. That is, do firms need to balance such behaviours simultaneously in a process of SE, or do firms draw on entrepreneurial behaviours when necessary to be followed by strategic-building activities and vice versa?
Ireland et al.’s (2003) definition views SE as the simultaneous use of opportunity- and advantage-seeking behaviours, but their model shows that SE is not necessarily simultaneous in its application of strategy and entrepreneurship. Rather, their model implies that the use of entrepreneurial and strategic activities alternate linearly (Kyrgidou & Hughes, 2010). The model shows a movement from entrepreneurial behaviour (entrepreneurial action to identify opportunities) to strategic behaviour (managing resources strategically) and back to entrepreneurial behaviour (applying creativity and innovation).

As Kyrgidou and Hughes (2010) put it, Ireland et al.’s (2003) model represents strengths, but it also conceals several weaknesses that become evident when one considers the practical implementation of SE. Kyrgidou and Hughes (2010) have improved on this framework and proposed a practical model of SE as shown in Figure 2.4 below.
FIGURE 2.4 A PRACTICAL MODEL OF STRATEGIC ENTREPRENEURSHIP

Draw on the literature above, this revised practical model of SE promotes an underlying consensus that emerges towards appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operation (Kyrgidou & Hughes, 2010, p. 11). Specifically, autonomy, cooperation, locus of participation, top management support, strategic control and reward systems that incentivise employees towards long-term value creation over short-term profit (Kyrgidou & Hughes, 2010).

In light of the above, the following propositions are formulated.
2.3.3.2 PROPOSITION 3A

The identification of entrepreneurial opportunities through the firm’s entrepreneurial mind-set, leadership and culture must be followed by an understanding of the resource base of the firm before it moves to develop innovation or risk undermining the performance of the firm and destroy value as it pursues spurious opportunities outside the competencies of the firm.

2.3.3.3 PROPOSITION 3B

A firm’s ability to continually shift current resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially.

2.3.3.4 PROPOSITION 4

The development of such dynamic capabilities is dependent on accumulating experiences across, within and from business processes. The integration of iterative learning practices into the SE process overcomes its static limitation and better conceptualises how firms might sustain creation over the long term through this process.

2.3.3.5 PROPOSITION 5

Strategic entrepreneurship must have appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operations. The internal environment should promote autonomy, cooperation, locus of participation, top management support, strategic controls and reward
Examining the nature and scope of strategic entrepreneurship in state-owned companies

Chapter 2: Literature Review

systems that incentivise employees towards long-term value creation over short-term profit.

Thus, the proposed revised framework is presented as per Table 2.2 below in the following section.

2.3.3.6 REVISED STRAW FRAMEWORK FOR STRATEGIC ENTREPRENEURSHIP

Table 2.2 below presents the revised straw framework of strategic entrepreneurship based on the review of the literature.

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<tr>
<th>TABLE 2-2</th>
<th>REFINED FRAMEWORK BASED ON LITERATURE REVIEW</th>
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<tr>
<td>Proposition 1a</td>
<td>Strategic entrepreneurship is represented by entrepreneurial activity applied in the strategic context of businesses which develop expertise within their core skills and resources, and leverage from that by transferring and applying their knowledge of those skills and resources to new products, services, or markets</td>
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<tr>
<td>Proposition 1b</td>
<td>Strategic entrepreneurship is represented by entrepreneurial activity applied in the strategic context</td>
</tr>
<tr>
<td>Proposition 2</td>
<td>The nature of Strategic Entrepreneurship may take various forms, ranging from incremental to radical innovations, with deliberate to emergent approaches</td>
</tr>
<tr>
<td>Proposition 3a</td>
<td>The identification of entrepreneurial opportunities through the firm’s entrepreneurial mind-set, leadership and culture must be followed by and an understanding of the resource base of the firm before it moves to develop innovation or risk undermining the performance of the firm and destroy value as it pursues spurious opportunities outside the competencies of the firm.</td>
</tr>
<tr>
<td>Proposition 3b</td>
<td>A firm’s ability to continually shift current resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially.</td>
</tr>
<tr>
<td>Proposition 4</td>
<td>The development of such dynamic capabilities is dependent on</td>
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</table>
**Straw Framework Based on Literature Review**

<table>
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<tr>
<th>Accumulating experiences across, within and from business processes, the integration of iterative learning practices into SE process overcomes its static limitation and better conceptualises how firms might sustain creation over the long term through this process</th>
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<tr>
<td><strong>Proposition 5</strong></td>
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Prior to examining the revised framework of SE presented above from such activity using the measures proposed in this chapter, it is first necessary to consider the public sector context of this study, and SOE in particular. Such is the focus of the following chapter.

### 2.4 STRATEGIC ENTREPRENEURSHIP IN A PUBLIC SECTOR CONTEXT

As noted previously, literature on entrepreneurship examines a wide range of perspectives. One aspect which has, however, been given only limited attention, is that of entrepreneurship in a government context. This is in part attributable to the association of entrepreneurship and profitability, typically considered in the context of private organisation (Bahaee & Prasad, 1992; Klein, Mahoney, McGahan, & Pitelis, 2010). Thus, consistent with Ducker’s (1985) view, the notion of entrepreneurship is equally relevant to both public and private organisations. This
section (Section 2.5) focuses on entrepreneurship in government, under the headings of policy, privatisation, and practice. Section 2.6 discusses in particular strategic entrepreneurship in a government sector context. A summary section concludes this section.

### 2.4.1 ENTREPRENEURSHIP IN GOVERNMENT

Conventionally, the role of government has been viewed as one focused on policy and administration: implementing legislation and regulation, and ensuring that such rules are duly applied and enforced to provide a framework for a stable, progressive society (Moe, 1994; Hafsi & Luc, 2007). Implied in this definition is the role of government to also provide basic public services, which often extend further once functions such as standard services and law enforcement are provided. Due to changes over time such as advancements in technology and liberation of financial markets, resources such as large-scale finance, capital assets and expansive networks have become increasingly accessible to private sector organisations (OECD, 2005). This has resulted in competition for public sector organisations in these industries, as well as the opportunity to privatise existing public sector organisations (Zahra, 1991; OECD, 2005).

#### 2.4.1.1 POLICY

According to Luke (2009), there has been much focus on government to assist and support the private sector through the promotion of policies to foster economic development and growth. Such policies include legislation which is open and
supportive of business development (Swierczek & Quang, 2004), streamlined regulatory requirements (Bharath, 2004), and increased assistance in accessing finance (Prince, 2003)

2.4.1.2 PRIVATISATION

As discussed in the OECD report (OECD, 2003), and Zahra (2008), economic development through privatisation has also been widely promoted as effective government policy. A priority of policy-making and a contrast in skill base between politicians and businessmen (Moe, 1994; Morris & Kuratko, 2002) are common factors in the case of privatisation. As (Moore, 1992) pointed, economic benefits resulting from privatisation include substantial revenue from the sale of government assets, reduction in national debt, elimination of losses sustained by unprofitable government organisations, and increased revenue from taxation of growing profits under private sector management. However, those in support of privatisation have also acknowledged a number of obstacles (Zahra & Hansen, 2000). Such obstacles include privatisation essentially being a costly and involved process, the loss of national resources through the sale of assets, uncertainties regarding the abilities and intentions of any new private sector management, increase in unemployment due to subsequent downsizing, and elimination of industry subsidies to domestic private sector organisations operating within privatised industries (Zahra & Hansen, 2000).
According to Stigliz (2008), a common rationale for the promotion of privatisation is a market-orientated ideology that the private sector is more efficient due to the discipline of market forces and competition. The paradox however is that privatisation of natural monopolies (e.g. rail, water, electricity) does not result in competition (Ogden & Clarke, 2005). Moreover, concepts such as market forces and competition are not necessarily inconsistent with public sector organisations (Luke, 2009). Consequently, the notion that privatisation is a frame-breaking event that compels managers to adopt different perspectives on how to best to manage (Zahra, Ireland, Gutierrez, & Hitt, 2000), raises the question as to whether other mechanisms such as corporatisation or undertaking entrepreneurial activity in practice can also achieve such change.

2.4.1.3 PRACTICE

In the recent years, the notion of entrepreneurial government practice has gained increasing attention, suggesting a more direct approach to entrepreneurial activity (Luke, 2009). Such principles are not new, and can be traced back to the works of Woodrow Wilson (1887) cited in Luke (2009) who viewed public administration as a business. Doig, (1983) among others, argues these views remain equally relevant to modern day public administration. Therefore, government interest in employing private sector management techniques in order to move towards a more commercial and efficient form of public administration has been ignited (Luke, 2009). A variation of entrepreneurship in Government which offers the potential
benefits of entrepreneurial activity while attempting to minimise the associate risks, is the concept of strategic entrepreneurship in a public sector context.

2.4.2 STRATEGIC ENTREPRENEURSHIP IN A GOVERNMENT SECTOR CONTEXT

In a Government context, strategic entrepreneurship involves the promotion of activity which is both entrepreneurial and strategic. While association between government organisations and bureaucracy is a long-standing one (Moe, 1994), characterised by inefficient processes and overly regulated environments (Miller, 1994). Furthermore, according to Wilson (1989) cited in Luke (2009), this association is neither universal nor fixed. As evidenced by governments in various countries which have adopted “new” public management techniques over the past two decades, change within government organisations is possible (Pollit & Bouckaert, 2000). Furthermore, adoption of strategic entrepreneurship as an extension of such change seems a particularly viable option, which offers both financial and non-financial benefits. Such benefits include financial returns (e.g. dividends), as well as enhanced support of government (Verreynne & Luke, 2006). Accordingly, given the objectives and expectations of governments to be more innovative and strategic in providing efficient and cost effective services to the public (Gore, 1993; cited in Luke, 2009), an approach which is both entrepreneurial and strategic deserves consideration (Verreynne & Luke, 2006; Luke, 2009). Specifically, if governments are to address the call for innovative and strategic
conduct together with fostering continued economic development, strategic entrepreneurship seems a potentially valuable approach to achieve this objective.

2.4.3 SOUTH AFRICA’S SOE ENVIRONMENT – BRIEF BACKGROUND

Because of the fact that the focus of this study is on SOEs, as opposed to private firms, it is perhaps crucial to draw a distinction between the two. Undeniably, SOEs have similarities to private firms. Nonetheless, they do have significant differences that make them unique. An understanding of what drives success in SOEs requires a focus on those aspects that distinguish SOEs from private firms.

2.4.3.1 WHAT IS AN SOE?

Generally, there is a wide acceptance in the literature on what constitutes an SOEs. Ramamurti (1986) for example, defines an SOE as “… a legally autonomous entity that operates along commercial lines but is owned in whole or in part by a government”. Yeung (2005) on the other hand, defines an SOE as a form of government in business, which is expected to achieve economic and operational efficiency while simultaneously serving social objectives and being accountable to the public. As discussed above, SOEs, as a result of being state or government-owned, have some distinguishing characteristics that are typical to them. These centre on the nature of ownership (De Alessis, 1969; Aharoni, 1981; Zhang, 2006) the purpose of the enterprise (Aharoni, 1982; Yeung, 2005; Tomasic & Rong Fu, 2006) its governance (Seth-Purdie, 2005; Trivedi, 2008 (cited in Daka, 2010); Lin, Cai, & Zhou, 1998). Table 2.3 below summarises the difference between SOEs and private firms.
TABLE 2-3 DIFFERENCES BETWEEN SOES AND PRIVATE FIRMS

<table>
<thead>
<tr>
<th>Ownership (De Alessi, 1969; Aharoni, 1982; Zhang, 2006),</th>
<th>SOE</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Non-transferable ownership</td>
<td>Transferable</td>
</tr>
<tr>
<td>The state appoints, motivates and disciplines managers</td>
<td>Natural capitalist appoints, motivates and disciplines managers</td>
<td></td>
</tr>
<tr>
<td>No principal, just layers of often conflicting agents</td>
<td>More direct principal</td>
<td></td>
</tr>
<tr>
<td>Minister is principal shareholder on behalf of government and his political party</td>
<td>Individuals or institutions with one profit maximisation objective</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purpose (Aharoni, 1982; Yeung, 2005; Tomasic &amp; Fu, 2006)</th>
<th>SOE</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Multiple goals imposed by government, including economic and operational efficiency, some non-commercial</td>
<td>Much more focussed goal of profit maximisation. Clear goal-profit maximisation</td>
</tr>
<tr>
<td>Lack of goal clarity and often conflicting instructions</td>
<td>More aligned and singular</td>
<td></td>
</tr>
<tr>
<td>Goals arise from range of political process and participants</td>
<td>Goals arise from board and management, more aligned</td>
<td></td>
</tr>
<tr>
<td>Not well monitored due to limited monitoring ability of political authorities perhaps due to information asymmetries</td>
<td>Better monitoring capacity</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance (Seth-Purdie, 2005; Trivedi, 2008 cited in Daka, 2010; Lin, Cai &amp; Li, 1998)</th>
<th>SOE</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Multiple principals</td>
<td>Only responsible to the board and shareholders</td>
</tr>
<tr>
<td>Has to take into account government policy, e.g. service delivery objectives</td>
<td>Do no have additional government policy and legislation to comply with</td>
<td></td>
</tr>
<tr>
<td>Often government appoints the CEO, not in board, rendering it less effective in sanctioning bad performance</td>
<td>Board appoints the CEO</td>
<td></td>
</tr>
</tbody>
</table>

Note: Adapted from Daka (2010)

2.4.3.2 SOE AND CORPORATE GOVERNANCE

The OECD highlights that in several countries, SOEs still represent a substantial part of GDP (Gross Domestic Product), employment and market capitalisation (OECD, 2005). Moreover, SOEs are often prevalent in utilities and infrastructure industries, such as energy, transport and telecommunications, whose
performance is of great importance to broad segments of the population and to other parts of the business sector. Consequently, the governance of SOEs is critical to ensure their positive contribution to a country’s overall economic efficiency and competitiveness (OECD, 2005). According to the OECD, good corporate governance of SOEs is an important prerequisite for economically effective privatisation, since it will make the enterprises more attractive to prospective buyers and enhance their evaluation.

Consequently, based on the discussion above on strategic entrepreneurship in a government context, proposition 6 is formulated as per below:

2.4.3.3 PROPOSITION 6

SOEs that possess operational autonomy from political and government intrusion are positively associated with increased level of entrepreneurial activity (strategic entrepreneurship)

2.5 SUMMARY

This chapter has examined the literature on entrepreneurship and strategy to review the relationship between the two concepts and the subsequent emergence of strategic entrepreneurship. From concept to construct, a revised conceptual framework of strategic entrepreneurship was presented, representing the integration of entrepreneurship and strategy. As detailed previously, the concepts
comprising this framework have strong theoretical groundings as well as notable empirical support in the work done by Luke (2009).

Further, an examination of entrepreneurship in government reveals a number of attitudes and approaches. While some view entrepreneurship as having no place in the public sector, others contend such a role does exist in the form of policy-making, privatisation of public sector organisation, and practice within those organisation which remain in the public hands. Further, an examination of the difference between an SOE and a private firm reveals a number of key unique features.

Accordingly, in order to progress to the development of research in understanding in these areas, this study specifically examines strategic entrepreneurship in the context of South Africa’s SOEs. How this examination was conducted, together with the underlying theoretical rationale, is the focus of the following chapter.
3 CHAPTER 3: RESEARCH QUESTIONS

3.1 INTRODUCTION

The specific objectives of this study are first, to examine the context and nature of the environment in which SOEs operate. Based on the findings from this examination, the second objective is to examine using the proposed framework evidence of strategic entrepreneurship in SOEs. The third objective of this study is to validate the extent to which entrepreneurial activity is possible and advisable in SOEs. The fourth objective is to determine how strategic entrepreneurship activity might be best organised to take place in SOEs.

These objectives are re-stated as per below:

3.2 RESEARCH QUESTION 1

What is the context and nature of the environment in which State-Owned Enterprises operate?

3.3 RESEARCH QUESTION 2

Is there evidence of strategic entrepreneurship in State-Owned Enterprises?
3.4 RESEARCH QUESTION 3

To what extent is entrepreneurial activity possible and advisable in State-Owned Enterprises?

3.5 RESEARCH QUESTION 4

How might strategic entrepreneurship activity be best organised to take place in State-Owned Enterprises?

The next section presents the research design methodology to be followed in carrying out this study.
CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

As highlighted in the literature review, research on strategic entrepreneurship remains in the very early stages of development with a clear emphasis on conceptual frameworks (Ireland & Webb, 2007). Consequently, this study embodies both theoretical and practical perspectives, reviewing the literature on strategic entrepreneurship to understand the current developed or proposed frameworks, and subsequently examining these frameworks in the context of state-owned enterprises in South Africa that have conducted activity recognised as both entrepreneurial and strategic. Accordingly, the research question of “What is the nature and scope of strategic entrepreneurship in the context of South Africa’s SOEs?” underpins this study.

This section details the research approach adopted (Section 4.2), outlining the underlying paradigms and perspectives from which this research was conducted. Section 4.5 presents the case study approach which is central to this research, providing details of the case study participants and overall research design. An overview of the main data sources is then presented (Section 4.6), together with the details relating to the analysis and presentation of the data (Section 4.7).
Section 4.8 presents the information on the data validity and reliability of this study. Lastly, limitations of this study are presented in Section 4.9.

### 4.2 RESEARCH APPROACH

This study principally considers strategic entrepreneurship within an interpretive paradigm (Blumberg, Cooper, & Schindler, 2005), examining activity recognised as both strategic and entrepreneurial within four separate organisations, providing an opportunity to identify, interpret, and translate the elements which collectively constitute strategic entrepreneurship. This examination also considers the interrelationship of these elements and the required conditions in order to maintain strategic entrepreneurship, once created. Hence, personal understanding and interpretation of such activity is integral to this study.

Although interpretivism is at the core of this study, the research also incorporated elements of critical realism: recognising the existence of a gap between the researcher’s concept of reality and the “true” but unknown reality (Blumberg et al., 2005). By challenging established theory on the topic of strategic entrepreneurship and exposing inconsistencies between theory and practice, this study aimed to contribute to the development of knowledge and understanding (Williams, 2011). This view is in line with that of Alvesson and Deetz (2000), who contended that all research is, in a sense, critical.
Examining the nature and scope of strategic entrepreneurship in state-owned companies:

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To the extent that this study uses a conceptual framework of strategic entrepreneurship as a foundation for identifying such activity in practice, and then examines strategic entrepreneurship for the purposes of developing or refining theory, it may be viewed as partially positivist in nature (Eisenhardt & Graebner, 2007). Essentially, however, the focus of this research was to gain insight into the nature and scope of strategic entrepreneurship through a process of data identification, analysis, and interpretation, based on the experiences and perspectives of SOE executives. Consequently, interpretivism lies at the core of this study.

According to Christensen (2006), theory development happens in two stages, namely a descriptive and a normative stage. By exploring and progressing the development of strategic entrepreneurship, this study focuses on the descriptive stage, using the three step process of observation, categorisation, and association. Thus, the scope of the study involved “observing” strategic entrepreneurship in SOEs, identifying and categorising its defining characteristics, and explaining its association with financial performance and economic growth. Further, Schumpeter (1954) in particular, noted the importance of the descriptive stage, referring to the need for intimate collaboration of theory and observation, and the development of theory through observation over time: an adequate command of historical facts, an adequate sense of historical experience, and to develop theory explaining the
observations made before proceeding to empirical testing. This view lies between the interpretivist and functionalist approaches of paradigms (Pittaway, 2005).

Given the nature of the research question and the limited scope of research specifically undertaken in the area of SE, a qualitative design using case study analysis is deemed particularly valuable (Yin, 2009). Further, given that this study asks the ‘what’ questions, the most appropriate method is the case study method (Yin, 2009). The next section presents an overview of the research design and methods used, in addition to the rationale for the selection.

### 4.3 A QUALITATIVE DESIGN

In essence, two domains of research exist; qualitative and quantitative (Blumberg et al., 2005). On the basis that research on strategic entrepreneurship remains in the very early stages of identifying, defining, and understanding this concept, qualitative research was considered appropriate (Schumpeter, 1954; Blumberg et al., 2005; Yin, 2009).

A qualitative study has provided the opportunity to address the ‘how’ and ‘why’ relating to the phenomena of strategic entrepreneurship, probing, examining, and conducting a detailed investigation (Blumberg et al., 2005). Through this approach, rich data, thick description, and a greater depth of analysis (Blumberg et al., 2005)
allowed for a broader understanding of strategic entrepreneurship through the insights and experiences of SOE executives and senior managers. Hence, this approach allowed strategic entrepreneurship to be examined, not simply as an object with specific properties in precise measurements, but as a complex subject and concept to be explained and understood (Allan, 1991).

4.4 DEDUCTIVE VERSUS INDUCTIVE RESEARCH

This study began by returning to the literature on entrepreneurship, strategy, strategic management, and public sector context, to review prior findings in each of these areas and develop a more refined conceptual framework of strategic entrepreneurship (presented in Chapter 2). Thus, preliminary conclusions and specific research questions were formed based on a review of the theory, prior to any formal data collection, and used as a basis for comparison with, and a critical evaluation of, alternative strategic entrepreneurship frameworks presented in the literature.

Although the framework presented was considered to build on and add to previous studies focusing on the concept of strategic entrepreneurship, it was also acknowledged that it may lack certain aspects. Accordingly, the framework was used as a guide or starting point from which to explore strategic entrepreneurship in practice, within the context of individual SOEs. Primary and secondary data relating to activity within those SOEs was then used as a basis to refine the
framework developed, providing further insight into strategic entrepreneurship based on both theory and practice.

According to Blumberg et al. (2005), the issue of deductive versus inductive research centres around the research process and where it begins. Inductive reasoning generally begins with singular or specific statements and concludes with a general or universal statement. Such conclusions are effectively a generalisation drawn from the specific premises. Equally, deductive reasoning moves from premises which are broad or general in scope, to specific conclusions. Hence the conclusions are narrower in nature than the premises (Blumberg et al., 2005).

Given the notion that induction must be based on presuppositionless observations (Bason, 1620), this research may be viewed as deductive in nature. Based on a review of the literature in the field of entrepreneurship, and to a lesser extent, strategy, views will be formed regarding what constitutes strategic entrepreneurship, and these views will be used as a basis for comparison with and critical evaluation of the literature on strategic entrepreneurship.

However, an inductive approach may also be identified in this research, given the fact that the interviews were conducted and other data to be collected was examined, not only to consider the support for and application of the proposed framework, but also to identify and uncover specific elements within the activity to
be examined. Essentially, a combination of the two approaches was adopted in this research to help balance and address the criticisms relating to each other (Blumberg et al., 2005). Ultimately, observation influences deductive logic; deductive logic is then formalised and considered through observation. Such will be the perspective of this research.

### 4.5 CASE STUDY ANALYSIS

This study was based on case studies on entrepreneurial activity in South Africa’s SOEs. Because of the complexity of strategic entrepreneurship and the very limited applied research on this topic, a case study approach provided a valuable opportunity to gather and analyse data using a range of research methods and techniques which embody multiple views (Eisenhardt & Graebner, 2007), lenses (Yin, 2009), and perspectives (Blumberg et al., 2005). Yin (2009) referred to a case study research as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used.

Benefits associated with a case study approach include the opportunity to examine strategic entrepreneurship in detail, thereby obtaining what has been described as a more complete or rounded understanding of this construct (Blumberg et al.,
2005). With the case study approach, the researcher was able to compare the results of the case study with the theory (Blumberg et al., 2005). As noted in Yin (2009), case study analysis is the method of choice when the phenomenon under review is not readily distinguishable from its context. Birley and Moreland (1998) supported this, noting that case studies, by nature, examine a single phenomenon in order to describe and understand the phenomenon and its environmental context in-depth, thereby obtaining a more complete or rounded understanding.

Eisenhardt and Graebner (2007) also noted that case study analysis provides a firm grounding for emerging constructs and theory. In particular, it provides flexibility through the selection of appropriate participants, and the opportunity to build on previous findings from individual cases as part of multiple case analyses, to effectively strengthen theory development.

According to Rose (1991) cited in Luke (2009), a number of integrated elements are considered central to the creation of strategic entrepreneurship, a system bound by these elements. As such, examining activity recognised as strategic and entrepreneurial not only provides the opportunity to consider the relationship and interaction of those elements within the system, but also the relationship between the system of strategic entrepreneurship and its context; the organisation and external environment in which that activity occurs.
This added complexity central to case study research is referred to by Rose (1991, p.191; cited in Luke, 2009) as a “focus on a bounded system, in which the relationship between the system and its context may be as important as the relationship and interactions within the system”. Consequently, this study examines strategic entrepreneurship (reviewed in Chapter 2) in the public sector within the context of SOEs in South Africa, allowing for analysis of findings from both perspectives.

4.5.1 SOES AS CASE STUDY SUBJECTS

As noted previously, this study argues that the concepts of entrepreneurship and strategic entrepreneurship are not restricted to a particular domain, but rather apply to all levels and forms of business. Accordingly, the deliberate selection of SOEs case study subjects provided a number of benefits, including the opportunity to examine entrepreneurship in the public sector, a context often overlooked in this area of research (Bahaee & Prasad, 1992).

With regards to the emphasis on new businesses and the private sector within entrepreneurship research, Bahaee and Prasad (1992, p.48) concluded that limited progress has been made towards a full understanding of entrepreneurship due to the “systematic exclusion” of entrepreneurial behaviour by individuals in the public sector and non-profit organisations. While these areas have received increasing attention in recent years (Klein et al., 2010), they have also developed as smaller,
somewhat isolated or specialised ideas of entrepreneurship, rather than adding to core entrepreneurship literature. Henceforward, this research aims to study strategic entrepreneurship in the context of the public sector while drawing suppositions which may be applied beyond that context, contributing to the understanding of strategic entrepreneurship as a construct within the broader business environment.

