

CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

Entrepreneurship as a construct has expanded its boundaries beyond the individual start-up context. Entrepreneurial thinking is changing the way business is conducted at every level and in every country. According to Kuratko and Morris (2002:23) entrepreneurship is about the creation of wealth, enterprise, employment, change, innovation, value and growth. Established organisations combine the critical elements of entrepreneurship with the strategic requirements and development of organisations. The process of combining entrepreneurship with the strategic requirements of an existing organisation refers to corporate entrepreneurship or intrapreneurship, the primary focus of this study.

The purpose of the current study is to explain the concept of corporate entrepreneurship and to identify some of the factors that influence entrepreneurial behaviour inside a retail organisation. Corporate entrepreneurship is becoming more important for the survival of any established organisation. It is imperative that management at all levels inside an organisation understand the concept and creates an environment which promotes this behaviour among its employees.

The aim of the study is, furthermore, to identify the factors which hinder or promote entrepreneurial behaviour, and to recommend to senior and middle management what systems or policies need to be implemented to encourage this behaviour. The findings will likewise contribute to the relatively new nature of the science of corporate entrepreneurship.

Chapter 1 will address the background of the study, several elements of entrepreneurship, and definitions of important concepts, such as innovation and corporate entrepreneurship. Secondly, the purpose of the study is advanced and the research problem is defined with specific reference to the objectives, which are based on the problem defined. Thirdly, the methodology used to attain the objectives is explained. Finally, an orientation outlining the main components of the research project is presented.

1.2 BACKGROUND

The current study focuses on factors impacting on entrepreneurial behaviour inside a retail organisation. Wolmarans (1999:22) argues that business organisations are not able to explore the creative potential of the workforce. Therefore, many of these people are transformed into community leaders and entrepreneurs once they leave the workplace. The author continues to assert that bureaucracies seem to be destroying creativity in an organisation. In addition to this, organisations fail to recognise that some people do not work for material or tangible purpose only, but also for

psychological “remuneration” such as challenges, responsibility and recognition. According to the author, employees in entrepreneurial companies are inspired by personal value-driven missions, they reflect the philosophy of the founders, and they see value in their work. People in entrepreneurial companies take pride in their work and are committed to quality excellence; they are empowered to take decisions; they are flexible and respond to changing needs.

Wolmarans underlines these observations by arguing that big organisations fail, due to complacency and companies are losing touch with their customers. There are no open communication channels in these companies between employees and employers, for the risk of making a career limiting statement. Decision-making in these companies is centralised and individuals who take initiative, are often punished.

In support of the above statement, Peters and Waterman (Van Aardt and Van Aardt 1997: 7) argue that most discouraging in large organisations is the loss of drive to change and thrive on the opportunities that allowed the business to grow in the first place. Corporate bureaucracy is the opposite of the entrepreneurial spirit, and does not necessarily change or adapt in response to opportunities.

The next century will define the corporate performance in the global economy as that of continuous innovation and an ability to continually redefine corporate performance (Kuratko and Morris 2002:15). In order to be innovative, companies must engage into facilitating creative skills that induce innovation as the outcome.

Entrepreneurship is all too often defined as the creation of a new business, yet nowhere is it more important than in large, established businesses. Large organisations are still perceived as bureaucratic, slow moving and risk-averse (Ellis and Forehand 2001:22).

According to Kuratko and Morris (2002:11) managers often fail to realise that organisational solutions which are not flexible and changing, could create problems for the future. To move ahead, organisations must consciously introduce and plan structures that lead to development and innovation.

Pryor (1993:44) asserts that entrepreneurship is important in established organisations as product life cycles are contracting and businesses need to stay ahead of global competitors. However, the larger the business, the more difficult and costly it seems for management to react to changing markets and customer demands.

According to Hitt et al (2002:22) an entrepreneurial mindset is required for firms to compete successfully in the new competitive landscape. Companies need to support entrepreneurial actions that exploit opportunities, which in turn help create competitive advantages for the firm. These authors state further that managers should seek to establish a competitive advantage with the goods or services created. When integrated, entrepreneurship and strategic actions are thus complementary.

From the latter it is clear that large organisations need their employees to be entrepreneurs. Large organisations are faced with challenges such as shorter product life cycles, intensified competition, changing markets and changing customer demands. In order for organisations to survive, grow and be profitable, they need innovative and creative employees who take pride in their work and are empowered – entrepreneurially speaking - to respond to the changing needs of the market.

1.3 IMPORTANT CONCEPTS

Various related concepts need to be explained. In this section, the following working definitions will be defined: entrepreneurship, entrepreneur, corporate entrepreneurship, creativity and innovation.

1.3.1 Entrepreneurship

Entrepreneurship is a creative act whereby something is created; it involves a degree of risk and results in the creation of value for the individual and society (Johnson 2001:137). Johnson continues to outline the concept of entrepreneurship as relying on an entrepreneur with entrepreneurial attitude and behaviour, which results into entrepreneurship.