4.5.2 PARTICIPANT SELECTION

Somewhat in response to Bahaee and Prasad’s (1992) view that government organisations have traditionally been neglected in entrepreneurship studies, and in part due to the impartial view of the proposed framework which holds that strategic entrepreneurship is equally relevant to individuals and large organisations, new and existing businesses, commercial and non-profit organisations, this study focused on the activities and opportunities within four of South Africa’s public sector organisations. As such, the intention was not just to focus specifically on strategic entrepreneurship within the context of a government organisation, but rather to demonstrate that such businesses are, essentially, relevant to the study of strategic entrepreneurship.

Specifically, the organisations selected for this study were selected for their commonalities and differences. As South African SOEs, the fundamental similarities included their categorisation as large public sector enterprises within
Examining the nature and scope of strategic entrepreneurship in state-owned companies:

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South Africa, each serving a national market and receiving government-funded financial support. In contrast, however, these organisations are considerably different in size, serve distinctly different markets, and not all consistently rely upon government funding to finance their operations. Thus, both commonalities and differences exist. Fundamentally, however, the key commonality involves activity within each organisation which is recognised as both entrepreneurial and strategic.

The four SOEs selected to be used in this study meeting the above criteria were: Denel Dynamics, the South African National Road Agency, Eskom, and Transnet Freight Rail. Initial contact was made via the corporate affairs department of each of these organisations, outlining the focus of the study as “entrepreneurial and/or strategic activity” to ensure an inclusive approach and to determine the most appropriate person in the organisation with whom to discuss participation in this study. The relevant individuals (being senior executives from each SOE who were directly involved with any entrepreneurial and/or strategic activities identified within a SOE), were then contacted directly, provided with a more detailed overview of the study, and invited to participate.

4.5.3 CASE STUDY DESIGN

In line with Bush’s (2002) notion that case study research usually involves more than one method of data collection, each case study within this research encompassed three central methods: review and analysis of documents relating to
the entrepreneurial and strategic activities and opportunities within each of the four SOEs, interviews with individuals at a senior managerial or executive level from each organisation, and observation.

The use of multiple methods provided the opportunity for a more complete understanding of strategic entrepreneurship, by examining this phenomenon from more than one perspective and supplementing analysis and findings from the literature review. Accordingly, triangulation was facilitated through a comparison of different forms of data to evaluate the consistency of findings (Denzin & Yvonna, 2000).

As highlighted in Cohen, Manion and Morrison (2000), triangulation is particularly appropriate to the study of complex phenomenon. Essentially, triangulation enhances the findings of the study (Yin, 2009) through the analysis of a range of both primary and secondary data to examine and evaluate previous findings on the research topic, and builds on these findings. While triangulation may be used in either positivist or interpretive research, it is particularly valuable in case study research, providing the opportunity to crosscheck or verify data and findings from different sources and methods of research (Cohen, et al., 2000).

The nature of each case study meant that descriptive, exploratory, and explanatory elements were included (Yin, 2009). Within each organisation, events were described and analysed to identify characteristics and determinants of strategic
entrepreneurship. Given that limited research has previously been done on this topic, the case studies may be viewed as exploratory in the sense that research questions comprising the framework were explored in a practical business context. Practical data was explored to identify strategic aspects of the activity, hence the case studies assumed an explanatory nature.

Therefore, based on the depth of analysis, accommodation of multiple research methods and opportunity for triangulation, case study analysis was considered the most appropriate form of research to address the question of “What is the nature and scope of strategic entrepreneurship in SOEs: how is strategic entrepreneurship identified in theory and recognised in practice?”. This design effectively allowed the notion of strategic entrepreneurship to be explored from various perspectives in order to obtain a more complete understanding of this construct, as well as examine the level of support for contemporary theories in a practical business context. In order to undertake this process, data from various sources was incorporated in each of the case studies. The character of this data, and the related research procedure is discussed in the next section on data sources.
4.6 DATA SOURCES AND ANALYSIS

Consistent with case study research, a number of data sources were incorporated in each case study in an effort to conduct a thorough examination of strategic entrepreneurship and obtain a more complete understanding of this construct (Blumberg et al., 2005). The three data sources included documents, focused interviews and observation. Individually, data from each of these sources provided a partial representation of the activity examined (Gephart & Pitter, 1995). Collectively, analysis and comparison of the data provided valuable insights into the phenomena of strategic entrepreneurship. Each of these methods is considered separately in the following sections.

4.6.1 ANALYSIS OF DOCUMENTS

Documentary analysis was based primarily on publicly available texts such as newspaper and magazine articles, annual reports, government gazettes, and websites of SOEs; Treasury, the DPE, and the DOT. The period to which the data related varied, depending on the nature of the data. In most cases, media reports and publicly available data on SOEs from 2000s up to 2011 (being the time of thesis submission) were reviewed in order to gain an understanding of the historical and contemporary issues faced by individual SOEs. Documentary analysis provided a useful starting point to gain an understanding of each organisation’s business operations, media and reported public perceptions, and activities which may be recognised as entrepreneurial and strategic in nature.
Analysis of the documents initially involved axial coding, examining content (Cortazzi, 2002) and recurring themes and patterns (Birley & Moreland, 1998). This analysis was then followed by a process of selective coding (Silverman, 2006) to determine concepts from the themes and patterns identified. Table 4.1 summarises the entrepreneurial and strategic perspectives of the data analysis, detailing the codes initially developed within each perspective (axial), and the codes which emerged as central to the underlying concepts with each perspective (selective). These codes were derived from the data, resulting from the recurring themes and patterns identified. Thus, coding assisted with the process of data reduction (Silverman, 2006), emphasising the rigour within the study, while ensuring the depth and detail of the data were preserved (Eisenhardt & Graebner, 2007).


TABLE 4-1   CODING OF DATA: ENTREPRENEURIAL AND STRATEGIC PERSPECTIVES

<table>
<thead>
<tr>
<th>Axial Codes</th>
<th>Selective Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Elements (Entrepreneurial and strategic perspective)</strong></td>
<td></td>
</tr>
<tr>
<td>1. Opportunity Identification</td>
<td>Opportunity identification</td>
</tr>
<tr>
<td>2. Innovation</td>
<td>Innovation, creativity, idea generation, technology</td>
</tr>
<tr>
<td>3. Acceptance of Risk</td>
<td>Acceptance of risk</td>
</tr>
<tr>
<td>4. Flexibility</td>
<td>Flexibility, adaptation</td>
</tr>
<tr>
<td>5. Vision</td>
<td>Vision</td>
</tr>
<tr>
<td>6. Growth</td>
<td>Growth, spin-offs, stability, sustainability, wealth creation, environmental performance</td>
</tr>
<tr>
<td><strong>Core skills and resources (dynamic capabilities)</strong></td>
<td>Leveraging from strategic resources or key competencies</td>
</tr>
<tr>
<td><strong>Supporting elements</strong></td>
<td></td>
</tr>
<tr>
<td>1. Entrepreneurial mind-set, leadership and culture</td>
<td>Entrepreneurial mind-set; entrepreneurial leadership; open, progressive, and flexible culture</td>
</tr>
<tr>
<td>2. Organisational learning</td>
<td>Exploitative/explorative learning; operational excellence; cost minimisation</td>
</tr>
<tr>
<td>3. Internal environment</td>
<td>Autonomy, cooperation, locus of participation, rewards, top management support</td>
</tr>
</tbody>
</table>

*Note:* Adapted from Luke (2009)

Similarly, Table 4.2 summarises some of many public sector perspectives of the data analysis, also presenting the axial and selective codes.
## TABLE 4-2 CODING OF DATA: PUBLIC SECTOR CONTEXT

<table>
<thead>
<tr>
<th>Axial Codes</th>
<th>Selective Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Elements (Entrepreneurial and strategic perspective)</strong></td>
<td></td>
</tr>
<tr>
<td>1. Effectiveness of SOE reforms</td>
<td>Effectiveness of the SOE reforms v. operating influences and limitations</td>
</tr>
<tr>
<td></td>
<td>• Industry regulations and restrictions</td>
</tr>
<tr>
<td>2. Freedom of commercial choice</td>
<td>Commercial freedom and restrictions</td>
</tr>
<tr>
<td>3. Freedom from political influence</td>
<td>Political support, influence, and interference</td>
</tr>
<tr>
<td>4. SOE working effectively under reforms</td>
<td>SOE working effectively under reforms</td>
</tr>
<tr>
<td></td>
<td>• Emphasis on success</td>
</tr>
<tr>
<td></td>
<td>• Tension between financial, social, and environmental issues</td>
</tr>
<tr>
<td></td>
<td>• Public identity and ownership</td>
</tr>
<tr>
<td></td>
<td>• Accountability implications</td>
</tr>
<tr>
<td>5. Government revenue</td>
<td>Emphasis on non-government revenue</td>
</tr>
<tr>
<td>6. Financial independence (or dependence)</td>
<td>Financial resources and limitations</td>
</tr>
<tr>
<td>7. Risk versus returns</td>
<td>Risk and risk perceptions</td>
</tr>
<tr>
<td></td>
<td>• Commercial and business model risk</td>
</tr>
<tr>
<td></td>
<td>• Environmental risk</td>
</tr>
<tr>
<td></td>
<td>• Financial risk</td>
</tr>
<tr>
<td></td>
<td>• Human capital risk</td>
</tr>
<tr>
<td></td>
<td>• Political risk</td>
</tr>
<tr>
<td></td>
<td>• Reputational risk</td>
</tr>
<tr>
<td></td>
<td>• Risk of regulation</td>
</tr>
<tr>
<td></td>
<td>• Seasonality of politics</td>
</tr>
<tr>
<td></td>
<td>• Technical risk</td>
</tr>
<tr>
<td></td>
<td>• Technical risk</td>
</tr>
<tr>
<td>8. Government policy</td>
<td>Government policy as support for existing operations</td>
</tr>
<tr>
<td></td>
<td>Internal governance and external support</td>
</tr>
<tr>
<td></td>
<td>• Communication within SOE network</td>
</tr>
<tr>
<td></td>
<td>• Board of Directors-both valuable and political</td>
</tr>
<tr>
<td></td>
<td>• Formal support of Government departments</td>
</tr>
<tr>
<td></td>
<td>• Governance restrictions</td>
</tr>
<tr>
<td></td>
<td>• Informal support within the SOE network</td>
</tr>
<tr>
<td></td>
<td>• Lack of communication networks within the SOE sector</td>
</tr>
</tbody>
</table>

*Note: Adapted from Luke (2009)*
Interview transcripts (based on discussions with senior executives of SOEs) also provided the opportunity to identify themes reflected in the comments on interviewees, and more importantly, the concepts underlying those themes. Hence, documentary analysis was particularly useful in obtaining background data on activity previously undertaken by the SOEs.

Though documentary analysis is an important component within the case studies, its limitation is that documents cannot provide detail beyond the data presented in the text. As noted by Gephart and Pitter (1995), documents are essentially a partial or incomplete representation of a construct or even. Subsequently, to address this limitation, data from documentary analysis was complemented by data from interviews and personal observation. The design and conduct of the interviews which took place within this study, are considered below.

4.6.2 INTERVIEWS

According to Patton (1990), the value of interviews lies in gaining an understanding of, and potentially entering into, the experiences of others. As a result, the opportunity to access the perspective of the interviewees through direct interaction and inquiry was a fundamental benefit of the interviews to be conducted with SOE executives.

Verbal interest or confirmation was sought from each of the participating executives of the chosen SOEs, a participant information sheet and consent form was sent to the respective participants. Upon receipt of confirmation, participation
interviews were arranged – this process initially took longer, but eventually it was agreed with the participants that the consent forms be signed upon completion of the interviews.

Table 4.3 below summarises the number of interview participants per SOE, and their role within the respective organisation. As noted previously, the interviewees were senior executives, with significant experience in the public sector, and were all males aged mostly in their latest 30s and 40s. None of the participating SOEs requested anonymity. For the purposes of reporting in the remainder of this thesis, SOEs are generally not identified by name, although some (with prior permission) have expressly identified where the context of the discussion is effectively self-identifying for the SOEs, given their unique nature and operating context (e.g. those SOEs effectively operating as monopolies).

<table>
<thead>
<tr>
<th>Organization</th>
<th>Number of interviewees</th>
<th>Organisational role of interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOE A</td>
<td>2</td>
<td>Engineering Executive, Senior Manager</td>
</tr>
<tr>
<td>SOE B</td>
<td>3</td>
<td>Senior Executive, Senior Executive, Senior Manager</td>
</tr>
<tr>
<td>SOE C</td>
<td>2</td>
<td>Marketing Executive, Commercial Executive</td>
</tr>
<tr>
<td>SOE D</td>
<td>2</td>
<td>Senior Executive, Manager</td>
</tr>
<tr>
<td>Department of Public Enterprises</td>
<td>1</td>
<td>Advisor to Minister of Department of Public Enterprises</td>
</tr>
<tr>
<td>Consultancy Firm</td>
<td>1</td>
<td>Advisor, Presidential Review Committee</td>
</tr>
</tbody>
</table>

Note: Source (Researcher own analysis)
In addition to interviews held with senior executives of the participating SOEs, the advisors to the Minister of the DPE and the Presidential Review Committee were also interviewed respectively for clarification on certain issues and to provide insights from a government perspective on various policy and regulatory issues.

Interviews were semi-structured (Silverman, 2006), as shown in the interview protocol in Appendix A of this report, providing a balance between consistency across each of the interviews and flexibility within each interview (Patton, 1990). The Interview protocols served as a framework, and in most cases served that purpose well, such that questions could be tailored to individual participants, background research could be incorporated and verified, and interviewees had the opportunity to raise additional points which they considered relevant (Wragg, 2007). In one case, however, the individual interviewee requested protocol in advance. Nonetheless, this did not influence the interview process. Interviews remained conversational rather than structured, questioning was phrased as inquiries rather than interrogation, a level of trust was established through reassurance of confidentiality, and interviewees were consistently cautious in not providing details outside their area of knowledge. They were readily acknowledging things they did not know, or preferred to confirm with others who were more knowledgeable in the relevant matters.
Exchanging the nature and scope of strategic entrepreneurship in state-owned companies:

Chapter 4: Research Methodology

Interviews were conducted on the basis that perspectives of the SOE executives were meaningful, and could be made explicit (Patton, 1990). As such, quotes directly from interviews were considered to be extremely valuable, and are used extensively throughout this study. To ensure the volume and richness of the interview data were capture in full, interviews were recorded. Thus, details expressly discussed were transcribed and analysed. The recording of each interview provided the opportunity for transcripts to be prepared (each approximately 25 pages in length). Patton (1990) noted that, full transcriptions are particularly useful for both analysis and replication, thus, on completion of each interview, data were analysed through iterative process (refer to Section 4.7) and compared to identify any similarities, recurring themes, and patterns.

On the basis that interviews were conducted with a variety of individuals in different organisational environments, observations made during the course of the interviews were recorded by way of note taking during and directly after the interview process. Thus, field notes constitute the third source of data within the case studies. The use of observation and interpretation inherent to those observations is outlined in Section 4.6.3 below.
4.6.3 OBSERVATION

Moyles (2002) referred to observation as a powerful, flexible and real means of data collection; a method of contextualising data from other sources. The process of observing the environment and context in which the interview occurred provided the opportunity to consider the unspoken aspects of the interview. In addition, observation regarding the reactions and responses of interviewees operating in the participating SOEs were noted and evaluated to consider the reflection on the interviewees, the respective organisations, and the activities under review within each organisation.

According to Hycner (1985), observation facilitates a more complete picture of the interviews, allowing the data to be more effectively evaluated. As with information obtained from documents, information from observation augments other sources and is especially useful in providing tacit information (Blumberg et al., 2005).

Observation was by way of viewing the environment and context in which the interview occurred, to provide the opportunity to consider the unspoken aspects of the interview. It allowed for the facilitation of a more complete picture of the interviews, allowing the interview data to be more effectively evaluated (Hycner, 1985). For this reason, and for the convenience of the participants, interviews were arranged at the participant’s office.
The scope of observations made within this research was limited, and related primarily to the individual interviews and brief communication with interviewees in the lead up to those interviews. Yet despite the limited opportunity for data collection of this nature, the observations made provided a further dimension and valuable insight into the understanding of the organisational context of the SOE (Silverman, 2006). Interviews were scheduled within and around the dynamic and sometimes hectic environments faced by each SOE dealing with both planned and unexpected issues. Such issues ranged from cultural nuances such as SOE executives who maintained “open door” policies (such that other staff entered the room briefly), to more pressing issues such as interviews being cancelled in few minutes before scheduled interview time. Thus, observing the environment in those situations provided further insights into the individual SOEs.

While observation data are recognised as rich and valuable (Cohen et al., 2000), there are also recognised limitation. Pettigrew (1979) notes the act of observation affects the very behaviour being observed. Silverman (2006) raises the issue of bias in what researcher see, and they interpret such observations. For these reasons, observation data were not considered in isolation, but rather in conjunction with data from interviews and documentary analysis. Consequently, each of the three data sources provided different benefits and addressed specific purposes. Collectively, however, the three data sources complimented each other such that
the strengths and limitations of each research method were offset to the extent possible, and synergy achieved from combining multiple sources and methods.

### 4.7 DATA ANALYSIS AND PRESENTATION

Blumberg et al. (2005) highlighted that data collected reflects individual knowledge and consciousness from a range of sources. Collective analysis of such data by the researcher often allows relationships to be identified, conclusions drawn, and phenomenon to be more clearly understood. This process was undertaken in this study in order to gain an understanding of strategic entrepreneurship. Moreover, in an effort to maintain a systematic approach, the data analysis was effectively an iterative process involving repeated review of the data, together with an on-going review of the literature, and refinement of findings over an extensive period.

With regards to the interview process, permission was requested from participants to record the discussion. Recorded data was then prepared by a professional transcriber and subsequently reviewed by the researcher. This involved preliminary analysis, as well as reformatting and amendments for minor errors and omissions (based on the comparison with the audio recordings). One transcript however, was never prepared as there was so much disturbances during the interview, that the researcher decided to declare the interview void. Another interview was scheduled with a different senior executive to make up for this void one.
While transcriptions provided the opportunity for data to be reviewed by the researcher, they also enhanced validity (Yin, 2009), and ensured completeness of data collection from the interview. Thus the review of the transcripts facilitated systematic analysis and interpretation of details obtained during each interview process, from both a micro (line by line) and macro (overriding themes) perspective. In each case the review of transcripts revealed significant additional data and depth of information which had not been noted by the researcher during the actual interviews. Review of transcripts thus became an iterative process, allowing detailed and thorough data analysis from different perspectives (e.g. nature of activity conducted, operating context of each SOE’s operations, age, industry, and development stage of the SOE). In addition, it allowed analysis to focus on data in part or in full, while ultimately preserving the completeness and accuracy of the interview data. Accordingly, analysis of transcripts immediately after the relevant interviews focused on verbal communication during the interview, while analysis of non-verbal interview data (observations) together with issues making strong initial impressions during the interview, were recorded via notes taken during and directly after each interview.

Both Microsoft Office Suite (MS Word, MS PowerPoint) applications and a qualitative analysis software HyperResearch were used to categorise, analyse, compare, and reformat excerpts from the transcripts, to assist in identifying themes and patterns within each interview, expand on key elements, and identify
similarities and divergences between each case. Thus the software provided systematic support and verification for coding and cross-case comparisons. Analysis and findings provided a basis from which generalisations could be drawn, and highlighted additional themes which may emerge from the cases.

Data from documentary sources, interviews, and observations, were entered into HyperResearch for the purposes of organising and reviewing the data (Grbirc, 1999). Entry involved data reduction, coding (translation and categorisation), and expansion, in order to determine axial and selective codes from perspectives: entrepreneurship, strategy, and the public sector context (refer to Table 4.1 and 4.2). While codes for the core (entrepreneurial) elements within the proposed framework were determined in advance, much of the data analysis pertaining to the strategic aspects of the activity being examined (e.g. leveraging from key strategic resources or competencies), and macro environmental aspects of the public sector context was identified inductively. Consequently, many of the codes and underlying themes were identified from the data, or refined based on the analysis of the data.

### 4.8 DATA VALIDITY AND RELIABILITY

According Bush (2002), the quality of research methods and findings is influenced by the processes and procedures employed, and commonly assessed by reference to the elements of reliability and validity reflected in these processes and
procedures. Accordingly this section identifies aspects of the research design which are relevant to each of these concepts. While these concepts of reliability and validity were originally developed for use in positivist, quantitative research, there is general acceptance such concepts apply to both positivist and interpretivist approaches (Bush, 2002).

Yin (2009) refers to reliability as a level of assurance regarding the consistency of results when using a particular measure in research. Therefore, to demonstrate that the procedures within this study (e.g. data collection and analysis) could produce reliable results, a number of elements were incorporated into the research design. These elements include structured instruments (Bush, 2002) such as an interview protocol to establish an element of consistency in the collection of data (Yin, 2009), triangulation of data (Blumberg et al., 2005), and a structured approach to presentation, and analysis through tabulation (Patton, 1990), each of which enhanced reliability and rigour within the study. While interviews were semi-structured to ensure they remained conversational, a conscious effort was also made to ensure consistency in the format and content of questions.

Validity is referred to in a number of contexts to reflect the appropriateness of the research measures and findings (Blumberg et al., 2005). Internal validity is referred to as the extent to which an indicator appropriately measures the intended construct (Blumberg et al., 2005). Thus, if an indicator or measure is not reliable, it cannot be
valid (Blumberg et al, 2005). Within qualitative research, there is a tension between the notions of reliability and validity, such that enhancing one of these constructs requires a reduction in the other. In the context of interviews, for example, a more flexible approach will enhance validity, but simultaneously reduce reliability, or consistency of approach. For this reason, some researchers such as Cohen et al., 2000) and Denzin and Yvonna (2000) have reservations regarding the application or reliability and validity to qualitative research. In particular, Cohen et al., (2000) express concerns regarding an overemphasis on reliability, at the expense of validity. Denzin and Yvonna (2000) have reservations regarding the application of reliability and validity to qualitative research. Bassey (2002) supports this view, suggesting an alternative concept of trustworthiness for qualitative research.

With respect to interviews, the main issue relating to internal validity is bias (Bush, 2002) from both the researcher and interviewee. As noted previously, a conscious effort was made to limit personal researcher bias, and make appropriate allowances for interviewee bias, when analysing the data. Similar principles were applied to data obtained from personal observation.

External validity is referred to as the degree to which findings can be generalised to other settings (Denzin & Yvonna, 2000). Thus, the scope for generalisation of findings is a reflection of the external validity. As detailed in Section 4.5.2, participants were deliberately selected for their commonalities and differences. As
such, strategic entrepreneurship within a range of public sector organisations was examined as part of this research. It should be noted however that the findings are not considered representative of government organisations alone, but potentially apply to all business activity, conducted in a changing competitive landscape.

4.9 LIMITATIONS OF THE STUDY

This study has examined strategic entrepreneurship through an examination of entrepreneurial activities within four SOEs in South Africa, using primary data (interviews) and a range of secondary data over a five-year period. One of SOEs who had originally been part of the sample did not participate in this study. This has led to another SOE being chosen. Further, with the exception of one SOE, the analysis of activity within participating SOEs focused on one of many projects undertaken, however several activities may have been suitable for inclusion in this study. Moreover, South Africa’s SOEs, being more dynamic, continue to undertake new projects, activities, and ventures on a regular basis, which have also not been considered as part of this research. Thus the analysis presented within this research focuses only on one topic, at one particular time, and does not include all the SOEs operating in South Africa at the time this study began.

In relation to the research approach, case study research, while viewed as appropriate for this study, continues to be criticised in the context of research on
entrepreneurship within government. Specifically, Moe (1994; p.112) referred to research of this nature as “snapshots of successful entrepreneurial project[s] which political leaders and public sector managers can refashion to work in their favour”. While this approach to data analysis will incorporate techniques to address refashioning (e.g. triangulation), and include cases of both success and failure, the view expressed by Moe (1994) and the need for strategic entrepreneurship research which incorporates a stronger empirical emphasis, is acknowledged.

This study relied on resource-based perspective of strategy. This lens does not exhaust the list of all theory perspectives. For instance, by using other theories such agency-based view, new insights could have been attained.

The following chapter presents the data and preliminary findings obtained by employing the methods and techniques detailed above on the activities and opportunities of four separate organisations. Further analysis and comparison of the data and findings will provide the opportunity to examine the notion of strategic entrepreneurship in a practical business context, consider whether the support for the proposed or rival framework exists, and provide the opportunity to refine and extend the proposed framework.
5 CHAPTER 5: RESULTS

REVIEW OF PUBLIC SECTOR CONTEXT

5.1 INTRODUCTION

This chapter considers findings based on the review of South Africa’s SOE sector, examining the extent to which the SOE restructuring efforts are working effectively, probing governance and accountability mechanisms in practice. Issues of SOCs ownership then are explored, followed by an examination of the risks and limitations relevant to the SOC sector’s profile. Consideration is then given to SOC’s activities in view of Government policies. Last a summary of the key findings of this section are presented, highlighting areas in which the SOC reforms are working effectively and areas for improvement.

Thus, the evidence below would seek to address the context and the environment in which SOEs operate (research question 1), or formulated as proposition 6 restated below:

Proposition 6: SOEs that possess operational autonomy from political and government intrusion are positively associated with increased level of entrepreneurial activity (strategic entrepreneurship).
Chapter 5: Results

5.2 SOUTH AFRICA’S SOC REFORMS IN PRACTICE

This section examines South Africa’s SOC reforms in practice, presenting an overview of how effectively the reforms are working based on examination from the outside (i.e. based on secondary data analysis), and inquiry from the inside (i.e. analysis of interviews with SOC executives).

5.2.1 THE EFFECTIVENESS OF SOUTH AFRICA’S SOC REFORMS

From an internal perspective, SOC executives believe that South Africa’s public sector reforms are operating effectively. Senior executives’ comments indicate that SOCs are essentially operating in deregulated markets, and competing openly against private sector firms.

Been working [SOC reforms], I think communications, because it is now not silo, it is sort of working, and its like everything…you need to have a lot of cross communication…[Engineering Executive, SOE A, 2011]

One of the driving forces of change that came about as a result of the reforms was the demand placed by the shareholders on the SOC to perform…(Marketing Executive, SOE C, 2011).

When asked how the SOCs were operating under the reforms and how effective these reforms were, senior executives expressed reservation, acknowledging that there is still room for improvement.
Chapter 5: Results

How are you doing with that aspect right now?

...going pretty well, because we are speaking to each and every division…(Strategic Manager, SOE D, 2011).

However, one executive noted that the current reforms are still going to be reviewed, to even enhance the way the SOCs operate.

There’s a big debate [with regards to] what is actually an SOE, and what is not, how do you [differentiate them]… (Commercial Executive, SOE C, 2011).

Other SOEs have expressed difficulties or challenges with regards to the mandate given to them by the Government. In particular, the issue on inconsistent objectives between shareholders came out very strongly. As highlighted in literature (Section 2.4.3), the issue of ownership, governance, and purpose seem to be the main reason for such consistencies.

You see one of the largest challenges we have is that we have inconsistent objectives, so you also have to comply to what the shareholders want…. So, there’s a conflict in vision and objectives (Marketing Executive, SOE C, 2011).
5.2.2 GOVERNMENT REVENUE

In most cases, revenue from Government is minimal and services provided to Government are won (and lost) through commercial tender processes, and often this process can be quite long.

We currently got a contract from one of the Middle East countries, now they give us a contract, but they say, we give you so much rates and you’re going to deliver to us so much…(Commercial Executive, SOE C, 2011).

Though not evident across all the other SOEs, this issue reveals that SOEs get minimal revenue from provision of Government services.

5.2.3 FREEDOM OF COMMERCIAL CHOICE

Interview comments show a large majority of executives believe there is freedom of commercial choice and a high awareness of responsibility for commercial results.

We are still independent of our thinking, they [Government] don’t think for us, they just give us the guidelines…(Manager, SOE D, 2011).

However, other comments indicate that there are still frustrations when it comes to freedom of commercial choice.

...I mean, there’s some serious strategic questions around, let’s take SADC. Should Eskom be in SADC, should we be doing stuff in Zimbabwe, Botswana, Mozambique. If we find gas in Mozambique, should Eskom go
and build a power station in Mozambique and bring the electricity in, or should we go and build another dam on the Zambezi and bring hydroelectric power in…I can’t be entrepreneurial because every time I try and do something I get told what I [need to do]…(Senior Manager, SOE B, 2011).

It’s a lot of bureaucracy to go to, just as a Government entity to buy another company (Commercial Executive, SOE C, 2011).

How commercially free we are, we are sustainable and can go and make our own profits, but it’s, with any shareholder they will dictate to you what they’d like to see and they will dictate to you what they don’t like to see….so a shareholder will have a big influence on what you do and how you do it…. The direction of what the ruling party at that time will want is what will get…(Manager, SOE D, 2011).

Such comments highlight a number of issues including the freedom SOEs have, the nature of SOEs as generally risk averse organisations, and the tendency to focus on the core competencies of the organisation, each of which were recurring themes. Also evident is the pressure felt by SOEs to perform well, as highlighted by the comments above, and further considered in the section below on public profile and risk.
5.2.4 FREEDOM FROM POLITICAL INFLUENCE

As discussed earlier, the intention of the SOC framework is such that the SOCs are answerable to Government ministers as shareholders, but are intended to operate free from political influence in their day-to-day operations. Comments on this in practice by executives of the four SOEs suggest this process is generally followed.

If you bring a proper business case to your shareholder and say this is what I want to do, they’ll get it and say, well, we understand where you’re coming from, it does make sense, let’s go ahead with it or your business case is not strong enough, no, we won’t go there. So, it’s your shareholder [who]…will dictate what business/country you need to go to (Manager, SOE D, 2011).

….the current minister of energy is very vocal and pretty supportive…(Senior Manager, SOE B, 2011).

The advisor to the Minister of Public Enterprises stressed the need for alignment between the SOCs and the Government.

I mean, there’s a great deal of alignment and particularly with the new minister, so a lot also depends on the political backing in the minister. You know, Barbara Hogan [former minister of DPE] had no political backing….You know, minister Gigaba [current minister to DPE] has a lot of political backing (Advisor, DPE, 2011).
However, a number of complications and exceptions were noted.

We are dependent on the minister and the approval structures to make things happen…(Engineering Executive, SOE D, 2011).

….The problem we have is not the SOEs, the problem is Government…(Commercial Executive, SOE C, 2011).

In certain instances, the role of political influence benefited the SOCs as contracts are signed between two Governments.

You know, we buy from Sarkozy [the French president] because Sarkozy’s is here and he’s in negotiations, his dealers got his delegation, so the Government wherever these are bilateral agreements and all those things, Government needs to push these things and then we [Denel] support (Commercial Executive, SOE C, 2011).

Sorry, but you’re saying the role of Government in your environment is very, very important?

It’s very, very important. It [Government] should actually take a lead in all these…. (Commercial Executive, SOE C, 2011).

How big is that political influence to be able to even venture into some of these opportunities in other areas where you can make a profit?

Not big, you know, a railway is a railway is a railway….The degree of freedom to choose is driven by a couple of things,…..There’s your
mandate, what is my financial or my strategic objective as a company….do I fund myself or do I go with the Government to ask for money (Senior Executive, SOE D, 2011).

This was also compounded by SOCs having to answer to many masters or stakeholders, and issue of ownership (De Alessi, 1969; Aharoni, 1982; Zhang, 2006) highlighted discussed in earlier sections of the literature review.

It was also noted that Government was critical to enabling effectiveness of SOC operations.

…but one of the areas that hinders strategic entrepreneurship is a democratic form of Government that changes every five years (Senior Manager, SOE B, 2011).

The direction of what the ruling party at that time will want is what will get done...(Manager, SOE D, 2011).

These comments are indicative of a number of issues, including cases of Government influence or interference, often with a blurred distinction between commercial and political interests. Overall, however, comments suggested that SOCs do operate with freedom from political interference, and plan their strategies and operations accordingly. The issue of SOCs as public versus private sector organisations is discussed below.
5.2.5 SOCS AS PUBLIC SECTOR VERSUS PRIVATE SECTOR ORGANISATIONS

Whilst comments by SOC executives indicate a general consensus that SOCs do operate similarly to private sector firms, a number of important issues and distinctions were raised.

Apart from the developmental stuff that we have to do...we must also make sure that we create jobs, we must also make sure that we are self-funding...we must almost, we must operate like a private company, but then that is owned by the state....We're not just here to make money, we're here to become an enabler of economic growth of the country (Manager, SOE D, 2011).

When asked how different the SOCs execute strategy as compared to the private companies, this was noted.

So, I don't know if it's very different from any other organisation, but every organisation has to start from a certain point, what do you want to achieve, how are you going to achieve that, and what do we need to achieve some of the goals that are put forward by your stakeholder and your shareholders (Manager, SOE D, 2011).

Now, the issue about that developmental and financial mandates, I think it makes sense for Government to prescribe that to SOEs, because you might look at it as a different way or a different element of triple bottom line reporting, you know what to say, you're not just looking at the Rand aspect,
you must look at other aspects as well, so I don’t see this is a contradiction, but what it does force you to do is to think very hard then about how do you perform and deliver on those expectations (Senior Executive, SOE B, 2011).

Part of our mandate is, identify alternative ways and means through tolling to fund big ticket projects, that’s what we do, that’s is our mandate, so, yes…we’re not like a private company looking at a return on investment, we’re a public entity looking for a return on investment for SA Pty Ltd…(Senior Executive, SOE D, 2011).

...Because we are a State agency, but operations policies we make ourselves. It goes up to board level and we do it ourselves…(Senior Executive, SOE D, 2011).

Also noted was the nature of the political environment, in which SOCs unavoidably operate.

…one of the areas that hinders strategic entrepreneurship is a democratic form of Government that changes every five years (Senior Executive, SOE B, 2011).

The direction of what the ruling party at the time wants is what will get done (Manager, SOE D, 2011).
While SOE executives believe that SOEs operate similarly to private sector companies, such comments indicate that a number of tensions and challenges are relevant specifically to SOEs. These include seeking approval for diversification outside the scope of SOEs’ core activities, the tension between balancing financial and developmental objectives, and changes in Government over time. Each of these issues highlight complexities unique to SOEs, which are examined further in Section 5.2.9.

### 5.2.6 GOVERNANCE AND ACCOUNTABILITY

There is an objective that SOCs operate free from political influence, but maintain open communication channels. There is also an expectation that SOCs receive minimal funding and are expected to pay dividends on a regular basis. An examination of these issues in practice, however, reveals a number of complexities, which are reviewed under the relevant headings below.

#### 5.2.6.1 GOVERNANCE

Discussions with the Advisor to the Minister of DPE (Advisor, DPE, 2011), and the SOE executives reveal that SOEs are answerable to a number of different authorities, including the Ministers as shareholders, Government, Treasury, and Board of Directors. Further, a number of other Government authorities also interact with SOEs, including the Auditor General and Parliamentary select committees. Despite these multiple lines of accountability, SOEs are intended to be managed
similarly to private sector organisations, governed by commercial Boards, and answerable to shareholders.

…we [Eskom] answer to Treasury to a large degree in terms of some of our build programme and where we borrow money offshore Treasury wants to be involved, and also the price of energy Treasury has a great interest in, so the Minister of Finance is very interested in what Eskom does. Minister of Environmental Affairs is very interested in Eskom because we are the world’s 13th biggest emitter of CO2…(Senior Manager, SOE B, 2011).

….In the SADC context you also have international relations and corporations so you have yet another ministry that has a voice (Senior Executive, SOE B, 2011).

As far as alignment is concerned between the Government and the SOCs, it came out clearer that there is progress in this regard.

There’s a great deal of alignment and particularly with the new minister, so a lot also depends on the political backing in the minister (Advisor, DPE, 2011).

However, a sense of frustration was expressed on the lack of national policy regarding state-owned companies.
...In fact there is no uniform policy, there’s no uniform shareholder approach….there’s no real policy describing how you go about that leverage…(Advisor, DPE, 2011).

There is lack of or a picture of a shortcoming [sic] in the whole current Government structure…there’s not enough cohesion between those entities to plan for the future of the country…(Senior Executive, SOE D, 2011).

It’s fragmented…It’s all over the place, but there’s no standardised management methodology about what it means to be a shareholder or anything like that (Advisor, DPE, 2011).

5.2.6.2 ACCOUNTABILITY

Comments from interviews clearly indicated that there is often a conflict of interest between the Government and the directors of the SOCs when it came to vision and objectives, and often that hinders decision-making. This was attributed to SOCs answering to too many entities.

In reality in the same way as there is a principal agent issue or a class struggle issue...in the private sector between management and shareholders, it's exactly the same as the public sector. The public sector dynamics are different… (Advisor, DPE, 2011).
Chapter 5: Results

So, what I’m saying is the net result of, when you talk about accountability, is there are conditions where they are very unaccountable and get away with it, and there are conditions where they’re very accountable… (Advisor, DPE, 2011).

You see on the largest….is that we have [conflicting] objectives….so it makes it very difficult because Government’s objectives [and those of] directors objectives [differ] in terms of [profits]… So, there’s a conflict in vision and objectives…. [We need to] be accountable to the minister of public enterprises, but [also] please the customers (Marketing Executive, SOE C, 2011).

Also noted was the conflict that exists between the SOCs and the customers that they are meant to serve. This is evidenced in the comments below.

Well, so the theory is that if the Defence Ministry owned Denel, they’d be more conflicted. They would be conflicted as both customer and owner you know (Advisor, DPE, 2011).

It was also noted that often, the Government does not speak as one unit.

And in our case you find it very difficult to actually crystallise that and that’s why I said, you have a complex policy space, because the Government doesn’t necessarily speak as one [laughter] although they might try, but I mean, it’s not easy…(Senior Executive, SOE B, 2011).
Further, the burden of multiple lines of accountability specific to the SOE sector was also highlighted.

Eskom answers to [too] many masters...we answer to Treasury to a large degree in terms of some of our build programme and where we borrow money offshore... so the Minister of Finance is very interested in what Eskom does. Minister of Environmental Affairs is very interested.... Then you’ve got the Department of Energy.... and then you’ve got the Department of Public Enterprises, and being a public entity we answer to the Minister of Public Enterprises, so I think its difficult sometimes for the Eskom management...to try and please all four of those partners (Senior Manager, SOE B, 2011).

Other concerns raised were around constant changes that happen in the Government structures as well in the SOC’s board of directors.

Outside Eskom and inside Eskom, so, DOE is changing all the time, DPE is changing, Treasury is changing, Zuma’s [the current president] changing, and the next time we get someone else, and everyone’s got their own different thing, inside the organisation, too much change (Senior Manager, SOE B, 2011).

On further questioning, however, it was revealed that these accountability issues were specific to operating in that particular environment, rather than being a SOE. These issues lead to a further complexity in that industry regulators (e.g. NERSA) are essentially appointed by Government. Consequently, the issue arises as to
who is ultimately accountable for situations involving high levels of regulation and at times overlapping conflicting accountabilities.

5.2.7 GOVERNANCE SUPPORT AND COMMUNICATION

Overall, comments by SOC executives indicate Government is supportive, with open and regular communication.

Our board is answerable to the DPE, so our board and the DPE are regularly meeting…(Executive, SOE B, 2011).

Similarly with DOE [Department of Energy]…but it’s only done every sort of year, we revise what we call our multi-year price determination…(Executive, SOE B, 2011).

One executive from SOE B did note, however, that there are often frustrations because Government support in certain instances is lacking, as illustrated in the following comments.

You know that saying about [the] tail wagging the dog and I think that’s why they get nervous sometimes because they think Eskom’s running away. Eskom’s doing this without our approval. When you say well, give us your approval, they say, well, we have to learn first, we have to understand. That’s why it took so long for the bidding process to go out for renewables (Senior Executive, SOE B, 2011).

With regards to governance support and communication between the board of directors, and the executives of the SOCs, some obstructions were noted.
I think the challenge is whether, between the executive and the board, they’re having the right conversation around what is the company about and where do you want to take it, because then the rest is where you will require that entrepreneurship and innovation to say, okay, if that’s the goal how do we go about getting it? (Senior Executive, SOE B, 2011).

5.2.8 GOVERNMENT FUNDING AND FINANCING

It was noted from the comments by SOE executives that funding requirements, in addition to the capital amounts contributed by Government if any, are the responsibility of individual SOEs, and are typically represented by debt financing sourced from private sector institutions on commercial terms.

We used to get funds from the Government….then they started getting [giving] guarantees, standing guarantees, you know? So, one of our concerns has always been the large interest which hugely impacts our profits. It was a lot last year [2010 financial results] (Marketing Executive, SOE C, 2011).

Currently DOD [Department of Defence] sometimes gives minimum funding because half the time it’s not really their problem….they [DPE] send us funds by guarantees from Treasury (Commercial Executive, SOE C, 2011).

We are a public entity, and so there are always problems with funding entities….We do not borrow from Government; we borrow from the capital markets… (Engineering Executive, SOE D, 2011).
Though Denel relies heavily on funds from the Treasury, and in some instances the Government, Eskom and Transnet Freight Rail are self-financed. It was noted that some of the SOCs receive Government guaranteed loans as opposed to Government loans.

Eskom is self-financed so all of our funding comes either from our revenue that we sell electricity ...(Senior Manager, SOE B, 2011).

It was also noted that the SOCs are expected to repay the funds advanced by the Government as evidenced by the comments below.

Treasury, to some extent, not all of it, will say we will guarantee, sovereign guarantee, it’s a country guarantee, that if Eskom defaults on its debt, we will pay it back, which allows Eskom to get access to finance that it might not have got otherwise...(Senior Manager, SOE B, 2011).

So, no, you need to repay all of it [borrowed money], the only bailout that you can get is if you cannot repay [borrowed money] then the Government would need to step in....the basis on which you borrow that money is to pay it back (Engineering Executive, SOE D, 2011).

However, the commitment to put the money where the mouth is was further illustrated as being key to enable strategic entrepreneurship.
So, strategic entrepreneurship is about stamina, it’s about, I think, ticking the boxes early on to say this thing is a strategically good idea for South Africa… (Senior Manager, SOE B, 2011).

So, once you run out [stamina] of that you just can’t do anything?

Stamina is obviously money, and the will, the willingness to put that money on the table… (Senior Manager, SOE B, 2011).

However, the key question to ask Government is - does Government fund some of the SOCs? The advisor to the Minister of Public Enterprises commented that:

…. But the fiscus doesn’t [fund SOEs], you know, the fiscus has put R350 billion on loan guarantees at Eskom now, you know, and alongside the R60 billion subordinated in debt, so the fiscus is doing what it can, but you know, you’ve got a R1.5 trillion funding gap, and it’s a lot (Advisor, DPE, 2011).

 Appropriately, based on the these comments, it seems SOEs rely less on Government funding, they are self-funded in most instances, and are expected to repay dividends for advanced funds. Further, the need for Government funding, if any, must align with the strategic goals of the country.
5.2.9 PUBLIC OWNERSHIP AND PROFILE

Discussions with SOC executives reveal the complexity of public identity, ownership, and profile for public sector organisations such as SOCs. Consequently, this section considers each of these issues under the relevant headings below.

5.2.9.1 PUBLIC OWNERSHIP AND PROFILE

As already noted above, blurred lines exist when it comes to SOEs’ understanding of the mandate entrusted to them by the Government.

…state-owned enterprises must create value….They should not make losses so whether they break even, it doesn’t matter, so the mandate should not be, you shall make profit, but you shall also create jobs…(Commercial Executive, SOE C, 2011).

In terms of where ownership should sit, one SOE in particular expressed concerns in terms of where the SOE is placed at the moment.

Ja, so my view will be have the same mandate of job creation but take this [referring to SOE C], put it back to DOD because at least DOD knows what they want…(Commercial Executive, SOE C, 2011).
It is often very difficult to distinguish between the developmental and financial objectives of the SOEs as the mandate from each SOE will vary from one to another. Comments from the advisor to the Minister of DPE attest to this.

Apart from the developmental stuff that we have to do… we create jobs, we must also make sure that we are self-funding… we must operate like a private company…. So there’s not a single cent of profit for SANRAL, we’re not driving profit, we’re not making a profit (Manager, SOE D, 2011).

Hence, based on the above, SOE executives show an acute sense of awareness regarding the blurred lines that exist in terms of mandate, ownership, and the ability to distinguish financial and developmental objectives. These issues are considered further in the following section.

### 5.2.10 RISKS AND LIMITATIONS

It became increasingly clear during the interviews that a number of risks, often perceived as limitations, were faced by SOEs. Such risks include financial, commercial, political, technological, public acceptance, and regulatory, each of which are considered below.
5.2.10.1 FINANCIAL, COMMERCIAL, TECHNOLOGICAL, AND POLITICAL RISKS

When interviewed about the key risks faced by SOEs, the most common focus was that of financial, commercial, technical, technological, and political issues.

I think, to put it together technically is a risk in itself because of the difficulties; there is software and other things etc. To put it together is a risk but I think the political risk is our big risk, you know, we are dependent on legislation and as we sit the legislation on this is still not approved (Engineering Executive, SOE A, 2011).

The fundamental financial risk, or what I would call the business model risk, it’s the fundamental thing is, at what price can we do this? Will this thing work, because of the technology risk, will it work… (Senior Manager, SOE B, 2011).

The relationship between the South African Government and other Governments was alluded to as a key political risk, especially in the case of SOE C.

The problem we have is not the SOEs, the problem is Government….There is no private company in South Africa that can sell missiles…(Senior Executive, SOE C, 2011).

If the minister wants us to build renewable energy we will build renewable energy, if the minister wants us to build nuclear we will do nuclear, in other
words you do what you’re told, and sometimes that’s attractive, because someone else is making the decisions (Senior Manager, SOE B, 2011).

Supposedly the democratic forms of Government profoundly affected the way the SOEs operate as evidenced in the comments from the SOE executives.

But one of the areas that hinder strategic entrepreneurship is a democratic form of Government that changes every five years (Senior Executive, SOE B, 2011).

The direction of what the ruling party at that time will want is what will get done (Manager, SOE D, 2011).

...The other big issue, market [risk], doubles the pressures. For me it’s going to be an issue. For me the issue is.... We’re not customer centric...(Senior Executive, SOE D, 2011).

For the South African National Roads Agency (SANRAL), in addition to commercial, political, and financial risk, public acceptance was seen as a major risk.

I think to make the thing [the GFIP project] at the end technically work, it’s a big risk, it’s a huge risk, but that is the one side. I think the other side is this political risk.... When all said and done, and public acceptance obviously. You can say political, public acceptance, commercial (Senior Executive, SOE D, 2011).
So, that’s why I’m saying, first there would be public resistance, then there will be public acceptance, a grudged acceptance and then the benefits will start appearing, so we’ll see what’s happened in five years’ time (Senior Manager, SOE D, 2011).

Henceforward, both the political and public ramifications – ramifications which are beyond SOEs’ control - are noted. In addition, a degree of acceptance or tolerance of risk is potential area for improvement within the SOE context. The next section discusses the reputational and regulatory risks faced by SOEs.

### 5.2.10.2 REGULATORY RISKS

Although some SOE executives commonly referred to financial, commercial, technological, public acceptance, and political risks as key challenges, comments by SOEs also indicated the close relationship between those forms of risk and the implications for SOEs’ reputations.

The parastatals are not commercial entities. They’re governed by things like PFMA, and other regulations….We’ve got a lot of extreme regulation…so the moment you put that, by default you take out the entrepreneurial element, because we have all these policy interventions, …(Senior Executive, SOE C, 2011).

*So, you think that will make it difficult for an entity like Denel to be profitable?*
I went to [Angola], there’s an opportunity for example in Angola and I realised that for me to make business in Angola I need to buy a company in Africa….It’s just a painful exercise so you just give up, but if you look at the trade in the world for me to be entrepreneurial, I need to be flexible and make decisions at best…. (Senior Executive, SOE C, 2011).

Have the regulations hampered the way the SOE operates?

Look, some of the regulations that are put there haven’t really hampered us because we don’t have a regulator, a strict regulator for rail in particular. I mean, NERSA [energy regulator] regulates the pipelines and the fuel and stuff, and the pricing that they can charge and so forth… (Manager, SOE D, 2011).

However, the dual role that the Government plays in the management of SOEs has some implications.

In terms of rail we’re also going through talks now about emerging Africa rail economic regulator act, so we, and the key sector which has been projected to us is to manage access onto the rail network, because Transnet is the custodian of rail and port infrastructure in the country. At the same time they’re also the operator of the rail… (Senior Executive, SOE D, 2011).
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Thus, regulatory implications, though not evident across all SOEs, overall have a major influence on the way SOEs operate. Further, these regulations have the ability to impede strategic entrepreneurship in SOEs.

5.2.10.3 OTHER RISKS

Additional risks highlighted by SOE executives included environmental, human capital (specifically as SOEs expand into new geographical regions and markets), market risk, technological, and social risk.

Another risk is environmental risk....Here, you’re burning coal underground, what is the risk, people want to know...(Senior Manager, SOE B, 2011).

The other big issue, market risk, doubles the pressure...(Senior Executive, SOE B, 2011).

Consequently, a number of diverse and interrelated risks surface as pertinent to SOEs.

5.2.11 GOVERNMENT POLICY

Most of the SOEs’ executives interviewed considered policy to be a positive step, interpreting it as a sign of approval for existing business and an indication that future proposals for a new proposal would be supported. However, few executives felt the policies had much bearing on SOEs’ existing operations.
We’re also a public entity so we are bound by the public PFMA….So, we cannot be seen, internally or externally, to be wasting money… (Senior Manager, SOE B, 2011).

…I think the one thing that I think is not well appreciated is that it’s actually a very complex policy space and I’m contrasting that for example with the private sector, although I think they are also getting dragged into complexity now. I mean, you have complexity either in terms of understanding technology trends or customer behaviour and so on, and I mean that’s one level, but I think policy is a different issue, and I think, if you reflect on like the mostly recent debates about nationalisation, you actually have to ask yourself then that is the private sector actually very innovative and entrepreneurial, because the debate is triggered by failure to deliver on certain expectations…(Senior Executive, SOE B, 2011).

The parastatals [SOEs] are not commercial entities. They’re governed by things like PFMA, and other regulations (Senior Executive, SOE C, 2011).

Government don’t like their own policy but they don’t have the money to handle it differently…(Senior Manager, SOE D, 2011).

Again, the dual role that some of the SOEs find themselves in, has an influence on SOEs’ operations.

But in terms of policy thinking…because you operate and own your …two, you’re not efficient…(Senior Executive, SOE D, 2011).
Thus, the complications of SOEs’ operations emerge as they operate in commercial, political and public spheres. This is compounded by the complexities of the policies that are beginning to emerge, as SOEs try to balance different objectives and further economic development.