Gartner (Rusell 1999:65) defines entrepreneurship as the creation of new organisations. This definition seems to exclude many activities commonly associated

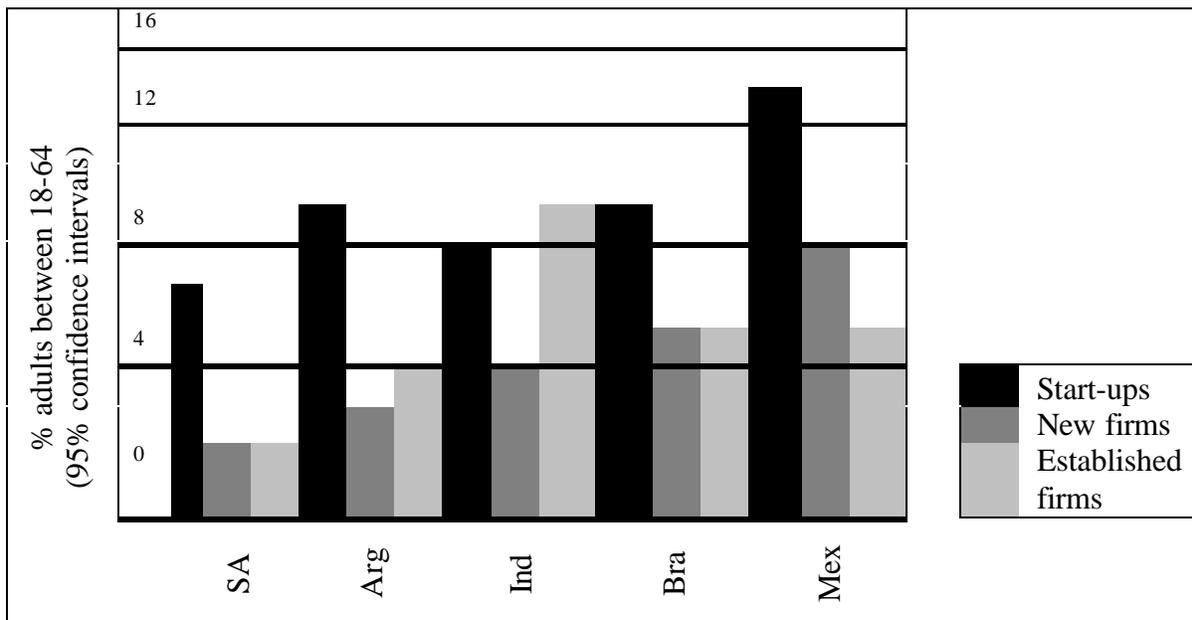
with corporate entrepreneuring such as the creation of supportive structures and cultures to foster innovation.

Kuratko and Morris (2002:15) describe entrepreneurship as adaptability, flexibility, speed, aggressiveness and innovativeness. Entrepreneurship, they continue, may also be defined as seeking and capitalising on an opportunity, taking risks beyond security, and having the tenacity to push an innovative idea through to reality. An entrepreneurial perspective can be developed in any individual, inside or outside an organisation. According to the authors, businesses today are experiencing an entrepreneurial revolution. This means that business start-ups are high and the rate of new products and service introduction is increasing in most industries. In addition to this, the number of patents issued and the licensing of new products is increasing and there is a continuous development and enhancement of new technology.

According to Foxcroft et al (2002:9) the rate of start-up businesses in South Africa was 57 per cent in 2001, as documented in the Global Entrepreneurship Monitor (GEM). In comparison to other developed countries measured, South Africa is weakest in terms of new business development and established businesses (see Figure 1). The upper bound of South Africa's estimated start-up rate is below the lower bound of estimated start-up rates for all other developed countries (measured in the GEM), such as Argentina, Brazil, Mexico and India. It can be concluded that the actual percentage of start-ups in South Africa is lower than in all developed countries. The same is true for new firms and established firms. The latter are

primary sites of job creation, which indicates that South Africa's entrepreneurial sector is well below the developing country norm.

Figure 1: Entrepreneurial activity by type of firm in GEM developing countries

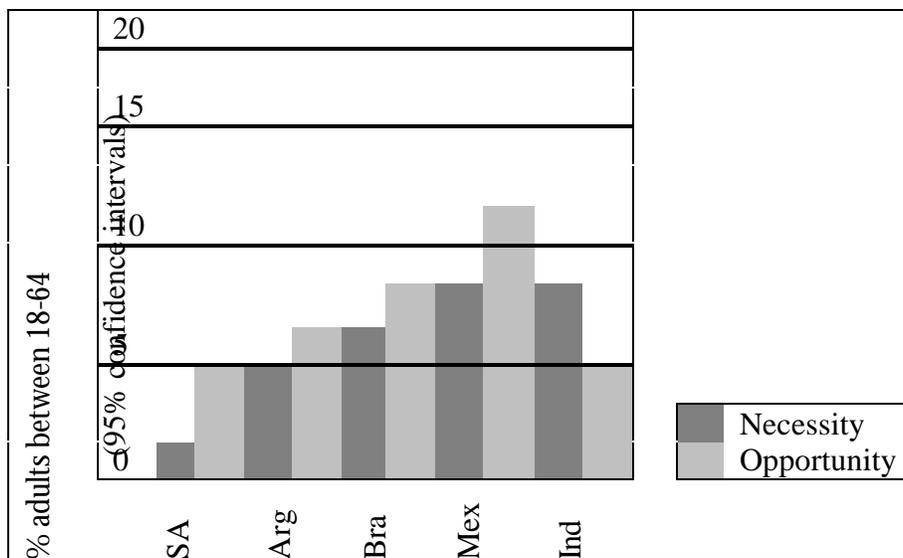


Foxcroft et al (2002:9)

Foxcroft et al (2002:10) distinguish between opportunity entrepreneurs (those who are taking advantage of business opportunity) and necessity entrepreneurs (those who have no better choice for work). According to the authors, the rate of necessity entrepreneurship is higher in developing countries than in developed countries. South Africa has the second lowest opportunity rate, significantly lower than Argentina, Brazil and Mexico (see Figure 2). Necessity entrepreneurship comprised 42 per cent of total entrepreneurial activity in developing countries. In South Africa, the necessity

rate is only 32 per cent of total entrepreneurial activity. The necessity rate in South Africa is the lowest and it appears to account for the variation between South Africa and other developing countries in total entrepreneurial activity.

Figure 2: Necessity and opportunity entrepreneurship in GEM developing countries



Foxcroft et al (2002:10)

As mentioned before, South Africa has a very low rate of entrepreneurship, and yet, it plays an important role in the growth of any economy. Timmons (1999:17) comments that entrepreneurs change the way people live, work and learn, which leads to the entrepreneurial revolution. Entrepreneurs are the creators, innovators and leaders who give back to society. They create the next wave of industries through the technologies,

products, processes and services they develop. The value that entrepreneurs create with high growth companies vests in the job creation engines of the future.

Kuratko and Morris (2002:23) identify seven perspectives on the nature of entrepreneurship:

- the creation of wealth by assuming risks in exchange for profit;
- the creation of enterprise by the founding of new business ventures;
- the creation of innovation with an unique combination of resources that make existing methods or products obsolete;
- the creation of growth in terms of sales, income, assets and employment;
- the creation of employment by employing, managing and developing the factors of production;
- the creation of value for customers by exploiting untapped opportunities.

Stevenson (Kuratko and Morris 2002:22) defines entrepreneurship as the process of creating value by bringing together a unique package of resources to exploit an opportunity.

Various definitions exist for the construct of entrepreneurship. A summary of the definitions is presented in Table 1 (Hitt et al 2002:22).

Table 1: Selected definitions of entrepreneurship

Schumpeter	Entrepreneurship is seen as new combinations, which include the introduction of new goods; new methods of production; opening of new markets; new sources of supply or a new organisation.
Kirzner	Entrepreneurship is the ability to perceive new opportunities.
Drucker	Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth-producing capacity.
Stevenson	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.
Louw and MacMillan	Entrepreneurship is the creation of a new business.
Gartner	Entrepreneurship is the creation of an organisation or the process by which new organisations come into existence.
Timmons	Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach and leadership based.
Sharma and Chrisman	Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that occur within or outside an existing organisation.

Hitt et al (2002:22).

From these definitions it is clear that entrepreneurship has been seen variously as the ability to recognise entrepreneurial opportunities and the willingness to take calculated risks which leads to the creation of value. Entrepreneurship is an act of innovation and organisational creation, within or outside an existing business.

In conclusion, Antonites (2003:29) defines an entrepreneur as an individual with the potential to create a vision from virtually nothing. This is fundamentally a human creative action. Energy is invested in the initiation process by initiating the start up of a company rather than merely analysing and being an onlooker in the process of forming a new business. This vision and action includes the willingness to take a calculated risk. This risk involves personal, social, and psychological as well as financial components. Everything possible is done to achieve the goals (set by the individual him/herself) and to avoid the possibility of failure. A noticeable attribute within this frame of reference is the fact that the entrepreneur has the ability to identify an opportunity where the regular person on the street would see chaos, contradictions, ambivalence and confusion.

Antonites says that the core of entrepreneurship can, however, be seen in the development of the 'new', be it in products or services with corresponding addition of value and profit-driven decision-making. The reward for achievement is not only financial, but involves also personal satisfaction and independence.

1.3.2 Entrepreneur

An entrepreneur is an innovator who carries out new combinations in order to introduce new goods or to improve existing products, develop new methods of production, open up new markets and find new resources or create new forms of business organisations (Schumpeter 1984:8). According to Johnson (2001:135) an entrepreneur takes initiative, assumes responsibility, manages risks and has the persistence to see things through. Johnson argues further that entrepreneurial attitude and behaviour include motivation to achieve, taking ownership, making decisions independently, creative and flexible thinking, as well as awareness of risks and risk management.

Nieman, Hough and Niewenhuizen (2003:9) explain that an entrepreneur is a person who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet these needs. The entrepreneur bears the risk of the venture and is rewarded with profit if it succeeds. Entrepreneurs prefer to be in control of their own businesses, but can also be found in large organisations where they have the freedom to build their own organisation, within the established organisation, with profit motives. They are then referred to as *intrapreneurs* or *corporate entrepreneurs*.

Guzmán and Santos (2001:211) identify the factors that determine the quality of entrepreneurs. Entrepreneurs, they argue, have a preference for working as self-employed which is a manifestation of their desire for independence. They have intrinsic motivation to achieve higher entrepreneurial success. Personal factors are, for example, the ability to learn, to think critically, and negotiation and interpersonal skills.