5.2.12 SUMMARY

This section has provided broad insight into the workings of South Africa’s SOE sector in practice. It has examined aspects such as freedom of commercial choice, governance, financial performance, ownership, and Government policy. Further, this section has highlighted both the strengths and weaknesses of the current SOE restructuring efforts and individual SOEs. While the reforms are considered to be generally working well, various challenges were imminent. Although governance and accountability mechanisms have been implemented effectively, there is scope for improvement with respect to communication within the SOE sector. Thus, the findings presented in this section provide valuable contextual data for the SOE sector as a whole, and an important background of entrepreneurial and strategic projects or activities undertaken by SOEs. Such projects are the focus of the following section.
5.3  EXAMINING STRATEGIC ENTREPRENEURSHIP IN PRACTICE

5.3.1  INTRODUCTION

Though few SOEs in South Africa have been recognised for their successful, innovative, and at times, entrepreneurial activities, little systematic evaluation of these activities has been undertaken. Appropriately, this section systematically considers:

- the prevalence of entrepreneurial and strategic activity across the SOE sector,
- the nature and scope of such activity, and
- variations in practice of activity classified as strategic entrepreneurship (being the integration of entrepreneurial and strategic activity).

Specifically, Section 5.4 examines the potential entrepreneurial and/or strategic activity under review within each SOE, and considers those activities which may be classified as entrepreneurial. Last, a summary of the findings presented in this section is presented in Section 5.6.

5.4  ENTREPRENEURIAL AND/OR STRATEGIC ACTIVITY

As highlighted previously, one activity (with the exception of SOE B where two activities were selected) likely to be entrepreneurial and/or strategic within each participating SOE was selected for detailed analysis. A summary of the activities
examined is detailed in Table 5.1 below, ranging from Underground Coal
gasification, Concentrated Solar Project, Gauteng Freeway Improvement Project
(GFIP), A-Darter, and the Iron Ore project. (A more detailed summary of the
activities is also presented in Appendix B).

As detailed in Chapter 4 (Section 4.5), individual SOEs and executives are
generally not identified by name. One of the key challenges within this study was
preserving the anonymity of various SOEs, given that it is perhaps possible to
identify SOEs based on the projects examined, which are often characteristics (and
sometime defining) in nature. In all cases, attempts have been made to preserve
such anonymity, and where identification is expressly detailed, advanced
permission was obtained from the relevant SOEs.

Appropriately, this section examines the various activities analysed within each
SOE and classifies them as entrepreneurial and strategic (strategic
entrepreneurship), based on the analysis of each activity’s central characteristics.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Project/Activity Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gauteng Freeway Improvement Project (GFIP)</td>
</tr>
<tr>
<td>2a</td>
<td>Underground Coal Gasification Project</td>
</tr>
<tr>
<td>2b</td>
<td>Concentrated Solar Project (CSP)</td>
</tr>
<tr>
<td>3</td>
<td>A-Darter project</td>
</tr>
<tr>
<td>4</td>
<td>Iron Ore Project</td>
</tr>
</tbody>
</table>

Note: Source (Researcher own data)
The revised straw conceptual framework of strategic entrepreneurship derived in Chapter 2 (Section 2.3.3.6), was characterised by these central features:

- entrepreneurial activity (reflected in the combination of opportunity identification, innovation, acceptance of risk, flexibility, and growth),
- activity applied in the strategic context of businesses which develops expertise within their core capabilities (skills and resources), and leverages from that by transferring and applying those skills and resources to create new products, services, or markets, and
- supporting elements which included organisational learning (explorative/exploitative learning, cost minimisation, operational excellence), internal environment, and dynamic capabilities (entrepreneurial mind-set, leadership, and culture).

Throughout the literature, entrepreneurial activity was viewed as a process or activity encompassing opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth. However, alignment with or leveraging from the organisation’s core capabilities (skills or resources) was not necessarily relevant. In contrast, strategic activity was viewed as activity which directly aligned with, or leveraged from, the organisation’s core capabilities, but not necessarily entrepreneurial in nature. Activities which did not satisfy either definition were classified as neither entrepreneurial nor strategic (represented by the fourth quadrant in Figure 5.1 below. These dimensions were used as an initial reference to begin to categorise each of the activities examined in practice.
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FIGURE 5.1 STRATEGIC / ENTREPRENEURIAL ACTIVITY MATRIX

<table>
<thead>
<tr>
<th></th>
<th>Entrepreneurial</th>
<th>Non-entrepreneurial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Strategic entrepreneurship activity</td>
<td>Strategic activity</td>
</tr>
<tr>
<td>Non-strategic</td>
<td>Entrepreneurial activity</td>
<td>Neither entrepreneurial nor strategic activity</td>
</tr>
</tbody>
</table>

Note: Adapted from Luke (2009)

Interestingly, all the executives, with the exception of SOE C due to its strategic nature to the country, felt confident to clearly identify a particular activity as entrepreneurial and strategic, but rather interrogated the criteria for “entrepreneurial” and approached the topic considerately. Such caution is perhaps reflective of the complexity of entrepreneurship as a topic, and the awareness of this complexity by SOE executives. In the context of “strategy”, far less hesitation was evident, as each executive felt comfortable to talk about strategy in the context of their respective SOE, indicating a more general acceptance and understanding of this term. When asked if they could suggest an activity which was entrepreneurial, and/or strategic in nature, and therefore suitable for inclusion in this study, executives commonly responded as follows:

That’s our underground coal gasification project UCG, and then our concentrated solar project… (Senior Manager, Activity 2a & 2b, 2011).
I think you can, we have a lot of material on the GFIP [Gauteng Freeway Improvement Project, which is you know, I think, one of the most difficult projects we have ever undertaken. It’s one of the most complex projects in the world (Senior Executive, Activity 1, 2011).

One of the flagships of the business which we had is obviously the Iron Ore (Senior Executive, Activity 4, 2011).

For those executives, in particular the advisor to the DPE, who sought clarification on what constituted “entrepreneurial”, reference was made to innovation, identifying opportunities, and an element of risk, but not necessarily a “high-risk” project or activity (as noted in Section 2.2.7 of the literature review).

So, the first point I think is you’d need to look at entrepreneurship in that context…within the mandate, within the developmental process rather than the…(Senior Advisor, DPE, 2011).

Each of the activities was reviewed from the outside, together with inquiry from the inside. This provided insight into each activity, revealing similarities and differences between the activities with respect to their nature, stage of maturity, and outcomes (challenges and success) to date. The analysis of this provided the basis for classification of each activity’s nature, as detailed in the following sections.
5.5 ENTREPRENEURIAL AND STRATEGIC ACTIVITY

A review of each of the activities revealed strong similarities in the nature and scope of the activities with respect to both entrepreneurial and strategic elements. This review of activity classified as entrepreneurial and strategic is supported by the propositions framed earlier on in Section 2.3.3.6, restated as per below:

<table>
<thead>
<tr>
<th>Straw Framework Based on Literature Review</th>
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</thead>
<tbody>
<tr>
<td><strong>Proposition 1a</strong></td>
</tr>
<tr>
<td><strong>Proposition 1b</strong></td>
</tr>
<tr>
<td><strong>Proposition 2</strong></td>
</tr>
<tr>
<td><strong>Proposition 3a</strong></td>
</tr>
<tr>
<td><strong>Proposition 3b</strong></td>
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<tr>
<td><strong>Proposition 4</strong></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Straw Framework Based on Literature Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposition 5</strong></td>
</tr>
<tr>
<td>Strategic entrepreneurship must have appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operations. The internal environment should promote autonomy, cooperation, and locus of participation, top management support, strategic controls and reward systems that incentivise</td>
</tr>
</tbody>
</table>

First, the activities may be considered strategic in nature in the sense that each one involves the respective SOE applying and leveraging from its core capabilities (skills and resources). Second, each of these activities may be considered entrepreneurial in the sense that they are innovative in nature, implemented through the identification of opportunity, with elements of risk, vision, flexibility and growth. Each of these elements is considered separately below.

### 5.5.1 STRATEGIC NATURE

This section focuses on elements which emerged from the findings as related to strategic entrepreneurship, but are not necessarily central to this concept. Hence the relationship between these elements and strategic entrepreneurship may be viewed as indirect rather than direct, or complementary rather than core. Accordingly, these themes are presented as supporting concepts which serve to assist a business in establishing and enhancing the core concepts necessary for the creation of strategic entrepreneurship. This was stressed by the revised straw framework, presented in Section 2.3.3.6, hence the below headings are used.
5.5.1.1 ENTREPRENEURIAL MIND-SET, LEADERSHIP AND CULTURE

As per proposition three above, the identification of entrepreneurial opportunities through the firm’s entrepreneurial mind-set, leadership and culture must be followed by an understanding of the resource base of the firm before it moves to develop innovation or risk, undermining the performance of the firm and destroying value as it pursues spurious opportunities outside the competencies of the firm. On the issues of culture, leadership and entrepreneurial mind-set, SOE executives had the following to say.

*How would you describe the culture of the organisation?*

---

I think you need to have your basic business running well….Businesses that are not stable, I’m talking about state owned enterprises, will lack the desire, so it’s a human desire to have entrepreneurial tendencies….So, strategic entrepreneurship is about stamina… (Senior Manager, Activity 2, 2011).

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The good thing is that we had that culture…(Senior Executive, Activity 4, 2011).

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In conversation with the Advisor to the Minister of Public Enterprises, an emphasis was placed on what entrepreneurship means for an SOE.

*Look at entrepreneurship in that context. Within the mandate, within the developmental process…*(Senior Advisor, DPE, 2011).
Also noted were comments around entrepreneurial leadership; attention was paid to the trust and respect that leaders of SOCs should have.

The entrepreneur, and that can either be an individual or it can be a department like R&D, needs to be respected and trusted (Senior Manager, Activity 2, 2011).

If you’ve got a good CEO at the top it makes all the difference in the world. Eskom, because of the structural policy and regulatory failure, I don’t think you can judge the CEO purely on financial…(Senior Advisor, DPE, 2011).

Look at other components?

Ja, but SA Express [as an example] is in a competitive industry and I think Siza [previous CEO of the company] did very well…(Senior Advisor, DPE, 2011).

You always need somebody to steer the ship, a captain to steer the ship…(Manager, Activity 4, 2011).

And then I think then the last thing you need is mature leadership…(Senior Manager, Activity 2, 2011).

5.5.1.2 ORGANISATIONAL LEARNING

It was alluded to in the literature review that the ability to continually shift current resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially, and that the development
of such dynamic capabilities is dependent on accumulating experiences across, within and from business processes. The integration of iterative learning practices into SE processes overcomes its static limitation and better conceptualises how firms might sustain creation over the long term through this process. In addition, Hitt et al., (2001) alluded to organisational learning relating to activities around the transfer of knowledge and development of resources.

As such, comments from SOE executives with regards to the above are reflected below.

And I think the communication is only becoming better now…(Manager, Activity 4, 2011).

…one of the challenges is continuity, because fundamentally the first six or seven years [of a project] it all revolves around an individual who's passionate and driven and focused on this thing…(Senior Manager, Activity 2, 2011).

…. our major focus is developing intellectual capital internally (Commercial Executive, Activity 3, 2011).
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…it [referring to the project/activity] gave us [SANRAL] an opportunity also to get new people and they get training and exposure…(Senior Manager, Activity 1, 2011).

In addition to the organisational learning, operational excellence (establishing level of expertise within the core business) and cost minimisation are also supporting elements included in this category.

**Operational excellence, is there a particular focus to that?**

There is, I mean our operations are focused on safety to make sure that we move, we run a safe organisation and the asset utilisation as well as customer satisfaction also contribute to this operational excellency (Manager, Activity 4, 2011).

Also evident from the comments from SOE executives, was the need to align operational excellence with the country strategy.

I think the clinical part of it is driven by a process to identify the needs and then to conceptualise, plan, procure and do it….but I think the more strategic part of it is, but how can we make it a better for South Africa (Senior Executive, Activity 4, 2011).

From a cost minimisation perspective, comments from SOE executives indicated that it was a big issue when it came to driving projects.
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...cost is a very important issue for us. We’re also a public entity so we are bound by the public PFMA... we cannot be seen, internally or externally, to be wasting money... cost is major driver in our business, it permeates just about every business decision we make...(Senior Manager, Activity 2, 2011).

...if you run longer trains it gives you the economies of scale (Senior Executive, Activity 4, 2011).

5.5.1.3 INTERNAL ENVIRONMENT

As proposed in the revised framework, SE puts forward an underlying consensus that emerges towards appropriate internal environment conditions which promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operation (Kyrgidou & Hughes, 2010, p. 11). Specifically, autonomy, cooperation, locus of participation, top management support, strategic control and reward systems that incentivise employees towards long-term value creation over short-term.

SOC executives noted the following positives with regards to the internal environments for operations.

In SANRAL we’re a very small team, so we are relaxed.... And we have a very simple flat structure...(Senior Executive, Activity 1, 2011).
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However, for Eskom, a few challenges were noted.

So, that’s a sort of [a] telling mentality from Government, and very often telling from a position of ignorance in terms of not knowing...(Senior Manager, Activity 2, 2011).

I think creating that environment is very difficult, because there’s a lot of noise. I mean, every day there’s something in the paper about Eskom…(Senior Executive, Activity 2, 2011).

It was also acknowledged across the four SOEs that support from top management is key to enable strategic entrepreneurship.

You need, not just the top scientists needs to be consistent but you need management, his managers need to be consistent, the Eskom board and the Eskom executive need to be consistent and then the stakeholders, DOE, DPE and Government need to be consistent, specifically for a strategic entrepreneurship. It has to be supportive through the various phases of leadership (Senior Manager, Activity 2, 2011).

*Do you think that is the key for SOEs to try and be more strategic?*

It’s key, because I mean I think most of the executives, chief executives of Eskom, at least the last two or three, have recognised that, and they say it in different words (Senior Manager, Activity 2, 2011).
Also evident was the need for locus of participation and cooperation. The comments below came very strongly from SANRAL executives.

We standardised in our documentation…. We standardised on the lighting, so we standardised on the median barriers…. So, there’s been a lot of, I would just, you know, innovation - maybe more forward thinking (Senior Manager, Activity 1, 2011).

When it came to rewards, SANRAL had noted the value creation model that they use to remunerate employees.

…Because we remunerate in terms of value add. We do it quite differently from what we had previously, and Government you know where everything was silo orientated…. (Senior Executive, Activity 1, 2011).

From a strategic thinking perspective, it was also noted that executives running SOEs should be strategic enough and be forward looking.

So, I think what I’m saying at the end of a long story is parastatals [SOEs] should, in my opinion, pretty much do what their told, but the people doing the telling must be strategic in their thinking…(Senior Manager, Activity 2, 2011).

It was also apparent that SOEs execute strategy in line with what their mandate is.
Look, the approach process for Freight Rail in the strategy depends on what our shareholder now wants, our mandate states…(Manager, Activity 4, 2011).

In light of the above findings, a summary of these strategic aspects and associated elements is presented in Table 5.2 below.

**TABLE 5-2  TABLE STRATEGIC ASPECTS AND ASSOCIATED ELEMENTS**

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic aspects</strong></td>
<td>• leveraging from core capabilities (skills and resources)</td>
</tr>
<tr>
<td></td>
<td>• identifying commercial opportunities directly aligned with the SOEs core capabilities</td>
</tr>
<tr>
<td></td>
<td>• managing and minimising risk by undertaking activity directly aligned with the SOE's core capabilities</td>
</tr>
<tr>
<td></td>
<td>• sense of confidence and familiarity by transferring and applying core capabilities in new or related contexts</td>
</tr>
<tr>
<td></td>
<td>• both deliberate and emergent (e.g. Activity 3)</td>
</tr>
<tr>
<td><strong>Organisational learning</strong></td>
<td>• increased communication between SOEs and stakeholders, and within</td>
</tr>
<tr>
<td>- explorative/exploitive learning,</td>
<td>• developing intellectual capital</td>
</tr>
<tr>
<td>operational excellence, cost</td>
<td>• training and development of resources</td>
</tr>
<tr>
<td>minimisation; and ?</td>
<td>• operational excellence to achieve greater customer satisfaction levels</td>
</tr>
<tr>
<td></td>
<td>• alignment of operational activities with country SOE mandate/ country strategy</td>
</tr>
<tr>
<td></td>
<td>• operating within the regulatory guidelines</td>
</tr>
<tr>
<td></td>
<td>• cost minimisation as a major driver of the business (e.g. economies of scale).</td>
</tr>
<tr>
<td>• Entrepreneurial mind-set, culture,</td>
<td>• sense of stability is SOEs to encourage innovation and entrepreneurship</td>
</tr>
<tr>
<td>and leadership</td>
<td>• extra stamina, trust, and respect from top management /leadership</td>
</tr>
<tr>
<td></td>
<td>• support from top management to enable SE</td>
</tr>
</tbody>
</table>
5.5.2 ENTREPRENEURIAL NATURE

With respect to the entrepreneurial nature of each of these projects, conversations with SOE executives indicated a number of recurring themes, each of which are considered below.

5.5.2.1 OPPORTUNITY IDENTIFICATION

For each SOE, opportunity identification was central to the activity undertaken. Interestingly, however, the opportunity was not identified internally in all cases, including activities 1, 2a, 2b, and 4. The concept was developed in-house, as the respective SOEs deliberately searched for new opportunities. In the case of Activity 3, opportunity identification was as a result of a requirement within the SOE, and subsequently a joint venture with a Brazilian company. This is evidenced below from the interview conducted with SOE executives.

---

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal environment</td>
<td>• organisational structure that enable strategic entrepreneurship</td>
</tr>
<tr>
<td></td>
<td>• autonomy, locus of control (standardisation) and cooperation</td>
</tr>
<tr>
<td></td>
<td>• reward systems that encourage value creation</td>
</tr>
<tr>
<td></td>
<td>• alignment of SOE strategy with key Government mandates</td>
</tr>
</tbody>
</table>

Note: Source (Researcher own analysis)
….So, this became a joint venture between two countries to say…(Senior Executive, Activity 3, 2011).

For Eskom, opportunity identification occurred from research related processes.

It started out in researcher….So I think what’s important as well is there’s a need, there’s a strategic need in Eskom’s case its cheap power, its cleaner power and it’s keeping the lights on…(Senior Manager, Activity 3, 2011).

For SANRAL, with regards to Activity 1, opportunity identification is very much in line with the mandate given to the SOE of fixing the road infrastructure. It was however evident that there is high reliance on technology to assist in the planning process during the stage.

Then once the projects are created then we go through a process to appoint the consultants and then the consultants will go in much more detail and investigate… And then there’s a third aspect to this….there’s a third grouping of project identification, and this is where you get the things like the GFIP…. (Senior Manager, Activity 1, 2011).

For Transnet, opportunity identification is similar to that of SANRAL. Activity 4 highlights that projects/activities within Transnet Freight Rail come through the project office.

There’s a lot of projects that we do, so to single out one specific project would be very difficult…. when they do start you’ve got a pre-feasibility
stage, that’s where we start to say does this make logical sense (Manager, SOE D, 2011).

So that’s your opportunity identification?

Yes, that’s opportunity identification (Manager, SOE D, 2011).

However, it was also evident that for Transnet Freight Rail, it will engage in projects that give economies of scale to the operations.

… If you run longer trains it gives the economies of scale etc., to what extent you have tried technology within those parameters comes clearly out (Senior Executive, SOE D, 2011).

Thus, opportunity identification is an important element within each project, and closely tied to innovation and growth. However, key features of opportunity identification noted from the five activities are summarised in Table 5.3 below. Further, while opportunity identification emerges in an entrepreneurial context, there is also a strategic aspect inherent to these activities.
Chapter 5: Results

### TABLE 5-3 OPPORTUNITY IDENTIFICATION AND SUPPORTING ELEMENTS

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
</table>
| Opportunity Identification     | • may be identified internally or externally (joint ventures and partnerships) and presented to the organisation  
• may be a function of (or associated with) organisation’s reputation and recognition for expertise with respect to core capabilities (skills and resources  
• entrepreneurial and strategic aspect such that opportunities identified are both innovative and directly leverage from an organisation’s core capabilities  
• closely tied to innovation and growth (i.e. innovative opportunities with the potential for growth)  
• can be as a result of the mandate given to the SOEs by the Government  
• leverages economies of scale for the operations                                                                 |

Note: Source (Researcher own analysis)

#### 5.5.2.2 INNOVATION

According to Drucker (1985) cited in Hitt et al. (2001), innovation relevant to each of the five activities was reflected in the novel idea of bringing something new to the market. Such innovation is evidenced by the creativity of the concepts involved, supported by the type activity in the chosen SOEs.

For activity 2, it was evident that the SOE shows some evidence of innovation.

Part of my role is to try and drive an innovation agenda, but the world is not short of good ideas, you know, we define innovation as applied creativity, so it’s pretty easy to be creative (Senior Manager, Activity, 2011).
So, the team of people in that space I have come to learn have to be very, almost stubborn [laughter], and thick skinned and they also have to be very creative, because when you are thinking ahead people who are thinking about the now tend not to see what you see, and they tend to challenge what you are proposing (Senior Executive, Activity 2, 2011).

We’ve always had innovation within the organisation…. We have actually developed something that other countries actually come to us and say can we please use this because we saw it from you guys (Manager, Activity 1, 2011).

For SOE A, the innovation element came out strongly, as evidenced in the quality of the roads that the GFIP programme produced – a world-class road infrastructure.

So, there’s been a lot of innovation with respect to the solutions and we call it value engineering. You can have set standards and then if you want to fit in these five lanes and you can break down that bridge or whatever, so its really applying your mind, its really looking at optimal use of your existing infrastructure and especially with the interchange are close with the lane additions (Senior Manager, SOE D, 2011).

Technology also seems to play a key role in the innovation domain. The SOE executives noted this.

In terms of what we physically did, that was the first aspect, what other upgrades, lot of traffic modelling we do, and a lot of projections for the
future and what’s going to happen with the traffic, very intensive (Senior Manager, Activity 1, 2011).

For SOE C, innovation is at the core of what they do. A large amount of money goes into Research and Development, which ensures that the products the SOE develops are always innovative.

You always need to be innovative…. We have to be innovative, but not to, but innovative from engineering, but innovating from the business development we tried to be innovative… (Senior Executive, Activity 3, 2011).

It was also important to note that innovation is not just technology, but the people and processes that enable the organisation to function.

Well, we’re quite an innovative company… (Senior Executive, SOE C, 2011).

So there has to be something that defines Denel Dynamics in particular, is it?

So, it’s an innovation process...in a public entity that allows for creative thought to be controlled but channelled into creativity, and throughout that process, trust me, in Eskom there are committees that approve every single cent you spend (Senior Manager, Activity 2, 2011).
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On analysis on the two activities under review, that is Underground Coal Gasification and the CSP (Concentrated Solar Project), the innovation element was evident in the way these projects were being run.

That is our underground coal gasification project UCG [Underground Coal Gasification], and then our concentrated solar project....I mean, underground coal gasification is about burning coal in situ under the earth’s crust and concentrated solar power is about using the sun's energies.... (Senior Manager, Activity 2, 2011).

Table 5.4 below summarises innovation as a key and its associated themes, dimensions, and elements.

**TABLE 5-4 INNOVATION AND ASSOCIATED ELEMENTS**

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
</table>
| Innovation | • may be process or product focused  
• may be incremental (based on activities reviewed by the study) or radical in nature  
• may be supported by an organisation’s culture (i.e. through flexibility, experimentation, and creativity in the workplace)  
• involves the transfer and application (or adaptation) of core skills and resources (e.g. industry knowledge) in an innovative way, such that innovation is supported by the organisation core capabilities  
• reliant of formal research and development, and not informal experimentation  
• often supported by cost minimisation, such that experimentation can be encouraged without requiring significant financial resources |

*Note: Source (Researcher own analysis)*
5.5.2.3 ACCEPTANCE OF RISK

The construct of risk acceptance is one of many elements which the SOE executives raised and addressed during the interviews. Lumpkin and Dess (1996) referred to an acceptance of risk within the notion of an entrepreneurial orientation. Consequently, it is an acceptance of risk that is characteristic of entrepreneurs and when balanced with intuition and strategic action it becomes a potential source of competitive advantage (Kyrgidou & Hughes, 2010).

For the activities reviewed, there was clearly an element of risk relevant to each, as well as a deliberate acceptance of such risk. Further, for each activity the risks were viewed as manageable by the respective SOEs, with steps taken to actively manage, minimise, and mitigate those risks. Such risks included financial and commercial, public acceptance, managerial and political risk, as highlighted by the comments below.

*Is there a risk of something going wrong, and how do you prevent that from happening?*

[If] something goes wrong, so we, I tell you, we had more attorneys and lawyers around this to make sure every nut and bolt was in right positions and we went to senior councillors and they’re is this right…(Senior Executive, SOE D, 2011).

*But you can balance that risk right, if everything works perfectly?*
But it’s not like the Jack’s train, you know, where [there is] tolls, it’s always a growth and gross payment… Those are the real issues you know. And if I say public acceptance you must include the whole sort of media and etc. you know, they just want to drill and blame you all the time…(Senior Executive, Activity 1, 2011).

‘So, now you get through, first you get the political acceptance and now you must go through public acceptance… So, that’s why I’m saying, first there would be public resistance, then there will be public acceptance, a grudged acceptance and then the benefits will start appearing, so we’ll see what’s happened in five years’ time (Senior Manager, Activity 1, 2011).

Also evident was the managerial risk from a resource capability that is associated with acceptance of risk.

… Because non-public dissent results in reduced levels of paying, so non-public acceptance results in non-compliance, non-compliance results in risks associated with enforcement… I mean, as of [throat clearing] projects so many aspects we’ve implemented the whole enforcement unit. We went through the recruitment, we trained 240 traffic officers, we bought vehicles, we fitted those vehicles, everything, and we hand it over like this to the road traffic management operation with an agreement that we still need to finalise with them (Senior Manager, Activity 1, 2011).

We’ve got a risk department that assesses the risk…(Manager, Activity 4, 2011).
Political will from whose perspective? Perhaps explain this as it’s the first mention of political will

Both sides. Both Governments have to accept it and to say this is what we want to do and this is what we do see envisage between the two countries…. But with this kind of a business you would put in a lot of money and you might only start realising your profits and so forth after 15 years, it’s a long term…. It’s a very long-term business; it’s not a short-term business at all. So, with regards to that, the risks are assessed, the environmental risks have to be done; the environmental assessments are always done (Manager, Activity 4, 2011).

Balancing risks versus returns?

Well, I think our concentrated solar project is a good example where the technology risks are very high. If we build our 100-megawatt plant it will be the biggest in the world, it’s not a very good proven technology, it’s very expensive and then people say, so why are you doing it? The answer is because it mitigate if and when it works it produces almost zero CO2 so the returns are also much bigger (Senior Manager, Activity 2, 2011).

Any potential for spin off projects?

It has the potential to kick-start a solar manufacturing industry in South Africa where we could create tens of thousands of jobs ultimately, and South Africa has some of the best solar resource in the world, we’ve got some of the best sunlight in the world…(Senior Manager, SOE B, 2011).
Thus, risk is acknowledged and often managed by the SOEs through staying within (and leveraging from) the scope of each SOE’s core capabilities. Table 5.5 summarises the elements supporting risk in the context of the activities examined.

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptance of risk</td>
<td>• deliberate acceptance of risk</td>
</tr>
<tr>
<td></td>
<td>• leveraging key capabilities and core skills</td>
</tr>
<tr>
<td></td>
<td>• directly supported by the SOE’s core skills and resources</td>
</tr>
<tr>
<td></td>
<td>• on-going assessment of risk to minimise the overall risk associated with the activity (open communication with Government and the public, bilateral agreements, self-funding activity)</td>
</tr>
</tbody>
</table>

Note: Source (Researcher own analysis)

5.5.2.4 FLEXIBILITY

As highlighted in the literature review, flexibility (adaptability) was defined to refer to balancing structure with the freedom to implement and change strategy. Flexibility leads to competitive advantage. Flexibility is also evident in a number of areas, including the nature of the activities under review, the SOEs’ approach to business, their organisational culture, and the organisation as a whole.

You’ve got to be flexible and we’ve learnt that, I think, the hard way with both these projects. There are practical things that we would have done differently if we had our time again on these projects…(Senior Manager, Activity 2, 2011).
So I guess the question is how far can you go with this flexibility while executing (Senior Executive, Activity 4, 2011).

Also apparent from the findings is the link between innovation and flexibility. I think from a market issue, I think up till now we’ve made the right choices of which market to go to because we’re flexible enough to do it from an innovative perspective, and we also put some nice projects in place, some will be successful (Senior Executive, Activity 4, 2011).

There was also evidence that the activity under review do evolve, and there is a need to be flexible, however, limitations were not noted with regards to how far you go.

…These projects do evolve. As long as you stick to the fundamental sort of strategic goal, the technical details do change (Senior Manager, Activity 2, 2011).

Accordingly, flexibility or an inherent adaptability within the organisation is perhaps an important support for flexibility in the resulting activities. This is detailed in Table 5.5 below, which summarises the elements supporting flexibility and its supporting themes and dimensions.
TABLE 5-6  FLEXIBILITY AND SUPPORTING ELEMENTS

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
</table>
| Flexibility | • flexibility reflected in the work environment, culture, and the organisation as a whole  
               • flexible approach to innovation and cost minimisation to support a sustainable organisation  
               • adaptiveness to transfer and apply core skills and resources to new products, services, and markets  
               • flexibility reflected in the decision-making process  |

Note: Source (Researcher own analysis)

5.5.2.5 VISION

As noted in the literature review, Morris and Kurakto (2002) referred to vision as an entrepreneurial vision. Ireland et al. (2001) emphasised vision in entrepreneurial growth orientation. With this in mind, vision also emerges as a key element within each of these projects, in particular a vision to leverage from core capabilities, and transfer and apply core skills and resources to create new products, services, and markets.

It's about providing electrical energy services to South Africa to promote growth and development of the country, and so that has to be done [in] the most cost effective and efficient manner, so basically that's our mandate; provide electrical energy to South Africa to promote growth and development and also well-being for all people, and uplift the population (Senior Manager, Activity 2, 2011).
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We never look at SANRAL, we look at South Africa [as a whole] so, in terms of this project, we are convinced….you have a better cost ratio….so it’s a wealth creation objective for the province…(Senior Manager, SOE D, 2011).

Your projects, are they always in line or with the vision or the strategy of the organisation?

Most of our projects are…. in line with what the strategic intent is, of the strategic intent and the vision of Government, so when we do embark on projects we embark on projects in mind of what we have to do for our shareholders and what the shareholders requested…(Manager, Activity 4, 2011).

…So I think that the discussion should be what does the country need? What does Transnet need to do? What can Transnet do within various parameters? One that markets to choose? How they’re operating in these markets [background laughter]? How they should have? So, that is the discussion we have (Senior Executive, Activity 4, 2011).

Also noted is that strong leadership from top management and the shareholder is required to drive the vision for the SOEs.

They [Government] need to empower themselves to be able to make those right decisions (Senior Manager, Activity 2, 2011).
Consequently, vision involves seeing what is, but also what might be (Busenitz & Barney, 1997). The various elements relevant to vision, including an understanding of current and future opportunities within the market and within the organisation, are summarised in Table 5.7 below. While vision essentially surfaces in an entrepreneurial context, there is also a strategic aspect inherent to each of the four activities.

**TABLE 5-7 VISION AND SUPPORTING ELEMENTS**

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
</table>
| Vision    | - vision regarding how to leverage from core capabilities  
            - vision regarding how to transfer and apply core skills and resources to create new products, services, and markets; an ‘entrepreneurial vision’ (Morris & Kuratko, 2002)  
            - “seeing” or understanding viable opportunities within the market and within the organisation  
            - vision aligning with cost minimisation aspects of the project  
            - vision consistent and in alignment with goals, mission and strategic intent of the organisation  
            - vision being driven from top (top management supports and drives vision) |

*Note:* Source (Researcher own analysis)

### 5.5.2.6 GROWTH

As suggested in the literature review above, growth is related not only to innovative and creative ideas, but also to the structure and strategy to turn such ideas into profitable ventures. In each of the four activities examined, growth also emerges as a central element. Examples of growth identified within these activities include
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growth in customers, products and services, diversification, market share, experience and confidence, reputation and recognition, competitive advantage, business, markets, value-creation, and oftentimes revenue and profits. Although each of the activities shows growth in different forms, undoubtedly there is evidence of growth within each project.

So even the effort that goes, for example, into underground coal gasification. It’s something that if you crack it, will give you two things. One, it will give you better environmental performance, and two, if you get that technology right you have something that you can actually export as a technology and potentially create new revenue streams. So, I think those two elements of financial performance and sustainability, and environmental performance, are probably the critical ones (Senior Executive, Activity 2, 2011).

Now, if you look at what we are trying to do beyond the borders it stems from an appreciation that SADC has a population of more than 250 million…. So there’s a huge, a bigger market that potentially, and that market doesn’t have the level of access to electricity that we have, so the growth is not going to be in South Africa. The growth is going to be out of, and beyond South Africa. Our market technically is getting saturated, so the revenue streams that you need to begin to look for are beyond your current borders, so you’ve got to be looking at that (Senior Executive, Activity 2, 2011).
The markets [have] been looking good. The commodity space has been looking very good….and the customers are very happy for them and I think the country as a whole has benefitted from that (Manager, Transnet, 2011).

*These projects, have they created a wealth for the organisation?*

In one short answer, yes. They have been self-sustaining, they have given us a revenue that we require from them (Manager, Activity 4, 2011).

One of the flagships of the business which we had is obviously the iron ore line…. Not only for the company it created wealth, but also for the country and for the customer (Senior Executive, Activity 4, 2011).

*That kind of wealth creation is not going to be a once off, it’s something that you’re going to have on a sustained basis?*

It’s a legacy, because now South Africa, a country in the tip of Africa helping the Brazilians to develop missile capability and Brazilian people have been happy with skills transfer (Senior Executive, Activity 3, 2011).

Thus, growth emerges as a central feature of these activities in a range of dimensions, as summarised in Table 5.8 below.
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TABLE 5-8  GROWTH AND SUPPORTING ELEMENTS

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Supporting themes, dimensions, and details</th>
</tr>
</thead>
</table>
| Growth    | • growth in customers, products, services, diversification  
|           | • growth in market share and competitive advantage  
|           | • growth in experience, confidence, reputation, and recognition  
|           | • growth in business, markets, value-creation, and revenue and profits  
|           | • growth through organisational learning, developing and understanding of how to identify opportunities and leverage from the organisation core capabilities  
|           | • growth in financial performance, sustainability, and environmental performance |

Note: Source (Researcher own analysis)

5.5.3 A REVIEW OF STRATEGIC ENTREPRENEURSHIP IN PRACTICE

Based on the findings from the preceding sections, it is now possible to review and present a more holistic view of strategic entrepreneurship practiced in South African SOEs. Accordingly, prior to examining activity classified to be at the intersection of strategy and entrepreneurship (strategic entrepreneurship), the table below summarises the entrepreneurial and strategic aspects relevant to strategic entrepreneurship, highlighting the interrelated nature of entrepreneurship and strategy. Further, Table 5.8 illustrates the multiple dimensions of the six elements central to entrepreneurship, indicating the entrepreneurial and strategic contexts of these elements. Consequently, Table 5.9 shows how entrepreneurial and strategic aspects may combine to form strategic entrepreneurship.
### TABLE 5-9 A SUMMARY OF THE ENTREPRENEURIAL AND STRATEGIC ASPECTS INHERENT TO SOE IN PRACTICE

<table>
<thead>
<tr>
<th>Key Theme</th>
<th>Entrepreneurial context</th>
<th>Strategic context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>• Identifying (either internally or externally)</td>
<td>• Which allow a business to leverage from its core capabilities</td>
</tr>
<tr>
<td>identification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>• novel creative, and commercial viable idea</td>
<td>• which directly leverages from the business’s core capabilities</td>
</tr>
<tr>
<td>Acceptance of risk</td>
<td>• identification, acceptance, and on-going management of risk</td>
<td>• supported by operating within or leveraging from a business’s core capabilities, where there is a sense of familiarity, confidence, and expertise</td>
</tr>
<tr>
<td>Flexibility</td>
<td>• reflected in a business’s flexible work environment and adaptive approach to innovation</td>
<td>• supported by transferring and applying core skills and resources in new and cost-effective ways</td>
</tr>
<tr>
<td>Vision</td>
<td>• seeing and understanding what are viable opportunities in the market and within the business</td>
<td>• vision regarding how to apply core skills and resources to opportunities identified</td>
</tr>
<tr>
<td>Growth</td>
<td>• growth through new markets, products, and services</td>
<td>• accompanied by growth in competitive advantage and organisational learning – understanding how to identify opportunities and leverage from the business’s core capabilities</td>
</tr>
</tbody>
</table>

*Note: Source (Researcher own analysis)*

Overall, findings presented from this section reinforce the notion that entrepreneurial activity, in the form of strategic entrepreneurship, may exist in a public sector context. Moreover, strategic entrepreneurship provides the advantage of being more manageable or less risky. This was the view that was brought out in the literature review by Knight (1921), who contended that risk is a traditional association with entrepreneurial activity as a result of entrepreneurial activity being closely aligned with a business’ core capabilities.
5.6 SUMMARY

This chapter has presented findings that provide considerable insight into strategic entrepreneurship, highlighting the similarities, differences, and distinctions of activities examined. Consequently, an understanding of the nature and underlying characteristics of strategic entrepreneurship has been developed and established. Accordingly, the following chapter draws on these findings to discuss some of the issues and implications from this study.
6 CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

The previous chapter presented findings to provide insight into the contextual issues surrounding activity within South Africa’s SOEs, and the nature and scope of strategic entrepreneurship in the SOE sector. This chapter discusses and considers findings on strategic entrepreneurship and insight into public sector management with respect to SOEs. The first section discusses findings on South Africa’s public sector context and provides a number of interesting and important insights with regards to the way SOEs operate and are governed in the South African context. Specifically, Section 6.2 discusses SOE reforms in practice. Section 6.3 discusses the SOE regulatory environment. This is then followed by a discussion of issues regarding SOE reforms in practice, in Section 6.4.

The second section re-examines strategic entrepreneurship from a practical perspective in Section 6.5, encompassing the core elements relevant to this construct. Section 6.6 considers the supporting elements and other key insights. Thus, the purpose of this section is to address the how and why (Cohen et. al., 2000) of strategic entrepreneurship, as well as findings which have emerged with
respect to the outcomes of strategic entrepreneurship. Last, Section 6.10 summarises the issues addressed in this chapter.

6.2 DISCUSSION: SOE REFORMS IN PRACTICE

6.2.1 INTRODUCTION

The public sector context of this study provides a number of interesting and important insights with respect to SOE reforms in South Africa - in general, the way SOEs operate. The relevance for this discussion as will be laid out in the sections below, is that as public sector organisations develop a level of expertise and familiarity with respect to commercialisation and innovation within the scope of their business, their operations may take an increasing focus (either deliberate or emergent) on entrepreneurial activity. These insights and other issues are considered in this chapter.

6.3 SOE’S REGULATORY ENVIRONMENT

From the findings of this study, SOEs are essentially operating in deregulated markets and competing openly against private sector firms. Also interesting to note is that SOE revenue from services to Government is minimal, however, if SOEs do receive funding, they are expected to pay dividends. Further discussion on other regulatory environmental issues is discussed below.
6.3.1 EFFECTIVENESS OF SOE REFORMS

From the findings of this study, SOEs are essentially operating in deregulated markets and competing openly against private sector firms. Communication seems to have improved between the SOEs and various stakeholders. Within SOEs this has been acknowledged as having improved, however it was noted that this still needs to improve further. In addition there is an immense expectation from Government for SOEs to perform, hence the reforms are perceived as having a positive effect on the way SOEs are run as noted below.

One of the driving forces of change that came about as result of the reforms was the demand placed by the shareholders on the SOE to perform (Senior Executive, SOE C, 2011).

However, few exceptions were noted, in particular there is still a big debate as to “what is actually an SOE, [and] what is not…(Senior Executive, SOE C, 2011). In addition, other difficulties or challenges expressed were around the mandate given to the SOE. As noted by one executive, “you see the largest challenge we have is that we have inconsistent objectives…” (Senior Executive, SOE C, 2011).

6.3.2 GOVERNMENT REVENUE

SOE revenue from services to Government is minimal, and such transactions provide an element of security regarding the supply of essential (and other)
services, with a sense of reliability in a commercial and competitive context (commercial tender process).

### 6.3.3 FREEDOM OF COMMERCIAL CHOICE AND POLITICAL INFLUENCE

Freedom of commercial choice and a high awareness of responsibility for commercial results were also evident. Further, it was also evident that the environment in which SOEs operate enables them to answer to Government ministers as shareholders, but also allows them to operate free from political influence in their day-to-day operations.

We are still independent [in] our thinking, they [Government] don’t think for us…(Manager, SOE D, 2011).

There is a great deal of alignment…with the new minister (Advisor, DPE, 2011).

Exceptions in this area included questions around whether or not SOEs should operate in SADC Another issue was around the bureaucracy involved when SOEs have to buy a private company, especially when potential business opportunities are available outside the borders of this country. Further, there is a number of complications and requirements when approval is sought from Government. In
addition, the fact that SOEs have to answer to too many shareholders proved to be quite problematic to get them to focus on their mandates. Though this is true for private companies as well, the distinction drawn in the literature review explains why this may be the case.

We are dependent on the minister and the approval structures to make things happen…(Senior Executive, SOE A, 2011).

Eskom and a lot of the state-owned enterprises don’t [answer to one stakeholder]…(Senior Manager, SOE B, 2011).

Challenges were also noted regarding the “democratic form of Government that changes every five years” (Senior Manager, SOE B, 2011). This was alluded to as “one of the areas that hinders strategic entrepreneurship” (Senior Manager, SOE B, 2011). Furthermore, it was reasoned vehemently that “the direction of what the ruling party want at the time [of ruling is what] will get done”…(Manager, SOE D, 2011). Consequently, while reforms are considered to be working effectively, certainly they are not without issues or tensions. In particular, areas requiring further attention by Government include enhanced communication between Government and the SOEs. Additionally, attention must be considered to the democratic nature of our country – a five year democratic Government appears to be very short-term focused.
6.3.4 SOE AS PUBLIC SECTOR VERSUS PRIVATE SECTOR ORGANISATIONS

While findings from executives indicated that SOEs operate similarly to private sector organisations, issues and distinctions were identified with respect to occasionally balancing operations (e.g. diversification) and commercial decisions with non-commercial factors.

Apart from the developmental stuff that we have to do...we must also make sure we create jobs...(Manager, SOE D, 2011).

6.4 ISSUES REGARDING SOE REFORMS IN PRACTICE

As indicated above, a review of the South African SOE reforms suggests they are working effectively (i.e. as intended), although various issues and exceptions were noted. In addition to isolated cases where SOEs were not operating as financially independently as they want to, tensions were also noted regarding the operation of the reforms in practice, governance and accountability, public identity, profile and ownership, risks, Government announcements, and policy changes. These and other issues are considered under the relevant headings below.
6.4.1 GOVERNANCE AND ACCOUNTABILITY

With respect to governance, findings indicate that “there is a great deal of alignment” between Government and the SOEs (Advisor, DPE, 2011). However, a sense of frustration was expressed regarding national policy.

…there is no national policy regarding state-owned enterprises…in fact there is no uniform policy…there’s no uniform shareholder approach…it’s fragmented…it’s all over the place…there’s no standardised methodology about what it means to be a shareholder…(Advisor, DPE, 2011).

The issue of integration amongst SOEs also came up, highlighting the need for communication going forward. In particular, an SOE executive highlighted that “the sort of integrated plans… for the future [are] not happening…(Senior Executive, SOE A, 2011).

Accordingly, as commercial but Government-owned organisations, there is significant scope for individual SOEs to learn from each others’ experiences. This is particularly relevant to SOE A and SOE B which deal with public accountability, political and media scrutiny, as well as various financial issues. Comments from various SOE executives indicated a lack of awareness or experience in each of these. Consequently, formal or informal mechanisms for more comprehensive knowledge-sharing within the sector, would assist SOE executives in being more
informed about the environment in which they operate, and perhaps be better prepared if they had to personally deal with such issues in the future.

With respect to accountability, the intended mechanisms seem to be working effectively within South African SOEs, however, the complexity and burden of multiple lines of accountability was noted. Further, there is often a conflict of interest between the Government and directors of SOEs, when it comes to vision and objective, and often that hinders decision-making.

Such findings are consistent with public sector accountability in general (OECD, 2005), and studies specifically on South Africa’s SOE framework (OECD, 2005) Consequently, an increased awareness of this issue within Government is necessary, and resolution, where possible, should be considered to ensure that the effectiveness of South Africa’s SOE framework does not unfold due to the inefficiencies of over-reporting to multiple regulatory authorities. In addition, this raises the issue of Government’s accountability to established regulatory frameworks not only for SOEs, but also for all organisations in both the public and private sphere.
6.4.2 GOVERNMENT FUNDING AND FINANCING

With respect to the funding and financing of SOEs, SOEs were effectively self-funding in their operations. As noted in Chapter 5 overall revenue from Government, if any, is minimal, and if advanced to SOEs, there are expectations for repayments.

6.4.3 PUBLIC OWNERSHIP AND PROFILE

As discussed in Chapter 5, the public sector identity is often viewed broadly to encompass public identity, accountability and ownership.

…we cannot be seen, internally or externally, to be wasting money (Senior Manager, SOE B, 2011).

Further, blurred lines exist when it comes to SOEs’ understanding of the mandate entrusted to them by the Government, and which ministerial department SOEs in particular should belong/report to. Further, conflicting views were noted when it came to distinguishing between the developmental and financial objectives of the SOEs, as the mandate for each SOE will vary from one to another. Similarly, challenges were also noted regarding the extended accountabilities faced by SOEs through their formal and informal obligations to shareholders and the public.
6.4.4 RISK AND LIMITATIONS

Investigating the issue of risk with respect to SOEs revealed a number of dimensions, including financial and commercial risk, political risk, reputational risk, regulatory risk, public acceptance risk, environmental risk, human capital risk, and social risk. While much of this risk was effectively managed by developing expertise within a SOE’s core business, an increased emphasis on risk came about due to policy changes over time.

6.4.5 GOVERNMENT POLICY

With respect to Government policy and the regulations that govern SOEs, it was clear that they are governed by various policies, including the PFMA, the Constitution of the country, and other related legislations. What is interesting to note was the idea that “Government doesn’t like their own policy…” (Senior Manager, SOE A, 2011).

6.4.6 SUMMARY

On examination of the findings of this study as presented in Chapter 5, this study presents a number of insights into strategic entrepreneurship, its context, as well as the environment in which it manifest itself in the South Africa context. While...
extensive support was found for many of these concepts, ultimately many more findings and issues emerged for discussion, further consideration and research.

Consequently, proposition 6 which stated that SOEs that possess operational autonomy from political and government intrusion are positively associated with increased level of entrepreneurial activity (strategic entrepreneurship) has been confirmed.

The next section discusses results with regards to the entrepreneurial activity that occurs in the public sector context.

### 6.5 STRATEGIC ENTREPRENEURSHIP’S CORE ELEMENTS

In the literature review presented in Chapter 2, a preliminary framework was presented with respect to strategic entrepreneurship:

Proposition 1a. *Strategic entrepreneurship is a distinct process, founded on the combination of opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth.*

Proposition 1b. *Strategic entrepreneurship is represented by entrepreneurial activity applied in the strategic context.*
Proposition 2. The nature of strategic entrepreneurship may take various forms, ranging from incremental to radical innovation, with deliberate to emergent approaches.

Proposition 3: The identification of entrepreneurial opportunities through the firm’s entrepreneurial mind-set, leadership and culture must be followed by an understanding of the resource base of the firm before it moves to develop innovation or risk, undermining the performance of the firm and destroying value as it pursues spurious opportunities outside the competencies of the firm.

Proposition 4a: A firm’s ability to continually shift current resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially.

Proposition 4b: The development of such dynamic capabilities is dependent on accumulating experiences across, within and from business processes, the integration of iterative learning practices into SE processes overcomes its static limitation and better conceptualises how firms might sustain creation over the long term through this process.
Proposition 5: Strategic entrepreneurship must have appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operations. The internal environment should promote autonomy, cooperation, locus of participation, top management support, strategic controls and reward systems that incentivise employees towards long-term value creation over short-term profit.

Together, propositions 1a and 1b were referred to as the foundations of strategic entrepreneurship (1a – the core entrepreneurial elements, 1b – the strategic context). Moreover, it was argued that the integration of these two components constituted entrepreneurship as a distinct construct, as depicted in the Figure 6.1 below.
FIGURE 6.1 STRATEGIC ENTREPRENEURSHIP

Foundation of strategic entrepreneurship: core entrepreneurial elements – opportunity identification, innovation, acceptance or risk, vision, flexibility, growth

Note: Source Adapted from Luke (2009)

As for proposition 2, it was contended that strategic entrepreneurship might take various forms. Propositions 3, 4, and 5 were formulated as discussed in the literature review to address the limitations that were presented in the preliminary framework. These concepts were subsequently considered in the practical context of activity examined within five activities of four South Africa’s SOEs. This section re-examines these concepts, drawing on the findings from this study and comparisons with established theory from the literature.
6.5.1 THE CONSTRUCT OF STRATEGIC ENTREPRENEURSHIP

Chapter 2 has detailed the six elements that were considered central to entrepreneurial activity, and thus inherent to strategic entrepreneurship (being entrepreneurial activity in a strategic context). Particularly, these elements included opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth. The five activities examined and analysed were considered to be characteristic of strategic entrepreneurship on the basis that they satisfied two key criteria:

1) that the activity was entrepreneurial in nature, and
2) the activity was applied in the strategic context of a business which had developed expertise within its core skills and resources, and had leveraged that to create new products, services, or markets.

Each of the six elements considered central to strategic entrepreneurship were evident within the five activities that were reviewed. These activities reflected clear elements of opportunity identification, innovation, acceptance of risk, flexibility, vision, growth, and leveraging from core skills and resources. These elements are explored under the relevant headings below to reconsider the dimensions of each and any differences between findings from theory and practice.
6.5.2 OPPORTUNITY IDENTIFICATION

From the literature review section of this study, opportunity identification has been suggested to be an source of competitive advantage (Hitt et al., 2002), which can lead to entrepreneurial opportunity creation, while setting the ground for exploitation (Zahra, 2008). Barth (1969) referred to opportunity identification in the context of transferring value between unrelated aspects of society, while Shane (2003) emphasised the scope of opportunity to include both existing opportunities identified and new opportunities created. Sarasvathy, Simon, and Lave (1998) highlighted the importance of perception with respect to opportunity, such that entrepreneurs see opportunity where others fail to do so. Further, to ensure that opportunities will be of strategic value to the firm (Bhide, 1994) emphasised the importance of balancing identification with analysis and strong execution skills.