According to Longenecker, Moore and Petty (2000:11) entrepreneurs can be classified into three types:

- Founders, who are inventors and initiate businesses. Founders survey the market, raise funds and arrange for the necessary facilities.
- General managers, who act as administrators of the business and preside over the operation of successful ongoing business firms.
- Franchisees, who are entrepreneurs with limited power, due to a contractual relationship with a franchising organisation.

In combinations of the above mentioned definitions, an entrepreneur can also be defined as a creative person who is willing to take risks in order to create a new product, service or business. In conclusion, an analysis of the definitions for both 'entrepreneurship' and 'entrepreneur' suggests the following characteristics:

- the need for achievement; a desire to succeed and to be personally responsible for their own assigned tasks;
- the willingness to take financial and security risks;

- the self-confidence, to believe in their own ability and an internal locus of control;
- a passion and enthusiasm for the business.

1.3.3 Corporate Entrepreneurship

Zahra (Kuratko and Morris 2002:30) defines corporate entrepreneurship as formal or informal activities aimed at creating new businesses in established organisations, through the development of markets or product/process innovations. These activities take place with the unifying objective of improving the organisation's competitive advantage and financial performance.

Corporate entrepreneurship is used to describe entrepreneurial behaviour inside established and large organisations. Related terms include organisational entrepreneurs, intrapreneurship and corporate venturing (Kuratko and Morris 2002:31).

Maxwell and MacRae (1999:26) define corporate entrepreneurship as the continuous process of learning. With this process, organisations strive to identify opportunities and change creativity patterns of resource deployment in order to create new opportunities for positioning within uncertain markets.

Carrier et al (Russell 1999:66) define corporate entrepreneurship as an extension of individual entrepreneurship within the context of existing organisations.

In addition to the above characteristics, Foxcroft et al (2002:13), state that entrepreneurs believe in themselves, and believe that they have the skills to start a business. The authors continue to emphasise the importance of exposure to entrepreneurial role models and education as an influence on entrepreneurial activity.

Burgelman conceptualises corporate entrepreneurship as a process of externalling opportunities through internally generated new resource combinations, or innovations (Ferreira 2002:2). Sathe interprets corporate entrepreneurship as innovation and venturing whereby new business is created through market development (Ferreira 2002:2).

As has been indicated in the previous definitions, the term ‘corporate entrepreneurship’ refers to entrepreneurial activities within an organisation, using the resources of the organisation for the purpose of achieving innovative results.

Corporate entrepreneurship is also referred to as intrapreneurship, and can be defined as entrepreneurship in an already existing organisation, to the benefit of the organisation. It is evident that corporate entrepreneurship is not confined to a particular business size or stage in an organisation’s life cycle.

In conclusion, corporate entrepreneurs, or intrapreneurs, can be defined as people who put new ideas into action within established organisations. Although employed in a corporate position, corporate entrepreneurs are given the freedom and incentives to create and market their own ideas (Nieman et al 2003:347).

For the purpose of this study, the term 'corporate entrepreneur' and 'corporate entrepreneurship' will be used to describe entrepreneurial behaviour inside an organisation.

This study will address the importance of, and factors influencing corporate entrepreneurship, in an already existing retail chain. The next section will indicate that creativity and innovation are basic concepts of corporate entrepreneurship.

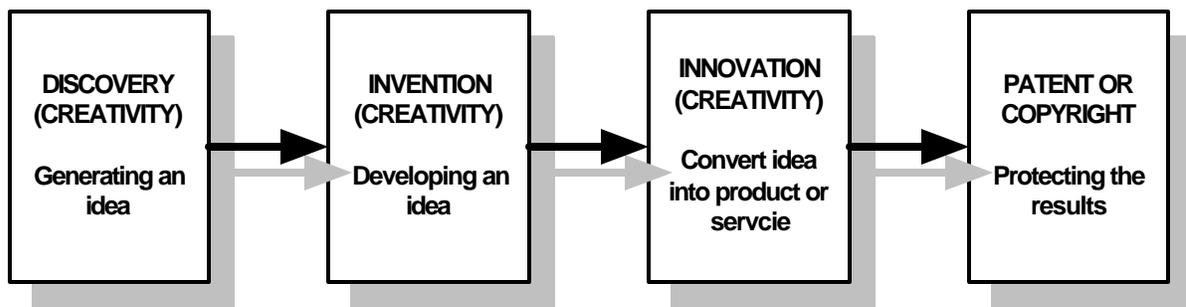
1.3.4 Creativity and Innovation

Rothenburg states that creativity can be categorised in three areas (Couger 1995:2). First is the creative person with personal attitudes, habits, motivation, perception and thinking. Second is the creative process, and thirdly, the creative product. However, the above model is incomplete, as it does not consider the environment factor and its effect on creative efforts.

Innovation is the result of a creativity process. Couger (1995:3) defines a creative product as new or unique and an improvement that has value or utility. A discovery is a

unique idea. The author substantiates the fact that an invention converts an idea into something with value, and innovation results into a specific product or service (see Figure 3).

Figure 3: Differentiation of discovery, invention and innovation



Couger (1995:18).