As discussed in detail in Chapter 5, opportunity identification emerges as a central and recurring theme within each of the activities reviewed across the four SOEs. It is also important to note that opportunities were identified both internally by SOEs and sometimes externally through joint ventures and partnerships. Moreover, some opportunities were identified as a result of the strategic mandate given to the SOEs by the Government. Further, in the context of strategic entrepreneurship, those opportunities involved leveraging of core skills and resources – usually referred to
as the dynamic capability, such that there was a sense of strategic fit, confidence, and familiarity with the SOE to develop the opportunity identified.

So I think what’s important as well is there’s a need, there’s a strategic need in Eskom’s case its cheap power, its cleaner power and it’s keeping the lights on (Senior Manager, Activity 2, 2011).

But we [SOE C] had the capacity [referring to core capabilities, i.e., skills and resources]...(Senior Executive, Activity 3, 2011).

In the context of strategic entrepreneurship, opportunity identification is tied closely to businesses’ core capabilities and subsequently assists in the management of risk (acceptance of risk is later discussed in Section 6.6.2.5). From the findings, a number of specific aspects emerge within the context of opportunity identification, and are discussed under the relevant headings below.

**6.5.2.1 INTERNAL VERSUS EXTERNAL**

Another theme which emerges as directly relevant to opportunity identification is a focus on core capabilities and establishing operational excellence in relation to those capabilities. Specifically, a focus on and resulting recognition of operational excellence resulted in SOE C identifying opportunity internally, as well as being presented with opportunities externally (the joint venture partnership with the
Brazilian company). Activity 3 created a missile capability and in the process transferred skills and capabilities to the Brazilian company. As a result “other than monetary value, there is a lot of value add…”(Senior Executive, Activity 3, 2011). In addition, from an external perspective SANRAL identified its opportunities in line with the mandate that it received from the Government as far the fixing of the road infrastructure is concerned. Opportunities identified were as result of the “external need for the economic development of the province” which would be initiated from the Government side (Senior Manager, Activity 1, 2011).

While the literature on strategic entrepreneurship reinforces the notion of opportunity identification as central (Hitt et al., 2001) or relevant (Ireland et al., 2003) to strategic entrepreneurship, there is little practical guidance as to how opportunities may be identified. This finding is particularly important for SOEs or businesses that rely solely on internal opportunity identification, as well as businesses which may not have strong capabilities to develop ideas internally. Consequently, this pathway to opportunity identification represents a valuable alternative or addition to the traditional (internal) approach.

6.5.2.2 STRUCTURED VERSUS RANDOM

Contrasting the above section to the strategic perspective, it is interesting to note that several of the SOEs had tried to introduce a process where new ideas and
concepts could be refined, formalised and pursued, indicating a more planned or deliberately strategic approach to entrepreneurship. Such is the case with Activity 2a and 2b, “It started out in research [referring to the two activities under review]...” (Senior Executive, Activity 2, 2011). Accordingly, both structured (deliberate) and random (emergent) processes are valuable with respect to opportunity identification.

6.5.2.3 CUMULATIVE AND COMPLEMENTARY OPPORTUNITIES

Further examination of each of the activities characteristic of strategic entrepreneurship reveals that these activities led to subsequent and cumulative opportunities (spinoffs), resulting in additional products, services and markets beyond those initially relevant to the strategic entrepreneurship activity. Activity 2b (SOE B) has the potential to kick-start a solar manufacturing industry in South Africa and the potential to be the “best solar resource in the world” (Senior Manager, Activity 2b, 2011).

Consequently, this study has shown that opportunity identification in the context of strategic entrepreneurship is closely tied to growth, which is further discussed in Section 6.6.2.8. Collectively, these findings highlight that opportunity identification may be internal or external, structured or otherwise, one-off or cumulative and recurring. Yet little detail of these features is presented in the literature on strategic
entrepreneurship, other than opportunity leading to competitive advantage (Hitt et al., 2001; Meyer et al., 2002) and a brief reference to multiple opportunity identification (Eisenhardt et al., 2000). Accordingly, insights from this study examining strategic entrepreneurship in practice provide a valuable foundation for understanding the nature and scope of strategic entrepreneurship from a theoretical and practical perspective.

6.5.2.4 INNOVATION

Innovation is addressed extensively within the literature on both entrepreneurship and strategy (Bhide, 1994; Ireland et al.; 2003; Schumpeter, 1934; Sonfield & Lussier, 1997). In particular, emphasis is often focused on the level (Sonfield & Lussier, 1997) and scope of innovation (Ireland et al., 2003) distinction between incremental and radical innovation. Based on the review of the activities classified as entrepreneurial and strategic entrepreneurship, innovation was a central theme in each case: creating new and unique products, services, and markets. An important feature of innovation is leveraging from the business’ core skills and resources, such that innovation is supported by the business case. In Activities 2a and 2b for example, innovation was “defined as applied creativity” (Senior Manager, Activity 2, 2011). In terms of the skills and core capabilities, “you need thick skin, and people who are able to think ahead” (Senior Executive, Activity 2,
2011). Also supporting these core skills and capabilities, is the use of “strong technology” (Manager, Activity 4, 2011) to facilitate innovation.

It has been highlighted in Chapter 2 that innovation is at the heart of entrepreneurship (as depicted in Figure 6.2) – a notion promoted by Drucker (1985) cited in Hitt et al. (2001) more than two decades ago. However, innovation alone does not create entrepreneurial activity – a concept reinforced by this study. As a result, Figure 6.2 shows entrepreneurship as a combination of elements, with innovation as the central feature.

**FIGURE 6.2 ENTREPRENEURSHIP VERSUS STRATEGIC ENTREPRENEURSHIP**

*Note: Source  Luke (2009)*
The second point of distinction regarding leveraging from a business’ core skills and resources to effect innovation is an important finding, given that literature on entrepreneurship and strategy address innovation from specific and often narrow perspectives. Such perspectives sometimes distinguish or isolate innovation in the context of an innovative strategy or an entrepreneurial strategy, referring to a plan to be innovative or a plan to be entrepreneurial, rather than focus on applying existing skills and resources to undertake innovative activity. In contrast, Ireland et al. (2001) referred to bundling resources to achieve strategic entrepreneurship.

Activity 3 highlighted a key feature in the SOE’s approach to innovation, “it is not just about innovation, it is about value engineering” (Senior Executive, Activity 3, 2011).

Findings from this study, however, highlight the importance of developing innovations in areas which are directly related to and leverage from a business’ core capabilities. In the context of strategic entrepreneurship, this is illustrated in Figure 6.2 which depicts this construct as a combination of entrepreneurial elements, based on the strategic context of a business’s core skills and capabilities. Thus, core skills and resources are shown at the centre. For innovation to thrive in an organisation, it must be enabled by “people, and processes” (Senior Executive, Activity 3, 2011). This finding is particularly interesting given that the literature on strategic entrepreneurship provides very little
guidance on the pragmatic aspects of innovation, and how it may be achieved within businesses pursuing strategic entrepreneurship. As such, insights from this study provide useful examples and guidance on how existing core skills and resources can be transferred and applied in a new context to effect innovation and more specifically strategic entrepreneurship.

Other aspects of innovation which emerged from the findings are considered below.

6.5.2.4.1 APPLIED INNOVATION

An examination of the activities classified as strategic entrepreneurship reveals a strong theme of applied innovation, being innovative with a clear emphasis on customer orientation (Barwise & Meehan, 2004). Accordingly, innovation supported by a business’ core capabilities with a strong customer focus is an important concept within strategic entrepreneurship. Activity 1, for example, addressed the traffic congestion that customers were experiencing on the road. In addition, the economic benefits associated with this activity are great (Activity 1, Senior Executive, 2011). Similar comments were echoed for Activity 3.
…so we have been able to move quite a number of commodities…and the customers are very happy…and I think the country as a whole has benefitted from that (Manager, Activity 4, 2011).

Consequently, in contrast to prior studies (Ireland et al., 2003), it appears that innovation in the context of strategic entrepreneurship need not be a “quantum leap” to new and unfamiliar areas of business, but a variation or application of existing skills and resources in different and unusual contexts. This is issue is considered further below.

6.5.2.4.2 OTHER DIMENSIONS OF INNOVATION

Other dimensions or aspects of innovation with respect to strategic entrepreneurship include the nature of innovation (e.g. incremental versus radical, process focused versus product focused), the role of research and development, the influence of organisational culture (through flexibility, experimentation, and creativity in the workplace), standardisation, and often cost minimisation, such that experimentation can be encouraged without requiring significant financial resources. An examination of the activities classified as strategic entrepreneurship reveals they are both process and product focused (Activities 2a, 2b, and 3), however there is a clear emphasis on product-based innovation. Yet, in contrast to Ireland et al.’s (2003) framework of strategic entrepreneurship which suggests
there must be a balance between incremental and radical innovation, no such balance emerges from the findings of this study. With the exception of Activity 3, in each case, innovation within activity classified a strategic management was incremental in nature. Collectively, these findings do not suggest that different businesses may prefer radical or incremental innovations, depending on for example culture, the culture of the organisation or the nature of the opportunities identified. Such findings may suggest that strategic entrepreneurship is perhaps more accessible to a broader range of businesses.

6.5.2.4.3 SUPPORTING FEATURES OF INNOVATION

As far as organisational culture is concerned, comments from executives indicated that innovation might be supported by an organisation’s culture embedded through flexibility, experimentation and creativity in the workplace.

...because with things like innovation and all of these things, the culture must be able to enable the guys who are working on this, and the actual culture of the entities of, how would you describe it?

Well, we’re quite an innovative company...we like to believe amongst these entities we’re the most prominent, the most respected, most popular... So, in terms of any innovation we have rocket scientists... (Senior Executive, SOE C, 2011).
Further, a number of SOEs were also actively trying to develop an innovative culture and establish semi-formal procedures to examine and evaluate innovative ideas (SOE B has established business units to expressly and systematically evaluate innovative ideas). In contrast, other SOE executives emphasised the importance placed on fostering a flexible work environment where staff can “do their stuff, and when it's sufficiently ready, you can come up and then bring it to the attention of the decision-makers…” (Senior Executive, Activity 2, 2011).

In each case, the respective SOEs had successfully developed strategic entrepreneurship, however their approaches were distinctly different. Such findings reveal that different pathways can lead to the same outcome. Further, they highlight the importance of a flexible work environment to foster innovative activity.

6.5.2.5 ACCEPTANCE OF RISK

Within the literature on both entrepreneurship and strategy, risk emerges in a number of contexts. Literature on entrepreneurship has expressly considered the nature (Mintzberg, 1973; Shapero, 1975) and level of risk (Sonfield & Lussier, 1997), but few have emphasised the importance of risk perception (Smircich & Stubbart, 1985) and evaluation (Busentiz & Barney, 1997), particularly in the context of strategic entrepreneurship. Rather, an emphasis on risk-taking (Covin &
Slevin, 1989) is evident within the literature, based on the perception of those outside the business. Within the case study findings, however, acceptance of risk repeatedly highlights the importance of developing a level of expertise within the business’ core skills and resources as a means of managing and mitigating risk. Consequently, a sense of confidence is established to evaluate the related risk as manageable. Thus, findings with respect to strategic entrepreneurship highlight a careful evaluation and acceptance of risk, and the perception of risk as manageable given the confidence SOEs had in their core competencies.

Though confidence is not explicitly addressed within the review literature on strategic entrepreneurship, it is proposed in the context of entrepreneurship in general (Hayward, Sheperd, & Griffin, 2006) and public entrepreneurship in particular (Ramamurti, 1986). In the context of the public sector, Ramamurti (1986) highlighted the need for increased confidence with respect to entrepreneurial ventures. Thus, the concept of confidence is perhaps highlighted in this study due to the public sector context of the organisations and activities examined. Perhaps, however, this concept applies to both public and private sector businesses which extend the scope of their operations to include new products, services, or markets.

6.5.2.6 FLEXIBILITY
With respect to the literature on strategic entrepreneurship, an emphasis on flexibility emerges in the context of improvising, responding quickly to changes in the market, and establishing an appropriately unrestrained work environment (Eisenhardt, et al., 2000). The literature considered flexibility in terms of freedom to access and use the appropriate resources (Ireland et al., 2003). However, in this study flexibility emerged as a central theme in a number of contexts. Such contexts include flexibility with regards to leveraging of core skills and resources, flexibility within the work environment to enable and encourage innovation and experimentation, and showing the flexibility to identify multiple and diverse opportunities. Hence, it is a broader awareness or perception to recognise viable opportunities which emerges from the findings.

Other aspects of flexibility which emerged from the findings include “a flexible attitude, the ‘can do approach’ which can be attributed to the culture of the organisation (supported by a sense of confidence in the business’ core capabilities).

You’ve got to be flexible and we’ve learnt that, I think, the hard way with both these projects (Senior Manager, Activity 2, 2011).
These projects do evolve. As long as you stick to the fundamental sort of strategic goal, the technical details do change (Senior Manager, Activity 2, 2011).

In terms of flexibility is, that you always in this, less the cost of the project vs. the cost of borrowing, there’s a cost of borrowing your interest, vs. your revenue model to be paid, so those are the limitations that we have (Senior Manager, Activity 1, 2011).

While the notion of flexibility and innovation was not discussed in detail, it was highlighted briefly by one SOE executive as being the driver of innovation; “we have to be flexible in order to build innovative products” (Senior Executive, Activity 3, 2011). There is limited literature on the practicality linking innovation and flexibility, thus this represents an important aspect of flexibility within strategic entrepreneurship.

6.5.2.7 VISION

Within the literature, vision emerges as a central concept of both entrepreneurship and strategy. Drucker (1985) cited in Kurakto and Hodgetts (2009) referred to vision as one of the key characteristics of entrepreneurial activity. Morris and Kurakto (2002) cited Kyrgidou and Hughes, 2010), noted that entrepreneurial organisations have a strong sense of both what they are and what they want to become. Collins and Porras (1994) cited in Luke (2009) elaborated on this notion,
contending that great vision starts with a core ideology, which they referred to as core purpose and values; an awareness of what direction the business should and shouldn't take. Mintzberg and Walters (1982) referred to the entrepreneurial mode of strategy making as one characterised by a clear and complete vision. Thus, within the literature, vision is often aligned with strategic direction. The notion of vision is consistent with findings from this study in the context of activity classified as strategic entrepreneurship, as the respective SOE executives indicated a strong sense of vision.

[Our vision] It’s about providing electrical energy services to South Africa to promote growth and development of the country, and so that has to be done the most cost effective and efficient manner (Senior Manager, SOE B, 2011).

In this study, however, vision relating to strategic entrepreneurship was also emphasised in term of breadth of vision (Feese & Willard, 1999), as well as a shared vision (Hitt et al., 2002) as illustrated below.

6.5.2.7.1 BREADTH OF VISION

Based on the findings of this study, a breadth of vision within strategic entrepreneurship was evident throughout the SOEs studied. Thus, seeing opportunities, understanding how to leverage from core capabilities, and transfer
and apply core skills and resources to create new products, services, and markets, are important aspects of vision. By way of example, several SOEs noted that the success of their project had led to other projects being born, that is, resulted in spill over projects.

It has the potential to kick-start a solar manufacturing industry in South Africa where we could create tens of thousands of jobs ultimately (Senior Manager, Activity 2, 2011).

6.5.2.7.2 SHARED VISION

With respect to a shared vision (Collins & Porras, 1994), findings from the study indicate that support for strategic entrepreneurship was not attributable solely to top management (Ireland et al., 2001) or a strong leader (Mintzberg, 1973), but rather shared throughout the organisation. In addition, success of these projects is supported by and reflected in the culture of the organisation, as illustrated by the comments below from SOE executives.

Most of our projects are…. in line with what the strategic intent is, of the strategic intent and the vision of Government, so when we do embark on projects we embark on projects in mind of what we have to do for our shareholders and what the shareholders requested (Manager, Activity 4, 2011).
... our vision and our mission, and our strategic intent, is to make sure that we’re successful, very successful, successful as an organisation (Senior Manager, Activity 1, 2011).

They [Government] need to empower themselves to be able to make those right decisions [about where the organisation needs to be going] (Senior Manager, Activity 2, 2011).

6.5.2.8 GROWTH

A review of the study findings with respect to strategic entrepreneurship reveals growth as a central element from a number of perspectives. Such perspectives included growth in customers, products, services, markets and market share, experience and confidence, reputation, recognition, competitive advantage, revenue and profits – wealth creation. While growth is also prominent in the literature on strategy from various perspectives (Hitt et al., 2001; Hussey, 2000), literature on entrepreneurship has traditionally considered growth in terms of financial and non-financial reward (McClelland, 1962; Smith, 1776). Literature on strategic entrepreneurship, however, emphasises competitive advantage, but does not explore the dimension of growth to the extent highlighted by the findings of this study.
.... So, I think those two elements of financial performance and sustainability, and environmental performance, are probably the critical ones (Senior Manager, Activity 2, 2011).

So there’s a huge, a bigger market that potentially.... the growth is not going to be in South Africa. The growth is going to be out of, and beyond South Africa (Senior Executive, Activity 2, 2011).

[Created wealth] not only for the company, it created wealth, but also for the country and for the customer (Senior Executive, Activity 2, 2011).

While the importance of growth is not unique to SOEs, it is, however, critical to note the contrast between each SOE's operations as a Government-owned entity, and the expectations placed upon SOEs resulted in a heightened awareness of the need for each organisation to expand their business in some way, hence the importance of growth was acknowledged.

6.5.3 INTEGRATING ENTREPRENEURSHIP IN A STRATEGIC CONTEXT

The findings and the discussion presented above indicate that strong support exists for each of the six core elements of strategic entrepreneurship. Table 6.3
below summarises the entrepreneurial and strategic elements relevant to strategic entrepreneurship, noting their interrelated nature. There is a close relationship between individual elements (e.g. innovation and growth), as well as the integration of entrepreneurship and strategy; how these elements can combine to form strategic entrepreneurship as the underlying elements.
FIGURE 6.3 INTEGRATION OF ELEMENTS CENTRAL TO STRATEGIC ENTREPRENEURSHIP

<table>
<thead>
<tr>
<th>Opportunity identification</th>
<th>Innovation</th>
<th>Acceptance of risk</th>
<th>Flexibility</th>
<th>Vision</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation</strong></td>
<td>Identifying opportunities that are both innovative and directly leverage on core capabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Acceptance of risk</strong></td>
<td>Identifying opportunity to manage risk</td>
<td>Accepting risks associated with innovative projects/activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td>Identifying opportunity that incorporate flexibility</td>
<td>Innovation supported by an organisation’s culture through flexibility; innovation and flexibility within customer focused products</td>
<td>Flexibility to identify and manage risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vision</strong></td>
<td>Identifying diverse opportunities within the scope of vision</td>
<td>Vision consisted and in alignment with goals, mission and strategic intent of the organisation</td>
<td>Vision to identify risks and ensure that risk managed/mitigated; vision aligning with cost minimisation aspects of the project/activity</td>
<td>Flexibility to identify and manage risk</td>
<td></td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td>Identifying opportunities that have a potential for growth</td>
<td>Growth in the number innovations; innovation leading to growth</td>
<td>Deliberate acceptance of risk leading to growth in products/services and profits</td>
<td>Flexibility to identify various opportunities for growth in different context</td>
<td>Identifying opportunities for growth; “Seeing” or understanding viable opportunities within the market or</td>
</tr>
</tbody>
</table>
### Chapter 6: Discussion Of Results

<table>
<thead>
<tr>
<th>Strategic context: leveraging from core skills and resources</th>
<th>Opportunity identification</th>
<th>Innovation</th>
<th>Acceptance of risk</th>
<th>Flexibility</th>
<th>Vision</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying opportunities which “fit” with and leverage from the organisation’s core capabilities</td>
<td>Innovation which directly leverages from the organisation’s core capabilities</td>
<td>Risk minimised/managed by leveraging from core capabilities</td>
<td>Reflected in the work environment, culture, and the organisation</td>
<td>Vision regarding how to apply core capabilities to opportunities identified</td>
<td>Growth supported through organisational learning, developing and understanding how to identify opportunities and leverage from the organisation core capabilities</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Source (Researcher owner analysis)*
As highlighted earlier in the literature review (Chapter 2), the distinction between entrepreneurship and strategic entrepreneurship is not clear within the literature on strategic entrepreneurship, and arguably as strategic entrepreneurship evolves to become a more prominent and developed area of research, this should be clarified. As indicated in Sharma and Chrisman (1999) in the context of corporate entrepreneurship research, such distinctions are important as ambiguity, inconsistencies and a lack of clarity effectively constrain the development of cohesive, explanatory, and predictive theories.

Accordingly, to promote an enhanced understanding of strategic entrepreneurship for both theory and practice, such distinctions (where appropriate) should be made based on theoretical and practical research findings. Eventually, these distinctions clarify our existing understanding and guide further research in a direction that will enhance future understanding. Importantly, while findings reveal extensive support for the core elements of strategic entrepreneurship, further investigation also revealed a number of other insights, such as supporting elements which are conducive to, but not necessarily essential for, strategic entrepreneurship. These findings are considered briefly in the following section.

6.6 SUPPORTING ELEMENTS AND KEY INSIGHTS RELEVANT TO STRATEGIC ENTREPRENEURSHIP
The findings discussed so far only addressed propositions 1 and 2. Findings in relation to entrepreneurship and strategic entrepreneurship also revealed a number of other issues for discussion, consideration, and reflection. Such issues include the importance of organisational learning, dynamic capability (partly addressed by proposition 2 above), and internal environment. These issues are considered under the relevant headings below.

### 6.6.1 Strategic Entrepreneurship’s Supporting Elements

Centred on a review of the findings, there are a number of elements which, while not considered central to strategic entrepreneurship, may be viewed as supportive of this construct. These elements which have been constructed during the review of the literature include entrepreneurial mind-set, leadership and culture; organisational learning; and internal environment. These are tabled out below as propositions 3a, 3b, 4, and 5.
TABLE 6-1 SUPPORTING ELEMENTS PROPOSITIONS

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 3a</td>
<td>The identification of entrepreneurial opportunities through the firm’s entrepreneurial mind-set, leadership and culture must be followed by and an understanding of the resource base of the firm before it moves to develop innovation or risk undermining the performance of the firm and destroy value as it pursues spurious opportunities outside the competencies of the firm.</td>
</tr>
<tr>
<td>Proposition 3b</td>
<td>A firm’s ability to continually shift current resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially</td>
</tr>
<tr>
<td>Proposition 4</td>
<td>The development of such dynamic capabilities is dependent on accumulating experiences across, within and from business processes, the integration of iterative learning practices into SE process overcomes its static limitation and better conceptualises how firms might sustain creation over the long term through this process</td>
</tr>
<tr>
<td>Proposition 5</td>
<td>Strategic entrepreneurship must have appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operations. The internal environment should promote autonomy, cooperation, and locus of participation, top management support, strategic controls and reward systems that incentivise employees towards long-term value creation over short-term profit</td>
</tr>
</tbody>
</table>

Note: Source (Researcher own analysis)

Details of each of these supporting elements are considered in the below section.

6.6.2 ENTREPRENEURIAL MINDSET, CULTURE AND LEADERSHIP

With respect to proposition 3a, entrepreneurial mind-set, culture and leadership emerge as valuable elements to support strategic entrepreneurship, where innovation and flexibility (for example) were encouraged and widely accepted as the norm (Lumpkin & Dess, 1996; Miller, 1983). Thus, organisational cultures which are open to new ideas, flexible in approach, and progressive in outlook, will foster an environment which is conducive to strategic entrepreneurship. In particular, an environment which is open to new ideas and innovation, accepting of
experimentation and risk (where it is identified, monitored, and managed), will assist in the creation of strategic entrepreneurship. What would be interesting to ascertain is whether the culture referred to is essentially an entrepreneurial one. Noting that while an entrepreneurial culture may have benefits for SOEs and businesses pursuing strategic entrepreneurship, the view taken in this study is that it is not essential, primarily because an open, flexible culture will welcome entrepreneurial ideas, while still focusing on core capabilities. Consequently, a priority on flexibility and an outward-looking vision within the organisation is considered particularly valuable and conducive to strategic entrepreneurship. In particular, an open and inquisitive nature with respect to core skills and resources may potentially be more valuable in the context of strategic entrepreneurship than a deliberately entrepreneurial culture.

With respect to entrepreneurial leadership, what became apparent was the fact that entrepreneurship for SOEs needs to be considered from a perspective of the SOE mandates. It is apparent, however, that entrepreneurial leadership must be built on trust and respect from both the SOEs and the stakeholders. Further, a sense of stability in SOEs to encourage innovation and entrepreneurship, coupled with extra stamina, trust, respect and support from top management, was central to enabling SE.
6.6.3 ORGANISATIONAL LEARNING

With regards to organisational learning, key supporting elements considered included operational excellence, cost minimisation, and the ability of the organisation to progress through explorative and exploitative learning (Kyrgidou & Hughes, 2010). Explorative learning reflects efforts to create new, unique insights and knowledge through a process of discovery and experimentation (March, 1991). Exploitative learning on the other hand reflects a process of knowledge acquisition and refinement of existing knowledge to improve current activities or resolve immediate problems (March, 1991). He and Wong (2004), also argued that exploitative activity represents initiatives to improve the firm’s present activities and build on past and present technological, business and product-service trajectories (Benner & Tushman, 2002). Consequently, the ability to continually shift resources and build new capabilities is central to achieving advantage and to the long-term ability of the firm to behave entrepreneurially. Thus, increased efforts to continually develop intellectual capital, together with increased training and development of resources, provided an important platform for SOEs to explore new opportunities.

With regards to operational excellence (or establishing a level of expertise within the core business), an important feature of opportunity identification and flexibility in leveraging from core skills and resources was SOEs having a sense of confidence in their core capabilities. Hence, operational excellence provided an important technical and psychological platform for SOEs to explore new
opportunities. In addition, SOEs’ expertise and capabilities add value through other organisations presenting opportunities to those SOEs, based on an external recognition on the SOE’s abilities. Further, operational excellence enhanced the SOE’s ability to achieve greater customer satisfaction levels, especially through alignment of operational activities with country /SOE mandates or strategies.

Another supporting element which was considered, was that of cost minimisation, which emerged in the context of innovation and flexibility, as SOEs which undertook strategic entrepreneurship noted such activity was not dependent of substantial (if any) investment in research and development. Though for Activities 2a and 2b, research and development was key before any innovative projects could be undertaken. Accordingly, and consistent with Bhide (1994) but contrary to various other studies (Dess et al., 1997; Mintzberg, 1991; Venkataram & Sarasvathy, 2001), entrepreneurial activity is not dependent on high cost innovations. Thus, through alignment of SOEs’ operations to the regulatory guidelines, cost minimisation was seen as a major driver of the business, in particular through economies of scale. In addition, where an environment of low cost experimentation can be encouraged and regularly undertaken within a business, that environment will be further supportive of strategic entrepreneurship.

6.6.4 INTERNAL ENVIRONMENT

The last supporting element of strategic entrepreneurship is that of internal environment. As discussed in Chapter 2, strategic entrepreneurship promotes an
underlying consensus that emerges towards appropriate internal environment conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operation (Kyrgidou & Hughes, 2010, p.11). Specifically, autonomy, cooperation, locus of participation, top management support, strategic control and reward systems that incentivise employees towards long-term creation over short-term. Based on the findings of this study as discussed in the previous Chapter, it was evident that supporting elements for internal environments included an organisational structure that enabled SE. Further, autonomy, locus of control (in terms of standardisation of procedures and process), and cooperation; reward systems that encouraged value creation and the alignment of SOEs’ strategy with key Government mandates, were all enablers of strategic entrepreneurship in SOEs studied.

Table 6.2 summarises the association between the core elements of strategic entrepreneurship, and each of the supporting elements relevant to strategic entrepreneurship. Based on the associations between the core entrepreneurial and strategic elements (shown in the first column), and the three supporting elements (entrepreneurial mind-set, culture, and leadership); organisational learning (operational excellence and cost minimisation); and internal environment) shown in the first row, it becomes clear the three supporting elements are essential for strategic entrepreneurship and that they provide substantial assistance in the way a business engages in strategic entrepreneurship through its abilities
(organisational learning, outlook (entrepreneurial mind-set, culture and leadership), and approach (internal environment).

**TABLE 6-2 THE ASSOCIATION BETWEEN CORE ELEMENTS AND SUPPORTING ELEMENTS OF STRATEGIC ENTREPRENEURSHIP**

<table>
<thead>
<tr>
<th>Core Elements</th>
<th>Supporting Elements</th>
<th>Internal Environment – autonomy, cooperation, locus of participation, top management support, reward system, strategic control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunity identification</strong></td>
<td>Identifying diverse opportunities within the scope of vision; supports and encourages opportunity identification; encourages organisation’s reputation and recognition for expertise with respect to core capabilities (skills and resources)</td>
<td>Encourages opportunities to be sought and explored throughout the organisation</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Allows business to have confidence in its ability to pursue innovations</td>
<td>Sense of stability to encourage innovation and entrepreneurship; encourages all staff to experiment on a regular basis, increase the likelihood and frequency of innovations</td>
</tr>
<tr>
<td><strong>Acceptance of risk</strong></td>
<td>Operating within regulatory guidelines to minimises risk, such that business is aware of its strength; encourages on-going assessment of risk to minimise the overall risk associated with the activity; encouraged</td>
<td>Encourages staff to deliberately undertake activity with an element of risk</td>
</tr>
</tbody>
</table>
## Chapter 6: Discussion Of Results

### Core Elements

<table>
<thead>
<tr>
<th>Core Elements</th>
<th>Supporting Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisational learning</strong> – explorative/exploitive learning, operational excellence, cost minimisation</td>
<td><strong>Entrepreneurial mindset, culture and leadership</strong></td>
</tr>
<tr>
<td>and supported by the SOEs core skills and resources</td>
<td><strong>Internal Environment</strong> – autonomy, cooperation, locus of participation, top management support, reward system, strategic control</td>
</tr>
</tbody>
</table>

### Vision

<table>
<thead>
<tr>
<th>Vision</th>
<th>Core Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment of operational activities with country/ SOE mandate to supports the breadth of vision, given that the business has developed strong capabilities with respect to its core skills and resources – also providing a sense of confidence to look at expanding the scope of operations; supports a breadth of vision, given that the business has developed strong capabilities with respect to its core skills and resources</td>
<td>Encourages top management to have extra stamina, trust, and respect from all stakeholders (including customers and the general public); encourages support from top management; supports having a breadth of vision as the cultural norm for a business and its staff; aligning with cost minimisation aspects</td>
</tr>
<tr>
<td>Allows for vision to be driven from the top (i.e. top management supports and drives vision)</td>
<td></td>
</tr>
</tbody>
</table>

### Flexibility

<table>
<thead>
<tr>
<th>Flexibility</th>
<th>Core Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible approach to innovation cost minimisation to support a sustainable organisation; Enables an understanding of different possibilities within the scope of a business’s core skills and resources; reinforces flexibility in experimenting and pursuing opportunities through minimal/modes funding requirements</td>
<td>Flexibility reflected in the work environment, culture, and the organisation as a whole. Encourages staff to think laterally, approach concepts and challenges with an open mind, rather than emphasising routine and historical performance and behaviour</td>
</tr>
<tr>
<td>Flexibility reflected in the decision-making process; flexibility reflected in the work environment</td>
<td></td>
</tr>
</tbody>
</table>

### Growth

<table>
<thead>
<tr>
<th>Growth</th>
<th>Core Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allows for cost</td>
<td>Encourages growth in</td>
</tr>
<tr>
<td>Encourages staff to</td>
<td></td>
</tr>
</tbody>
</table>
Examining the nature and scope of strategic entrepreneurship in state-owned companies

Chapter 6: Discussion Of Results

<table>
<thead>
<tr>
<th>Core Elements</th>
<th>Supporting Elements</th>
<th>Internal Environment – autonomy, cooperation, locus of participation, top management support, reward system, strategic control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Elements</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Organisational learning – explorative/exploitative learning, operational excellence, cost minimisation</strong></td>
<td><strong>Entrepreneurial mindset, culture and leadership</strong></td>
</tr>
<tr>
<td></td>
<td>minimise as a major drive of business (economies of scale); operational excellence to achieve greater customer satisfaction. Growth through organisational learning, developing and understanding of how to identify opportunities and leverage from the organisation core capabilities</td>
<td>business, markets, value-creation, and revenue and profits; encourages growth in customers, products, services and diversification</td>
</tr>
<tr>
<td></td>
<td><strong>Leveraging from core skills and resources</strong></td>
<td>actively look for and pursue growth opportunities in a supportive environment; supports growth through financial performance, sustainability, and environmental performance; encourages growth in market share and competitive advantage</td>
</tr>
<tr>
<td></td>
<td>Allows for the development of intellectual capital – especially in terms of training and development; creates a financially viable and sustainable environment in which to leverage from core skills and resources</td>
<td>Encourages SOEs/business to look for opportunities by applying a business's core skills and resources in new markets</td>
</tr>
<tr>
<td></td>
<td>Encourages for effective organisational structure that enables strategic entrepreneurship; motivates for rewards systems that encourage value creation; encourages alignment of SOE/business strategy with Government mandates</td>
<td></td>
</tr>
</tbody>
</table>

Note: Source (Researcher own analysis)

6.7 THE NATURE OF STRATEGIC ENTREPRENEURSHIP

As Chapter 2 discussed in detail, the nature of strategic entrepreneurship may take various forms, ranging from incremental to radical, with deliberate to emergent approaches. Based on the findings in Chapter 5 (Section 5.4), and the discussion thus far, variations in the nature of the five activities characteristic of strategic
entrepreneurship were noted. Figure 6.6 illustrates these variations in terms of the type of innovation (ranging from incremental to radical), and strategic approach (ranging from deliberate to emergent).

Of the five strategic entrepreneurship activities in this study, two are considered to be incremental and deliberate; with two being incremental and emergent. Activity 3 was classified as being radical and emergent. It should, however, be noted that despite distinctions made between terms such as incremental and radical (Ireland et al., 2003), there remains some subjectivity and variations in interpretation, with different perspectives leading perhaps to different assessments. For this reason, Figure 6.6 notes activities that may perhaps be classified as partly incremental and partly radical, and classifies the activities based on their core or dominant attributes.
6.8 REFINING THE PROPOSED FRAMEWORK OF STRATEGIC ENTREPRENEURSHIP

Centred on the discussion in this chapter, there is substantial support for the proposed conceptual framework of strategic entrepreneurship presented in Chapter 2. However, findings from this study and the discussion from this chapter also reveal further insights providing the basis for a more refined understanding of strategic entrepreneurship. Key concepts within the revised conceptual framework of strategic entrepreneurship are presented in Table 6.7 below. The revised framework, while deliberately broad, is largely consistent with the concepts presented in Chapter 2. This framework provides valuable early guidance and structure on an emerging and increasingly prominent topic, and represents a step towards a theory of strategic entrepreneurship.
FIGURE 6.5 STRATEGIC ENTREPRENEURSHIP: A REVISED CONCEPTUAL FRAMEWORK

1. Strategic entrepreneurship refers to entrepreneurial activity applied in a strategic context.

2. Entrepreneurial activity is represented by the combination of opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth, to create new products, services, or markets. These elements represent the entrepreneurial inputs into (foundations of) the strategic entrepreneurship process.

3. The strategic context involves leveraging from a business’ core skills and resources such that knowledge is transferred and applied to create new products, services, or markets. As such, the creation of new products, services, or markets is supported by a business’ existing knowledge and skills, thereby decreasing the liability of newness. This context of leveraging from a business’ core skills and resources represents the foundation for strategic entrepreneurship.

4. Elements supportive of and essential for strategic entrepreneurship include organisational learning (explorative/exploitative learning, operational excellence, cost minimisation); entrepreneurial mind-set, culture, and leadership; and internal environment.

5. The nature of strategic entrepreneurship may take various forms, ranging from incremental to radical innovations, with deliberate to emergent approaches.

6. SOEs that possess operational autonomy from political and government intrusion are positively associated with increased level of entrepreneurial activity (strategic entrepreneurship).

**Note:** Adapted from (Luke, 2009)

As was highlighted by Sharma and Chrisma (1999), new frameworks should consider prior research in an attempt to reconcile theory development and avoid unexplained inconsistencies and confusion. Henceforth, returning to the prior research on strategic entrepreneurship as a basis for comparison, findings from this study suggest strategic entrepreneurship is not dependent on internationalisation (Feeseer & Willard, 1990), nor alliances or partnerships (Hitt et al., 2001; Ireland et al., 2001), but rather looks for commercial opportunities to expand (with respect to new markets, products, and services), and works with
customers to ensure outputs are tailored to meet specific needs. Further, it is also about developing the core competencies and capabilities (skills and resources), so that opportunities for entrepreneurial activity (identified either by those inside or outside the organisation), can be explored with a level of confidence and familiarity so that the business can successfully undertake such activity. Further, given the context of this study, it may be argued that strategic entrepreneurship is not consistent with a public sector context, and is potentially relevant to both the public and private sector, where a commercial focus exists.

6.9 SUMMARY

This chapter has discussed the insights gained with respect to the nature and scope of strategic entrepreneurship, considering both findings from this study together with prior research. In addition, a revised conceptual framework of strategic entrepreneurship provided a more nuanced understanding of the topic of strategic entrepreneurship. Also of significance is the public sector (in particular state-owned enterprises) context of this study. While extensive support was found for many of these concepts, ultimately many more findings and issues emerged for further discussion, consideration, and research. Although not insignificant, length requirements applicable to this study prevented further issues being addressed and explored in the discussion chapters. They are however, briefly identified in the following chapter, which concludes this study by considering implications, limitations, and areas for further research.
7 CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 OVERVIEW OF STUDY

This research has examined strategic entrepreneurship and issues surrounding this type of activity in a public sector context. While the concept of strategic entrepreneurship has received increasing attention in recent years, few studies have focused on strategic entrepreneurship as a distinct concept. Further, of those studies which have taken this view, findings and conclusions are inconsistent and evolving. Consequently, the objective of this research was to address the question of ‘What is the nature and scope of strategic entrepreneurship in the context of South Africa’s SOEs?’ through an examination of theory and practice. In order to address this question, specifics objectives were defined. First, to examine the context and nature of the environment in which SOEs operated – discussed extensively under proposition 6. Second, to determine if there is evidence of SE in SOEs. Third, to explore in detail the extent to which entrepreneurial activity is possible and advisable in SOEs. Fourth, to determine how SE might best be organised to take place in SOEs in the South African context. Objectives two, three and four were addressed and discussed under propositions 1a, 1b, 2, 3a, 3b, 4, and 5.

Examination of concepts, conclusions and limitations within existing literature led to the development of a proposed framework of strategic entrepreneurship, ultimately grounded in theory. In order to consider the practical application of this framework, an appropriate method of research was then considered and discussed,
addressing the rationale, context, and associated issues relevant to the research approach. The research approach was applied to four SOEs operating in South Africa. Specifically, activity classified as entrepreneurial and strategic (strategic entrepreneurship) was examined and analysed to identify the nature and scope of strategic entrepreneurship. These organisations were selected for reasons indicated below. Firstly, on the basis that strategic entrepreneurship activity, similar to entrepreneurial activity, is equally relevant to both public and private sector organisations (Drucker, 1985), the selection of SOEs or indeed any government organisation seemed appropriate. Further, given that research on entrepreneurship has traditionally overlooked the public sector (Bahaee & Prasad, 1992), a deliberate focus on SOEs as a starting point seemed an important, viable, and less conventional approach to the examination of strategic entrepreneurship. Lastly, due to the increasing focus on governments to foster entrepreneurship through policy (Reynolds et al., 2004), the question arises as to why governments should not also foster the development of entrepreneurship through their own practice.

This examination facilitated both within-case analysis and cross-case comparison (Eisenhardt, 1989; Yin, 2009). Findings were considered ‘within’ based on primary (interview) data collected. Further, various secondary data (e.g. historical and contemporary textual data from websites of public and private sector organisations and institutions, annual reports, media reports, and financial data) were collected and analysed throughout the course of this research.
Discussion of the findings involved reflecting on insights gained from this study, and considering these insights in the context of prior research – identifying similarities and reconciling differences. This chapter concludes the study of strategic entrepreneurship – its nature and scope - in the context of South Africa’s SOEs, by highlighting significant findings, outlining the contributions made (in terms of the implications for theory and practice), acknowledging limitations inherent to this study, and identifying areas for future research to further develop the understanding of strategic entrepreneurship, and commercial and entrepreneurial activity in the public sector. Each of these issues is addressed in the following sections

7.2 SIGNIFICANT FINDINGS

A number of findings with respect to the nature and scope of strategic entrepreneurship in South Africa’s SOEs have been noted throughout this study. Further, a number of interesting insights have emerged specific to the public sector context of this study, including issues relating to operating environments and the recently pronounced reforms set to govern the way SOEs operate. This section reviews some of the most significant findings which have emerged from this study, ranging from the unveiling of new knowledge to the refinement of existing theory on strategic entrepreneurship.
7.2.1 STRATEGIC ENTREPRENEURSHIP

As highlighted above, the initial and central focus of this study was examining the nature and scope of strategic entrepreneurship in SOEs. From this examination and the comparison of activity characterised as entrepreneurial and strategic, a number of significant findings emerged. Such findings include practical support for the proposed framework and refinement of theory with respect to supporting elements of strategic entrepreneurship. These findings are reviewed briefly below.

7.2.1.1 DEFINING STRATEGIC ENTREPRENEURSHIP: PRACTICAL SUPPORT FOR THE PROPOSED FRAMEWORK

It was highlighted from the beginning of this study that both strategic entrepreneurship and the understanding of the topic in general, are limited. Very few studies have specifically focused on this topic of strategic entrepreneurship as a distinct concept since its emergence in the last decade. Thus, the recent emergence and very small body of literature on this topic indicates that much is yet to be explored, investigated, and understood. These developments indicate that strategic entrepreneurship is an important area of research, deserving of attention, with a promising future.

A number of findings have been made through an examination of individual cases and subsequent cross-case comparisons during the course of this study. The framework proposed in the initial stages of this study identified underlying elements and potential outcomes of strategic entrepreneurship. On subsequent examination
of this framework in a practical context, it was revealed that extensive support for the framework does exist. Consequently, comparing and contrasting individual case findings has reinforced the notion of entrepreneurial activity as the foundation of strategic entrepreneurship, and strategy (from the perspective of the resource-based view) as a foundation for strategic entrepreneurship. In addition, support for the core entrepreneurial elements (opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth) and strategic context (developing a level of expertise and leveraging from core skills and resources), has contributed to the understanding and development of a theory of strategic entrepreneurship. This development is perhaps one of the key findings arising from this study.

This study has found that a significant practical support exists for each of the concepts - proposition 1a and proposition 1b on the fundamental elements of strategic entrepreneurship, and proposition 2 on the nature of strategic entrepreneurship. While Ireland et al.’s 2001 study of strategic entrepreneurship included references to and examples of organisations and activities relevant to the arguments presented, the framework was subsequently revised (Hitt et al., 2001) and later remodelled (Ireland et al., 2003). Similarly, studies by Ireland and Webb (2007) and Ketchen et al. (2007) provided only brief examples without comprehensive analysis or empirical data. This study however, progresses the understanding of strategic entrepreneurship with practical support, replication of findings, theoretical replication, and level two inference (Yin, 2009), that is, being able to contrast support for the proposed framework with a lack of practical support.
for an alternative strategic entrepreneurship framework, moving towards an initial theory of strategic entrepreneurship. Additional important findings from study include emergent detail with respect to dimensions of individual core elements, and the identification of a number of supporting elements, providing the opportunity for further refinement of the proposed framework presented in Chapter 2. These findings are presented below.

7.2.1.2 REFINEMENT FOR THE PRELIMINARY FRAMEWORK: CORE AND SUPPORTING ELEMENTS

As highlighted earlier, three concepts were initially derived from the preliminary framework found in Luke (2009). Through an inductive approach, this preliminary framework was refined for both core and supporting elements. With respect to the core elements, a number of interesting findings emerged, encompassing opportunity identification, innovation, and acceptance of risk.

This study has found that the notion of opportunity identification in the context of strategic entrepreneurship is closely tied to growth. Further, opportunity identification may be internal or external, structural or otherwise, one-off or cumulating and recurring. Thus the development of core capabilities and establishing a public profile such that a business gains external recognition for its capabilities, can lead to potential customers presenting opportunities to a business.
In relation to innovation, the notion that it is not dependent on planned, formal, and capital intensive research and development, but rather a more informal approach such as experimentation within a flexible work environment, is also an important finding, and a departure from the literature on research and innovation (Mansfield, 1980). This informal and economical approach to research and development potentially removes financial barriers some may have associated with innovation as part of strategic entrepreneurship. Further, it is also evident that an environment of experimentation is arguably more practical and achievable for businesses than the promotion of continuous (Ireland & Webb, 2007) and collaborative (Ketchen et al., 2007) innovation.

Finally, the distinction between risk-taking and accepting, managing and minimising risk, is also an important finding, given that for more than a century, literature on entrepreneurship has emphasised high-risk and entrepreneurs as risk-takers. Thus, findings with respect to strategic entrepreneurship highlighted a deliberate evaluation and acceptance of risk, and the perception of risk as manageable given the confidence SOEs had in their core competencies.

Grounded on the findings, three supporting themes and their associated elements, being dynamic capability (entrepreneurial mind-set, culture, and leadership), organisational learning and internal environment, were identified as important internal contextual variables, effectively aiding the creation of strategic entrepreneurship. Contrary to earlier studies that highlighted operational
excellence, culture, and cost minimisation as supporting elements, and argued that these elements were not considered essential, the supporting elements mentioned above are considered essential and viewed as supportive of the strategic entrepreneurship construct. As highlighted in Chapter 2, the strength in each of these areas assists organisations or businesses pursuing strategic entrepreneurship.

Specifically, dynamic capability (entrepreneurial mind-set, leadership, and culture), organisational learning, and internal environment aid in making strategic entrepreneurship more accessible by enhancing a business’ capabilities, outlook, and approach to experimentation, innovation, entrepreneurial and strategic activity. Consequently, enriched ability and alertness, together with modest financial investment, allows opportunities to be identified, explored, and assessed more effectively and more frequently. Ultimately this environment effectively supports the strategic entrepreneurship process, with the chances of success potentially increased. In addition, where potential projects are not successful, it is quite likely that through the element of organisational learning, the business will learn from experience and build on that for future entrepreneurial and strategic pursuits.

As highlighted in Chapter 2, the initial elements proposed in a study by Luke and Verreynne (2006) were subsequently rationalised from a theoretical standpoint by exploring literature beyond the immediate scope of entrepreneurship and strategy to consider other domains (e.g. public sector management) within the broader
disciplines of strategy and business. Table 7.1 presents a summary and rationale of the elements initially identified as supporting at the commencement of this study (Chapter 2, Section 2.2.8.1), and the elements subsequently identified as supporting based on an examination of strategic entrepreneurship.
### TABLE 7-1 SUPPORTING ELEMENTS: INITIAL AND REVISED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Capability</td>
<td>Entrepreneurship mind-set</td>
<td>• Encourages innovation and flexibility</td>
<td>Entrepreneurial mind-set</td>
<td>• Encourages sense of stability to encourage innovation and entrepreneurship</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Support environment that is open to new ideas and innovation, accepting of experimentation and risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td></td>
<td>• Supports culture that is open to new ideas, flexible in approach, and progressive in outlook</td>
<td>Culture</td>
<td>• Clearly supported in the findings from this study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Confidence to take on new projects, experiment with innovation</td>
<td></td>
<td>• Flexible and progressive culture provides a valuable environment for staff to identify and pursue opportunities and innovative ideas</td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
<td>• Encourages support from top management</td>
<td>Leadership</td>
<td>• Clearly supported by the findings of this study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Supports leaders with entrepreneurial leadership capabilities</td>
<td></td>
<td>• Supports extra stamina, trust, and respect from top management</td>
</tr>
<tr>
<td>Organisational Learning</td>
<td>Operational Excellence</td>
<td>• Promoted a positive reputation within and outside the organisation</td>
<td>Operational Excellence</td>
<td>• Encourages sense of stability to encourage innovation and entrepreneurship</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Solid platform for experimentation with innovation</td>
<td></td>
<td>• Encourages operational excellence to achieve greater customer satisfaction levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Alignment of operational activities with country SOE mandate/country</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supports experimentation and innovation</td>
<td>Cost Minimisation</td>
<td>Clearly supported in the findings from this study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Particularly useful in a public sector context where resources are limited and accountability is high</td>
<td></td>
<td>Supports an environment where experimentation is encouraged</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Supports cost minimisation as a major driver of the business (e.g. economies of scale)</td>
</tr>
<tr>
<td>Cost Minimisation</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Explorative/Exploitative learning</td>
<td>Support efforts to create new, unique insight and knowledge through a process of discovery and experimentation</td>
<td></td>
<td>Not clearly supported by the findings of this study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supports knowledge acquisition and refinement of existing knowledge to improve current activities or resolve immediate problems</td>
<td></td>
<td>Potentially too broad in nature</td>
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<tr>
<td></td>
<td></td>
<td>Supports the firm’s ability to continually shift resources and build new capabilities</td>
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<tr>
<td></td>
<td></td>
<td>Encourages increased training and development of resources</td>
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<td></td>
</tr>
<tr>
<td>Explorative/Exploitative learning</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Internal environment</td>
<td>Autonomy, cooperation, locus of participation, top management support, and reward systems</td>
<td>Promotes conditions that promote entrepreneurship, strategic management and the ambidextrous ability to switch across contradictory modes of operation</td>
<td>Internal environment</td>
<td>Clearly supported in the findings from this study</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Encourages a supportive environment where staff are conscious of the relevant risks and deliberately try to minimise/manage them</td>
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<td></td>
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<td>Supports reward systems that encourage value creation</td>
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<td></td>
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<td></td>
<td>Support alignment of</td>
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</table>
Table 7.2 below presents a revised framework, together with concepts from the preliminary framework proposed in Chapter 2. This revised framework represents an important development in the understanding of strategic entrepreneurship, hence it is useful as a foundation for a theory of strategic entrepreneurship. In addition, it provides the opportunity to evaluate past understandings and guide new knowledge.