Organisational climate or culture can be a barrier to creativity (Couger 1995:77). Some of the blockages are lack of co-operation among colleagues, lack of support to bring ideas into action, punishment for risk-taking and autocratic managers.

Innovation refers to any change in a product or service; change in the application of a product or service; change in the market to which a product or service is applied; any change in the way a product or service is developed and delivered; or the development of a new business model that is different from its current or previous business model (Johnson 2001:139).

According to Grossi (1990:49) a fundamental distinction between ‘improvement’ and ‘innovation’ can be made. Improvement is any change that does not require any substantial adjustments to the existing system. Innovation, on the other hand, requires a drastic change in direction with different objectives, different rules and a different environment. Grossi identifies three forms of innovation in Table 2, namely:

Table 2: Forms of innovation

FORMS OF INNOVATION	EXPLANATION
Product innovation	The development of new products and new materials
Market innovation	To identify new markets and new applications
Process innovation	To identify new industrial, management and administrative processes

Source: Adapted from Grossi (1990:49)

The challenge for organisations in today’s marketplace is to build competitive advantage, which can only be accomplished through continuous innovation and the creation of new ideas, as suggested by Kuratko and Morris (2002: vii). Major organisations have acknowledged this need over the last ten years; however, they

floundered through reductions in workforce, downsizing, budget cuts and depressed morale. The authors are of the opinion that the entrepreneurial sector created millions of jobs, and its people (not institutions) created new ideas. Thus, the new century is seeing corporate strategies focused heavily on innovation and creative employees.

In support of the above, Kuczmarski (1995:6) states that organisations have focused too long on cost-cutting initiatives and becoming low-cost producers to gain competitive advantage in the market. To gain real competitive advantage, the focus of innovation must be on developing new products that provide consumers with totally new perceived benefits. Innovation is the best way to move ahead in the industry and to create new ways to increase profit margins. Shepard defines innovation as a firm that learns to do something it did not know how to do before, and then proceeds to do it in a sustained way (McGinnis and Verney 1987:19).

Entrepreneurs innovate, and innovation is the instrument of entrepreneurship (Drucker 1985:30). Drucker underlines the notion that purposeful, systematic innovation begins with the analysis of opportunities and the collection of new knowledge. Innovation is conceptual, perceptual, focussed, and innovative organisations need to implement the following practices:

- focus managerial vision on opportunity;
- identify individuals/departments who are successful innovators and let them share their success stories with the rest of the organisation;
- allow for employees to communicate their new ideas to management;

- measure innovative performance to identify projects that need more support, and projects that are opening new opportunities to the benefit for the business.

From the above survey of the literature it is clear that there is a growing urgency for innovation in the business environment. This statement is supported by Van Aardt and Van Aardt (1997:19) as they are of the opinion that innovation can increase the competitive advantage of a business. The authors state that the competitive advantage will increase if the competition fails to perceive a new way of competing or is unable or unwilling to respond to innovation. Innovation is necessary to differentiate one's offering from the competitor, to find and fill unoccupied, niche spaces in the market, as well as to keep up with soaring productivity of competitors.

South Africa needs a new 'corporate revolution' therefore more entrepreneurial thinking should take place in large bureaucratic structures. This revolution is needed for businesses in general, but in particular by, Massdiscounters, the retailer and subject of the research. A study conducted in 1991 by Struwig (Nieman et al 2003:355) concluded that the implementation of corporate entrepreneurship in South African businesses requires a special programme. This programme should focus on the recognition of the individual corporate entrepreneur, corporate entrepreneurial teams, entrepreneurial organisations and entrepreneurial outposts to enhance the innovative abilities of organisations. The study demonstrates that corporate entrepreneurship can indeed be implemented in South African businesses. This leads to an overview

discussion of the subject of the research which is Massdiscounters, a division of Massmart.

1.4 AN OVERVIEW OF THE CASE STUDY

Massmart is a managed portfolio of seven wholesale or retail chains, focused on high volume, low margin, low cost distribution of mainly branded consumer goods, including food, general merchandise and liquor. Massmart is a cash business, focussing on eight countries in Southern Africa, according to the Massmart web page (Frequently asked questions, 2004: www.massmart.co.za).

Massmart has four divisions, namely Massdiscounters, Masswarehouse, Masscash and Masstrade. The scope of this study is focused on Massdiscounters.

Massdiscounters is a chain of 73 retail discount stores trading under the *Game* and *Dion* retail brands in South Africa, Namibia, Botswana, Zambia and Mauritius.

Massdiscounters offers a variety of general merchandise and non-perishable groceries to the value-seeking customer in the Living Standards Measurement (LSM) group 6 – 10 market segment. It can therefore be stated that Massdiscounters operates in the general merchandise as well as fast moving consumer goods (FMCG) sectors of the wholesale and retail sector.

For the purpose of this study, all the store managers of the Dion and Game stores, divisions of Massdiscounters, will form the basis of the case study. The 66 local store managers will be the population sample.

Corporate entrepreneurship is important for Massdiscounters. As argued before, corporate entrepreneurial behaviour has the purpose of increasing profitability, and it fosters innovativeness, which leads to strategic renewal in established organisations.