<table>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>SOE strategy with key government strategy</td>
</tr>
</tbody>
</table>

Note: Researcher own analysis
### TABLE 7-2  TOWARDS A THEORY OF STRATEGIC ENTREPRENEURSHIP: REVISED CONCEPTUAL FRAMEWORK

<table>
<thead>
<tr>
<th>Revised conceptual framework</th>
<th>Associated concept from preliminary framework</th>
<th>Supported (S), Modified (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic entrepreneurship refers to entrepreneurial activity applied in a strategic context</td>
<td>1a &amp; 1b</td>
<td>S, M</td>
</tr>
<tr>
<td>2. Entrepreneurial activity is represented by the combination of opportunity identification, innovation, acceptance of risk, flexibility, vision, and growth, to create new products, services, or markets. These elements represent the entrepreneurial inputs into (foundations of) the strategic entrepreneurship process</td>
<td></td>
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<tr>
<td>3. The strategic context involves leveraging from a business’ core skills and resources such that knowledge is transferred and applied to create new products, services, or markets. As such, the creation of new products, services, or markets is supported by a business’s existing knowledge and skills, thereby decreasing the liability of newness. This context of leveraging from a business’s core skills and resources represents the foundation for strategic entrepreneurship.</td>
<td></td>
<td></td>
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<tr>
<td>4. The nature of strategic entrepreneurship may take various forms, ranging from incremental to radical innovations, with deliberate to emergent approaches.</td>
<td>2</td>
<td>S</td>
</tr>
<tr>
<td>5. Elements supportive of and essential for strategic entrepreneurship include organisational learning (explorative/exploitative learning, operational excellence, cost minimisation); entrepreneurial mind-set, culture, and leadership; and internal environment.</td>
<td>3, 4, &amp; 5</td>
<td>S</td>
</tr>
<tr>
<td>6. SOEs that possess operational autonomy from political and government intrusion are positively associated with increased level of entrepreneurial activity (strategic entrepreneurship)</td>
<td>6</td>
<td>S, M</td>
</tr>
</tbody>
</table>

*Note: Source (Researcher own analysis)*

This revised framework is also presented grammatically in Figure 7.1 below.
At the core of this revised theory of strategic entrepreneurship framework, key major themes emerged which are summarised by this Figure 7.1, and further discussed in Section 7.3.1. For public sector organisations strategic entrepreneurship is driven by the context in which these organisations exist as discussed in detail in the findings section of this report. Second, the core elements of SE do not exist in isolation, but are supported by key elements which are central to increasing entrepreneurial activity in these organisations. These elements were
also discussed in detail in the findings section of this study. Interesting to note is that this revised framework of SE can also be applied in private sector context.

7.2.2 RE-EXAMINING THE PUBLIC SECTOR CONTEXT: A CASE FOR RE-THINKING THE SCOPE AND POTENTIAL OF THE PUBLIC SECTOR

From the review of the public sector context of this study, a number of significant findings were identified. Specifically, these findings included issues pertaining to the SOEs’ regulatory environment, and issues regarding SOE reforms in practice. These issues are deliberated below.

Major findings from this study in the context of the public sector include broad support for current SOEs’ restructuring efforts. Clearly there is evidence overall that SOEs do operate with freedom political interference. There is also evidence to suggest SOEs are generally commercially free, and that there is a high awareness of responsibility for commercial results. Notably so, there is a general consensus that SOEs do operate similarly to private sector firms. Within South Africa’s SOE sector, individual SOEs (SOE B) have at times been recognised as market leaders, successful innovators, and established competitors in global markets. Remarkably, however, there are also areas where financial independence and success has not been achieved, indicating that SOE restructuring efforts are not an all-encompassing solution. Likewise, there are areas of improvement with respect to the current SOE restructuring efforts, and these too are significant findings. The
challenges surrounding inconsistent objectives between the shareholders (Government) and the objectives of boards of SOEs, the difficulty in segregating Government’s function as policy-maker and shareholder (especially in the case of SOE D where Government plays a role of being a custodian of rail and also an operator of rail), over-regulation within specific industries (especially in the case of SOE B) causing operational restrictions, a degree of acceptance or tolerance of risk is potential area for improvement within the SOE context, are all significant findings and areas requiring attention. Crucially, however, these issues do not shadow the success of the SOEs under review in this study, and the overall impression made by the sector is noticeably optimistic.

Thus, entrepreneurial activity, and more specifically strategic entrepreneurship, is not consistent with a public context. Further, as a more structured approach to entrepreneurial activity, strategic entrepreneurship may be particularly appropriate for risk averse and highly accountable businesses such as those in the public sector (Mulgan, 2000).

Due to the developments surrounding the implementation of entrepreneurial activity in the public sector, this study has contributed to the emergent public sector management, specifically new public entrepreneurship (Luke, 2009). This form of activity represents a new approach to public sector management for organisations which have established strong commercial capabilities and are able to extend the scope of their operations into entrepreneurial activities. Although the potential for
entrepreneurial activity within the public sector has been raised in the extant literature, this study is one of the few additions which presents a systematic approach to such activity from a theoretical and practical perspective. Accordingly, this finding not only changes our understanding of how the public sector can operate, but may also hypothetically change the way public sector entrepreneurship is viewed in the future. Moreover, it provides a platform for a continued enquiry into this area of research. Thus, such findings give rise to a number of propositions from both a theoretical and practical perspective, and are considered in the following section.

7.3 CONTRIBUTIONS FROM THIS STUDY

This research makes contributions to both theory and practice in the areas of strategic entrepreneurship and public sector context. At the heart of this study, outcomes reflect the process of strategic entrepreneurship as a distinct construct. Findings from a public sector context uncovered a number of practical, regulatory, and policy-related issues, together with variations, complexities, and challenges with respect to public sector context. A further dimension to this study was the examination of entrepreneurial activity specific to public sector organisations, referred to as SOEs. Each of these findings is considered below in terms of theoretical and practical contributions.
7.3.1 IMPLICATIONS FOR THEORY

Grounded on the findings from the individual cases and discussions in Chapter 6, which presented cross-case comparisons in the context of strategic entrepreneurship in the public sector, a number of theoretical implications can be identified in each of these areas.

7.3.1.1 REFINEMENT AND EXTENSION OF STRATEGIC ENTREPRENEURSHIP THEORY

Perhaps the most significant theoretical implication from this study with respect to strategic entrepreneurship is that two conceptual groups were identified within the process of strategic entrepreneurship: core elements and supporting elements. Core elements are those which represent the foundations of, and foundations for, strategic entrepreneurship, each of which are central to entrepreneurship and strategy. Supporting elements are those which assist business in undertaking strategic entrepreneurship through enhanced dynamic capabilities, outlook, and approach (Luke, 2009). As such, supporting elements facilitate the likelihood of opportunities being identified and pursued more frequently in a supportive environment.

The development of strategic entrepreneurship research beginning with an entrepreneurial focus and encompassing an examination of practice through detailed case-based analysis, provided the opportunity for research on strategic entrepreneurship to progress beyond the general notion of being the intersection of
entrepreneurship and strategy (Hitt et al., 2001; Ireland et al., 2001; Ireland, et al., 2003) and a balance of opportunity-seeking and advantage-seeking behaviour (Ireland et al., 2003; Ireland & Webb, 2007; Ketchen et al., 2007). In particular, this study identified specific empirical validated elements which comprise strategic entrepreneurship. Further, this study progresses the understanding of strategic entrepreneurship by moving towards a theory on this construct.

7.3.1.2 PUBLIC SECTOR CONTEXT

Findings from this study provided insight not only into strategic entrepreneurship as a distinct concept, but also very specific insight into strategic entrepreneurship in the context of SOEs. Accordingly, strategic entrepreneurship does have a place within the public sector, the role of government can go beyond policy-making, and the specific elements required to achieve a more structured approach to entrepreneurial activity have been identified. Specifically, when activity within the public sector organisation extends beyond commercial and innovative to being entrepreneurial in nature, a new dimension of activity emerges with the public sector, being NPE. The theoretical implications are such that this concept deserves promotion and attention within research and practice communities.

7.3.2 IMPLICATIONS FOR PRACTICE

A number of implications can be identified with respect to strategic entrepreneurship and the public sector context of this study, taking into account the
practical findings from this study. The more noticeable issues within each of these areas are considered below.

### 7.3.2.1 STRATEGIC ENTREPRENEURSHIP

Perhaps one of the most important implications at the heart of this study is acknowledging and understanding the importance of the core elements in order to create strategic entrepreneurship. As such, the entrepreneurial elements (opportunity identification, innovation, acceptance of risk, flexibility, vision, growth) and strategic context (leveraging from core skills and resources such that knowledge is transferred and applied to create new products, services, or markets), are essential for the creation of strategic entrepreneurship. Consequently, businesses cannot rely on innovation alone or focus solely on new opportunities, but rather ensure these elements are adopted collectively as per the proposed revised framework that includes the external and internal environments to facilitate strategic entrepreneurship. Further, to enable strategic entrepreneurship, the supporting elements (organisational learning, internal environment, dynamic capability) must be understood to be important to facilitate the creation of strategic entrepreneurship.

### 7.3.2.2 PUBLIC SECTOR CONTEXT

From a public sector context, the implications of this study are that while governments continue to review and restructure the SOE sector in pursuit of enhanced operational efficiency and a fostering of government entrepreneurship,
this study lends support to the option of commercialisation of SOEs. The implications are such that the South African Government, SOEs and the public can perhaps better understand the progress to date within the SOE sector. Improved communication between Government and the SOE sector as a whole would remove uncertainty and make expectations between SOEs and Government more explicit. While this latter issue is generally working effectively, room for improvement was noted as evidenced in the findings.

### 7.4 LIMITATIONS OF THE STUDY

This study has examined strategic entrepreneurship through an examination of entrepreneurial activities within four SOEs in South Africa, using primary data (interviews) and a range of secondary data over a five-year period. One of SOEs who had originally been part of the sample did not participate in this study. This has led to another SOE being chosen. Further, with the exception of one SOE, the analysis of activity within participating SOEs focused on one of many projects undertaken, however several activities may have been suitable for inclusion in this study. Moreover, South Africa’s SOEs, being more dynamic, continue to undertake new projects, activities, and ventures on a regular basis, which have also not been considered as part of this research. Thus the analysis presented within this research focuses only on one topic, at one particular time, and does not include all the SOEs operating in South Africa at the time this study began.
Although this study provides an exhaustive account of activity undertaken by SOEs in South Africa, SOEs (and variations thereof) in other countries and regions were beyond the scope of this research. Likewise, strategic entrepreneurship activity undertaken by private sector organisations in South Africa and abroad was also outside the scope of this research. As a result, extrapolations and generalisations extended to private sector businesses can only be deliberated indirectly.

In relation to the research approach, case study research, while viewed as appropriate for this study, continues to be criticised in the context of research on entrepreneurship within government. Specifically, Moe (1994; p.112) referred to research of this nature as “snapshots of successful entrepreneurial projects which political leaders and public sector managers can refashion to work in their favour”. While this approach to data analysis incorporated techniques to address “refashioning” (e.g. triangulation), and included cases of both success and failure, the view expressed by Moe and the need for strategic entrepreneurship research that incorporates a stronger empirical emphasis is acknowledged.

7.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This study has addressed the questions raised at the beginning of this study and also uncovered additional issues to be addressed and explored in the future. It is recommended that the revised SE framework proposed above (Table 7.2) be used to investigate strategic entrepreneurship in a broader range of contexts involving
both public and private sector businesses, as well as businesses in both South Africa and abroad, as it will provide an enhanced understanding of this construct. Studying strategic entrepreneurship in other business and industry sectors, public and private, would also be particularly useful to ratify its existence, prevalence, and compare similarities and differences.

Further, consideration of strategic context other than the resource-based view is also an important area for research, to examine the scope of strategic entrepreneurship (e.g. agency-based theory, learning theory). Similarly, examination of supporting elements in a wider range of businesses may provide further insight into what elements supports strategic entrepreneurship and which elements are particularly important in a public versus private sector context.

In the context of the public sector, a few issues emerge as areas for future research. Another area of interest is how strategic entrepreneurship is understood and may be utilised across different stakeholders and levels within SOEs. Specifically, how does strategic entrepreneurship filter through the organisation and influence organisational outcomes? More importantly, another potential area for research in the South African context is to understand the financial implications of strategic entrepreneurship in SOEs. Consequently, it can be concluded that while much has been uncovered from this study in two distinct areas – public sector context and strategic entrepreneurship – there is still much to learn (Kurakto & Audretsch, 2009).
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9.1 APPENDIX A – INTERVIEW PROTOCOL

This document details the protocol to be followed for the interviews with participants, providing an outline of the questions to be raised during the interview process. Essentially the protocol aims to ensure a consistent approach is adopted for each interview.

SOE: ---------------------------------------------------------

Activity/ project being reviewed:---------------------------------------------------

1. Introduction
   1.1. Brief introduction of myself and the research study
   1.2. Brief overview of the context/issues within the organization I am interested in examining further
   1.3. Agree to be identified in the report:
       1.3.1. SOE
       1.3.2. Individual(s)

2. Background on SOEs activities and operations
   2.1. As a SOE operating under South Africa public sector reforms, do you feel the reforms are working effectively
   2.2. Is there freedom of commercial choice?
   2.3. Is there freedom from political influence?
2.4. Is the organization working effectively under the reforms? (e.g. sustainable profits)
2.5. In terms of revenue, how much of the company’s revenue is from services provided to Government?
2.6. Can you give an indication of the difference between funding previously received as a government department and revenue current earned from Government as a SOE?
2.7. Are there any issues regarding the amount contributed capital (government funding)?
   Requirement to additional capital (from Government)
   Pressure to repay capital contributed?
   Pressure to pay increasing dividend?

3. Details of the activity/opportunity recognized as entrepreneurial
3.1. Is there activity which you consider to be entrepreneurial?
3.2. Ask participant to provide an overview/ background details of the entrepreneurial activity
3.3. Enquire about the strategic aspect of the activity/opportunity
   e.g. deliberate strategic objective determined in advance, or an opportunity identified at a particular time?
3.4. Extract additional background details relating to the situation
   Who/What/When/Why/How

4. Details of elements characteristic of entrepreneurship
4.1. When/how was the opportunity identified?
4.2. Is/was there element of innovation?
4.3. Identification of risk?
   4.3.1. Which of the risk below are considered relevant to strategic/entrepreneurial projects such as ____________?
   _______financial (ie that the costs or returns may be higher/lower than expected)
   _______commercial (ie that the project may not be commercially successful or viable)
   _______competitor (ie that competitors may be dissatisfied with the activity undertaken)
   _______political (SA) (ie that the activity may give rise to political issues in South Africa)
4.3.2. Identified before/during/after the project?  
Level of risk? E.g. low/moderate/high/calculated

4.3.3. Deliberate decision to accept risk?  
4.3.4. Of the risk identified above, which is considered the biggest risk relating to entrepreneurial projects such as
________________________________?

Risks versus returns

4.3.5. What, if any, returns or benefits are relevant to projects such as ____________, in addition to financial returns?

4.4. Flexibility within the project  
4.5. Element of vision  
(e.g. to identify the project, potential obstacles, and viable solutions to address these obstacles)

4.6. Is/was there an element of growth?  
In what context?  
Financial and/or non-financial  
Regional/domestic/international

4.7. Were (any or all) these elements integrated/related?  
Was there a dominant element, or specific focus on 1 particular element? (e.g. innovation)

Did that dominant element or focus change over time?
4.8. Do you consider the activity/opportunity created any specific advantage for the organization? Competitive advantage
Does the benefit/advantage continue to exist?
Why/why not
- What (additional) elements do you consider fundamental in order to ensure this activity/opportunity is a success?

5. Wealth creation
5.1. Has the entrepreneurial project(s) created wealth for the organization?
5.2. Significant profits?
   Once-off recurring profits?

5.3. Approximate revenue in 2009 from the project (in R or as a % of total revenue for 2010)
   Approximate profit in 2009 from the project (in R or as a % of total profit for 2010)

5.4. Approximate revenue in 2010 from the project (in R or as a % of total revenue for 2010)
   Approximate profit in 2010 from the project (in R or as a % of total profit for 2010)

Year the project commenced ______
Duration of the project _______ yrs, or ________no fixed period

NB. If 2009/10 are not relevant to the project, please indicate figures for 2 consecutive years which are relevant to the project
5.5. Are revenue and profits continuing to increase from the project?
5.6. Related projects/ spin offs?
5.7. Additional strategic/entrepreneurial projects undertaken?
   - similar in nature to activity under the review
   - different in nature to activity under the review
   - why/why not undertaken?

6. **Details of elements previously identified as a strategic context of organization**
6.1. Is there a particular approach to strategy within the organization?
6.2. How would you describe the culture of the organization?
   Is there an emphasis on people?
   Is there an emphasis on customers?
6.3. Does the organization make use of branding?
6.4. Is there a particular focus on operational excellence?
6.5. Is there a particular focus on transfer and application of knowledge?
6.6. Is there a particular focus on cost minimization

7. **Examination of the activity/opportunity in another business context**
7.1. On the basis that strategic entrepreneurship may be applied to all forms of business, would (in your opinion) this activity/opportunity be possible if the organization was of a different form?
   E.g. small rather than large
   Private sector rather than public sector?
7.2. Was the opportunity available to other organizations/competitors in the industry?
7.3. Why/Why not?

8. **Governance and support**
8.1. Are there any formal meeting held between SOEs during the year with DPE for e.g.
8.2. Is the DPE supportive of the SOEs?
8.3. During the last few months, there have been a number of announcements with regards to board changes in SOEs. Do SOEs have any input into the changes made to the board of directors?
8.4. What support do you look from the Department of Public Enterprises?
8.5. Do you feel that DPE provide the necessary support?

- 

9. Other details and conclusion
9.1. Are the any other issues the participant would like to raise/matters which are relevant to the discussion?
   Is there any documents/publications which are available and relevant to the study
   Is there anyone else within the organization who you suggest I can contact to gain additional information, or further insight into the issues discussed?

9.2. Challenge for the future?
9.3. Thank you for your time.
9.2 CONSENT FORMS

Information Consent Letter

Project Title

Examining the nature and scope of Strategic Entrepreneurship in SOEs:
An Exploratory Study

Invitation

My name is Percy Mathebula, and I am currently studying Masters of Business Administration at Gordon Institute of Business Science (GIBS). As part of this study, I am doing research on the topic of strategic entrepreneurship within South Africa organizations, in particular state-owned enterprises (SOEs). I would like to invite you to participate in this project. Our interview is expected to last about an hour, and will help us understand how strategic entrepreneurship is identified in theory and recognized in practice.

Your participation is voluntary and you may withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Research Supervisor Details:

Dr. Johan Olivier
Email: fisheagle@imaginet.co.za
Phone: +27-12-991-6562

Researcher Details:

Percy Mathebula
Phone: +27828899941
percy.mathebula@me.com

Signature of researcher: ________________________________

Participant Name: ________________________________
Participant Signature: ________________________________
Participant Contact Details (if appropriate):

Date: __________________________________________________
### 9.3 APPENDIX B – SUMMARY OF ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Activity Description</th>
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| 1        | **Gauteng Freeway Improvement Project**  
The Gauteng Freeway Improvement Project (GFIP) comprises phases to upgrade and implement new freeways of an ultimate 560 km freeway network. The first phase, comprising the upgrading of 185 km of the most congested freeways is currently under construction. |
| 2a       | **Underground Coal Gasification (UCG)**  
Was conceptualized by more than a century ago. It’s aim is to address clean coal activities for SOE B. |
| 3b       | **Concentrated Solar Project**  
State-owned power utility Eskom is “reasonably confident” that it will commission its 100 MW concentrated solar power (CSP) demonstration plant in the Northern Cape, by 2016, technology and planning manager Barry MacColl said on Monday.  
Speaking at the Solar South Africa conference, in Johannesburg, he said that the parastatal wanted to push the technology boundary through the completion of what would be the largest CSP plant in the world.  
The design of the plant would have to be finalised by 2013, MacColl said. “We hope to commission the plant by 2016, which gives us two-and-a-half years of build time. By mid-2013, we have to finalise the design for the plant, with molten salt central receiver our preferred option,” he told Engineering News Online.  
In line with the environmental-impact assessment (EIA), Eskom hoped to build a 100-MW central receiver demonstration plant with molten salt as a heat transfer fluid. It would appoint an owner's engineer as the first step in the commercial process, to support it in the development and execution of the project.  
But, the engineering design, finding a suitable firm to work with Eskom as an owners engineer and preparing the package to go out as an engineering, procurement and construction (EPC) contract to the market, remained a challenge, MacColl said.  
The utility was currently assessing a large number of applications, after a request for expressions of interest for the provision of EPC services was put out in April.  
It would appoint an EPC contractor and a planning and design contractor by 2012.  
Should Eskom not start construction by 2015, and should it change the proposed design from the envisaged central receiver plant, it would have to revise its approved EIA.  
Possible plant specifications included capacity factors suitable for base-load |
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<td>operation, and two tank storage systems, with molten salt, designed to operate the power plant as a base-load plant. The plant would have a dry-cooled or hybrid-cooled design to ensure efficient use of water. Further, all auxiliary power would be sourced from the national grid and backup would be sourced from diesel generators, with the life-of-plant being a minimum of 25 years. A water supply contract has also been secured with the Upington municipality.</td>
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<td>The land on which the CSP plant would be built was adjacent to the 5 000 MW solar park, in Upington, for which the South African government has committed R18.6-million to complete a feasibility study.</td>
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<td>“This is exciting in that we are now collaborating with government to do a conceptual layout that would add value to both solar parks as opposed to treating them as separate entities.</td>
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<td>Success of A-Darter programme opens way for two more SA-Brazil projects</td>
<td>A-Darter is a fifth-generation short range air-to-air missile system designed to meet the challenges of future air combat against next-generation fighters in a hostile ECM environment.</td>
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<td>The Brazilian Navy is negotiating with South Africa on the joint development of a new version of the Umkhonto (‘spear’) naval surface-to-air missile (SAM). These are official talks, designed to establish the official framework within which the joint development programme would take place. In addition, there are less advanced discussions under way between Brazil and South Africa concerning the development of an SAM version of the A-Darter air-to-air missile (AAM), which would be for the Brazilian Army.</td>
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<td>The Umkhonto is a product of Denel Dynamics, part of South Africa’s State-owned Denel defence industrial group. It is in service with the South African Navy (SAN) and the Finnish Navy and uses infrared guidance. The Denel Dynamics public brochure for it states that it has a range of 12 000 m and a ceiling of 8 000 m. This version of the SAM is sometimes referred to as the Umkhonto-IR.</td>
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<td>But Denel Dynamics has long had ambitions to develop a longer ranged version of the missile, which would use radar homing. This project is known as Umkhonto-R, and this is almost certainly what the Brazilian Navy is interested in. The Department of Defence is believed to be supplying limited funding to Denel Dynamics for the Umkhonto-R project, enough to keep the concept alive but not enough to actually develop the missile.</td>
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<td>As a consequence, the company has been looking for a foreign partner to codevelop the Umkhonto-R. Indeed, in 2008 Engineering News reported that Denel had approached the Brazilian Navy about a joint development programme.</td>
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</table>
|          | The Brazilian Navy is known to be seeking an SAM with a range of more than 30 km but less than 50 km to equip the new generation of large frigates that it is planning to acquire during this decade. There will be five of these frigates, each of which will displace about 6 000 t. In comparison, the SAN’s Valour-
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<td>class frigates each displace about 3 600 t. (Fitting the Umkhonto-R to the Valour-class ships would greatly increase the operational capabilities of the SAN.) Clearly, the proposed joint programme would involve the development of a new seeker head and an extra stage for the missile.</td>
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<td>Regarding the possible SAM version of the A-Darter, the Brazilian Army needs to modernise its air defence capabilities for the 2014 FIFA World Cup and the 2016 Olympics. An SAM version of this AAM would not need a new seeker head, but would require a new or additional booster and a launcher system.</td>
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<td>Although the Brazilian Army has a dedicated air defence brigade (the 1st Antiaircraft Artillery Brigade) with five battalions, it is mostly equipped with obsolete systems. Currently, the only modern air defence systems it possesses are a small number of Russian 9K38 Igla (‘needle’) man-portable SAMs.</td>
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<td>According to the Brazilian weekly Época, the Brazilian Army has budgeted between $1.5-billion and $4.5-billion to acquire new SAMs, anti-aircraft guns and radars, as well as to upgrade existing systems. Note that the Brazilian Army is likely to seek to acquire more than one type of SAM, as there different categories of these weapons (very short range, short range, medium range and long range).</td>
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Iron Ore Project

The Sishen–Saldanha railway line, also known as the Ore Export Line, is an 861 kilometres (535 mi) long heavy haul railway line in South Africa.[1] It connects iron ore mines near Sishen in the Northern Cape with the port at Saldanha Bay in the Western Cape.[1] It is used primarily to transport iron ore and does not carry passenger traffic.

The Sishen–Saldanha line was built by Iscor, the then iron and steel parastatal, opening in 1976.[2] In 1977 the line was transferred to Transnet Freight Rail, then known as South African Railways & Harbours, and a decision was made to electrify the line.[2] A voltage of 50 kV AC was chosen instead of the usual 25 kV in order to haul heavier loads and to allow a larger distance between transformers.

A single set of tracks with ten crossing loops to allow trains travelling in opposite directions to pass was constructed; this has since been increased to 19 crossing loops to increase line capacity.[1]

From an altitude of 1,295 metres (4,249 ft) at Sishen, the line climbs for 42 kilometres (26 mi) before descending to cross the Orange River about 10 kilometres (6 mi) downstream of Groblershoop.[1] For the next 300 kilometres (190 mi), the line rises and falls before descending towards the Atlantic coast.[1] The railway crosses the Olifants River on a 1,035 metres (3,396 ft) viaduct between Vredendal and Lutzville[2] and reaches the coast about 160 kilometres (100 mi) north of Saldanha.[1] From here it follows a coastal route.

Initial train lengths consisted of 3x class 9E electric locomotives, hauling 210 type CR ore wagons with a payload of 80 tons.[2] Upgraded wagons now carry 100 tons.[1] Train lengths have been increased to 342 wagons, employing Radio Distributed Power (RDP) technology. These 4 km long trains (10
Examining the nature and scope of strategic entrepreneurship in state-owned companies:

APPENDICES

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<td>locomotives and 342 wagons), are the longest production trains in the world. More than 3,000 of these RDP trains have been operated since launched in December 2007.\textsuperscript{1} citation needed</td>
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