1.5 PROBLEM DEFINITION

In today's business environment, as organisational structures flatten and competition intensifies, the primary concern is how to develop proactive managers who can make good use of scarce resources and can respond effectively to the needs of the marketplace (Epelle 2003:2). Epelle considers corporate entrepreneurs as important for dynamic, growing organisations. He asserts that corporate entrepreneurial skills should be particularly evident in middle managers to ensure that the organisation is filled with a continuous stream of innovation.

It is therefore clear that existing organisations, such as *Dion* and *Game*, need a competitive advantage to survive in today's dynamic business environment in general, and in specific in the retail industry. Corporate entrepreneurship is a new way of thinking and is essential to gaining a competitive advantage.

While many organisations do not realise that they need corporate entrepreneurship to survive, some do, but lack the knowledge to implement corporate entrepreneurship programs. This study identifies some of the factors that influence corporate entrepreneurial behaviour inside an organisation. The focus of this study will be on middle management's perception of corporate entrepreneurship and the factors which prevent or encourage them to act entrepreneurially in the *Dion* and *Game* stores.

It is a general assumption that middle managers execute decisions made by top management and have a functional role in the business. Middle managers (store managers) are responsible for driving profit levels and control expenditures within budgetary levels.

Kuratko and Hornsby (1999:4) recognise that both levels of managers, executive and middle level, have the ability to influence the success of entrepreneurial activity. Executive level management establishes the strategy and develops an environment conducive to the entrepreneurial behaviour of middle managers. The authors state further that middle level managers must perceive this internal environment as conducive to their entrepreneurial behaviour in order for the entrepreneurial strategy to be implemented.

Kanter (Van Aardt and Van Aardt 1997: 21) is of the opinion that successful entrepreneurial middle managers have characteristics that enable them to become

successful entrepreneurial managers. He argues that entrepreneurs are comfortable with change and have clarity of direction. Entrepreneurs are known for their thoroughness and participative leadership style. They have persuasive persistence and discretion, and are able to apply an integrative problem-solving approach. Lastly, entrepreneurs embrace change as an opportunity to test their limits.

Stevenson and Jarillo (Bulbulia 1999: 16) show that in the case of corporate entrepreneurship, the distinction between senior managers and the organisation's pursuit of opportunities is not clear. The authors believe that the pursuit of opportunities must come from below the ranks of top management in order to make the organisation intrapreneurial. However, this is not evident from other studies as all work on intrapreneurial organisations focuses exclusively on the attitude of senior management. Thus, if Stevenson and Jarillo's speculations about corporate entrepreneurial organisations are valid, then there should be a correlation between the corporate entrepreneurial behaviour of the firm and the attitude of those individuals below the ranks of senior management.

The significance of this study can therefore be emphasised and the contribution it can make to senior managers if they understand the perceptions and frustrations of middle managers to act entrepreneurial.

1.6 OBJECTIVES OF THE STUDY

The purpose of this study is to identify the factors that impact on entrepreneurial behaviour in a particular retail organisation, and to provide recommendations to assist the retail organisation with promoting entrepreneurial behaviour amongst its employees.

1.6.1 Primary objective

The primary objective is to identify factors that influence entrepreneurial behaviour of middle management in the retail organisation: Massdiscounters.

1.6.2 Secondary objectives

In order to achieve the primary objective the following secondary objectives for this study have been set:

- to determine whether there is management support for corporate entrepreneurship in this particular retail organisation;
- to identify the level of work discretion of employees in this case study;
- to identify the rewards for creative and innovative employees;
- to identify any organisational boundaries that hamper or induce corporate entrepreneurial behaviour;

- to identify the factors that promote and impede the entrepreneurial behaviour of middle managers in an already established organisation;
- to identify what needs to be done in a retail organisation to promote entrepreneurial behaviour amongst its middle managers.

1.7 METHODOLOGY

1.7.1 Literature study

The aim of the literature study is, first, to gain a body of knowledge regarding the constructs *corporate entrepreneurship* and *corporate entrepreneurial behaviour*; and to understand the relationship between these constructs and strategic management.

Secondly, the literature study provides a better understanding of the retail organisation, which is the context within which the case study is derived for this research.

Finally, the factors that may influence the corporate entrepreneurial behaviour of middle managers are identified.

In order to conduct this research, published proceedings, scientific journals, research reports, company documents, dissertations and recognised internet articles will be consulted.

1.7.2 Research design

Ethnographic research involves a case study where the research is usually qualitative in nature and aims to provide an in-depth description of a small number (less than 50) of cases (Mouton 2001:149). Mouton states that the design classification is empirical, and that the data is a combination of text and numeric. Key research questions are both exploratory and descriptive.

In a case study, research is directed at understanding the uniqueness and idiosyncrasy of a particular case in all its complexity. The objective of this research is to investigate the dynamics of some single bounded system, typically of participants or an institution (Welman and Kruger 1999:21).

This study aims to provide an in-depth description of factors, (the independent variables), that impact on intrapreneurship, (the dependant variable). The mode of reasoning is inductive and theoretical, no hypothesis will be formulated.

Certain general ideas or expectations act to guide the empirical research. It is against this background that qualitative research will be conducted, with a retail company (Massdiscounters) as the case study. An attempt will be made to understand the middle managers' experience of corporate entrepreneurship, from

the subjective perspective of the individuals involved, incorporating the context in which they operate as well as their frame of reference.

The strength of this research design is that it offers in-depth insights and has high construct validity (Mouton 2001:150). Construct validity is used when the investigator has developed a theoretical rationale underlying the test instrument (DePoy and Gitlin 1998:207). This validity is not only based on the measurement of the selected concept, but also on the theoretical principles related to the concept.

1.7.2.1 Empirical study

The aim of the study is to use the knowledge gained by the literature study to empirically investigate the circumstances in *Dion* and *Game*, as typical retail organisations in South Africa. The study is carried out with regard to the factors influencing the entrepreneurial behaviour of employees and corporate entrepreneurship within an organisation.

An empirical study will address a real-life issue, which is to identify factors that influence entrepreneurial behaviour in a real-life business. Existing data about this topic will be analysed, and primary data will be collected from the case study using questionnaires.

1.7.2.2 Exploratory study

The purpose of the exploratory research is not to start with a problem – the approach of the study is to test the concept of corporate entrepreneurship in a case study format. The aim of the research is to determine if this phenomenon exists, and to gain familiarity with its expression in a South African company.

Leading questions will be avoided and the wording of questions will be simple. All possible precautions will be taken to ensure reliability, but it is impossible to control the environment in which the questionnaire is answered. The purpose of the questionnaire is to collect data regarding the perception of middle managers (store managers) of a number of organisational stimuli that affect their functioning as intrapreneurs inside the organisation. Questions in the questionnaire will be categorised according to:

- management support for corporate entrepreneurship
- employees' work discretion and empowerment
- rewards and reinforcement for creative employees
- time availability for innovation and creativity
- organisational boundaries

The aim of the questionnaire therefore is to identify the factors that act as barriers to corporate entrepreneurship and innovative behaviour on middle management level in the retail organisation. The results of this study will identify the factors that could

enhance corporate entrepreneurship and innovative behaviour on middle management level, which will be presented to the senior management of the retail organisation.

The concepts of innovation and corporate entrepreneurship will be clearly defined in the questionnaire. The questionnaire will be distributed to the *Dion* store managers during a store managers' meeting in July 2004. The *Game* store managers will receive their questionnaires via e-mail communication.

1.7.2.3 Research sample

A purposive sample will be selected for the research. The sample will consist of all 66 local store managers from the retail chain and has been deliberately chosen to represent a population.

Massdiscounters has 73 stores, of which 66 is local, thus the sample constitutes 90, 4 per cent of the Southern Africa market.

1.8 CONTRIBUTION OF THE STUDY

The importance of the research of this specific study for the retailer is that key success factors for the creation and maintenance of an entrepreneurial culture in the organisation, may be determined. Top management, middle managers as well as educators in the field of entrepreneurship, can use this information to understand the

effectiveness of corporate entrepreneurship in their organisation, and so assist in formulating a more suitable model for future entrepreneurial units in South African organisations.

This information obtained from the present study will further assist management to have a better understanding of the frustrations and obstacles faced by middle managers, to increasing their productivity. As a result, senior management will have a better understanding of the importance of innovation as a competitive edge, which can lead to an innovative workforce and first-mover advantages in the industry.

The findings of this research could thus, by definition, assist management of any retail organisation to gain a competitive advantage by successfully promoting corporate entrepreneurship internally. As it is clear from earlier discussions, South Africa needs its organisations to be competitive and productive to enhance economic and social growth.

It will become clear from the literature study that it appears as if no studies on intrapreneurial behaviour were conducted in this specific retail environment for this specific retail group, and it therefore emphasises the uniqueness of this study.

1.9 LIMITATIONS OF THE STUDY

The uniqueness of this study is also one of the limitations of this study. The limited information and research available on the concept of corporate entrepreneurship means that there is little opportunity to offer a comparative analysis of the results of this study.

In addition, limited information is available from the retail organisation, due to the sensitive nature of strategic information such as business objectives, strategic plans, policies related to human resources and financial information.

Finally, the sample size is limited, as *Dion* stores only operate in Gauteng and *Game* stores are situated in various geographical areas in South Africa. The *Game* store managers will be contacted through e-mail communication. The sample size is therefore 66, with a possibility that not all 66 store managers will complete the questionnaire which was distributed to them.

1.10 DEMARCATION OF STUDY

The research study is divided into 5 chapters:

Chapter 1 is a discussion of the background and important concepts. Furthermore, the problems addressed by the study are defined, the primary and secondary objectives are set out and a very brief description of the methodology to be followed is discussed.

This chapter is a general introduction to the study.

Chapter 2 provides background information about the retail sector in South Africa; Massmart; and finally, Massdiscounters, in order to put the research process and results into perspective.

Chapter 3 explains the relationship between entrepreneurship and corporate entrepreneurship. The chapter is also a discussion of the concept of corporate entrepreneurship in terms of entrepreneurial behaviour, and its relationship with strategic management and innovation. This chapter addresses the factors impacting on the intrapreneurial behaviour of employees; and attempts to understand the implementation of corporate entrepreneurship in an existing business.

Chapter 4 explains the research methodology and presents the main findings.

Chapter 5 offers a summary, conclusions and recommendations. Results are explained and the contributions of the study discussed.

CHAPTER 2

THE SOUTH AFRICAN RETAIL INDUSTRY

2.1 INTRODUCTION

Background information about the retail industry puts this study into perspective, as the case study in this research is a key role player in South African retail. In this chapter retail trade is defined followed by a background overview of Massmart, with specific reference to Massdiscounters.

2.2 CONCEPTS OF RETAIL TRADE

Retailing is a set of business activities that adds value to the products and services sold to consumers for their personal or family use (Levy and Weitz 2001:8). These authors define the retailer as the business that sells products and services to consumers.

The authors state that in a traditional distribution system, the product moves from the manufacturer to the wholesaler to the retailer, before it reaches the final consumer.

Retail is the final business in the distribution channel that links manufacturers with consumers.

According to Levy and Weitz (2001:8), retailers undertake business activities and perform functions that increase the value of products and services they sell to consumers. These functions include providing an assortment of products and services, breaking bulk, holding inventory and providing services.

Mason, Mayer and Wilkinson (1993:7) say that anyone who sells a product or service to a buyer for personal or household use is involved in retailing.

Statistics South Africa (2004:12) defines retail trade as the resale -sale without transformation- of new and used goods and products to the general public for household use. The retailer is an enterprise which derives more than 50% of its turnover from sale of goods to the general public for household use.

Jones (2002:141) indicates the annual percentage rates of growth of value added by the manufacturing sector in South Africa, with specific reference to wholesale, retail and trade in Table 3.

Table 3: Average annual growth rates

Period	1950 - 1960	1960 – 1970	1970 – 1980	1980 -1990	1990 - 2000
Wholesale, retail and trade	3,86	7,27	5,58	2,17	1,36

GDP	4,50	5,71	3,37	1,51	1,65
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Jones (2002:141)

According to Jones, the South African gross domestic product (GDP) will improve if it makes the most of its competitive advantage in natural resource-based products. South Africa needs to increase its exports as well as outputs, while upgrading skills, educational levels and promote diversification of the economy.

This shows that the retail industry is important for the economy of South Africa. South Africa needs to make the most of its competitive advantages. The importance of this study for Massdiscounters is emphasised as corporate entrepreneurship is a possible competitive advantage for an organisation.

2.3 THE RETAIL ENVIRONMENT

The South African consumer market has undergone fundamental changes, according to Lamberti, Barrett and Leggatt (2001:1). Consumer patterns are affected by emigration, immigration, unemployment, the informal sector, crime, HIV/AIDS, the export of currency and the introduction of cellphones. The prices of durables declined, compared with non-durables leading to a disparity in income levels. The latter explains why the upper, middle and lower income consumers are altering their patterns, rates and modes of retail purchasing.

According to a report by Ernst & Young (2003:1) retail evolved into a dynamic industry, driven by changes in technology, saturating markets and globalisation. South Africa has moved towards mall-based retailing, and a popular trend is expansion into international markets as well as the African market. The size of the retail market was R210 billion in 2002, which can be broken down into non-durables (R115 billion), semi-durables (R65 billion) and durables (R30 billion).

This report by Ernst & Young states that the future challenge for the South African retail sector, in an increasingly competitive market, is to drive profitable growth. Retailers need to explore ways to improve margins, through greater efficiencies and reductions in operating costs.

Key findings in March 2004 indicated that retail trade sales increased in real terms by 6,4 % compared to the first quarter in 2003 (Statistics South Africa 2004:1). Retail trade is the most complicated sector as the structure changes frequently in terms of business starts, cessations, mergers and acquisitions. This sector is also characterised by more sturdy seasonal fluctuations than other industry sectors.

Retailing worldwide is evolving into a global, high technology business with sophisticated communication and information systems. It is clear from current trends in the retail industry, that retailers are more than 'just a store' to buy products. Today, retailers are offering entertaining and educational experiences for their customers.

Retail managers make complex decisions in selecting target markets, determining the product mix, negotiating with suppliers, training and motivating the sales force and

deciding on how to price, promote and present the merchandise effectively. This study shows that entrepreneurs are launching new businesses, concepts and becoming industry leaders. Traditional firms have to rethink their businesses or face a major financial loss. Retail is a highly competitive, rapidly changing environment and the work force needs to make sophisticated business decisions on a daily basis.

Massmart is considered one of South Africa's biggest sellers of consumer goods, food and alcohol (Sake Beeld 2004:19). This retail group operates in a very dynamic business environment, where competitive advantage is a key success factor.

2.4 BACKGROUND OVERVIEW OF MASSMART

The Massmart group consists of retail stores such as Game, Dion, Makro, Builders Warehouse, Tile Warehouse, CBW, Jumbo, Furnex and Shield. Massmart sells durable and non-durable goods to middle and high income consumers. The retail industry has seen an evolution in the consumer market, due to positive economic changes in the country, an increase in the value of property which made the consumer feel wealthier. This is according to Mark Lamberti, CEO of Massmart (Sake Beeld 2004:19).

Massmart is a public company listed on the Johannesburg Stock Exchange (JSE) and its diverse local shareholders represent the South African demographics. The group is the third largest distributor of consumer goods in sub-Saharan Africa, the leader in general merchandise and liquor, the third largest in food and the largest food wholesaler.

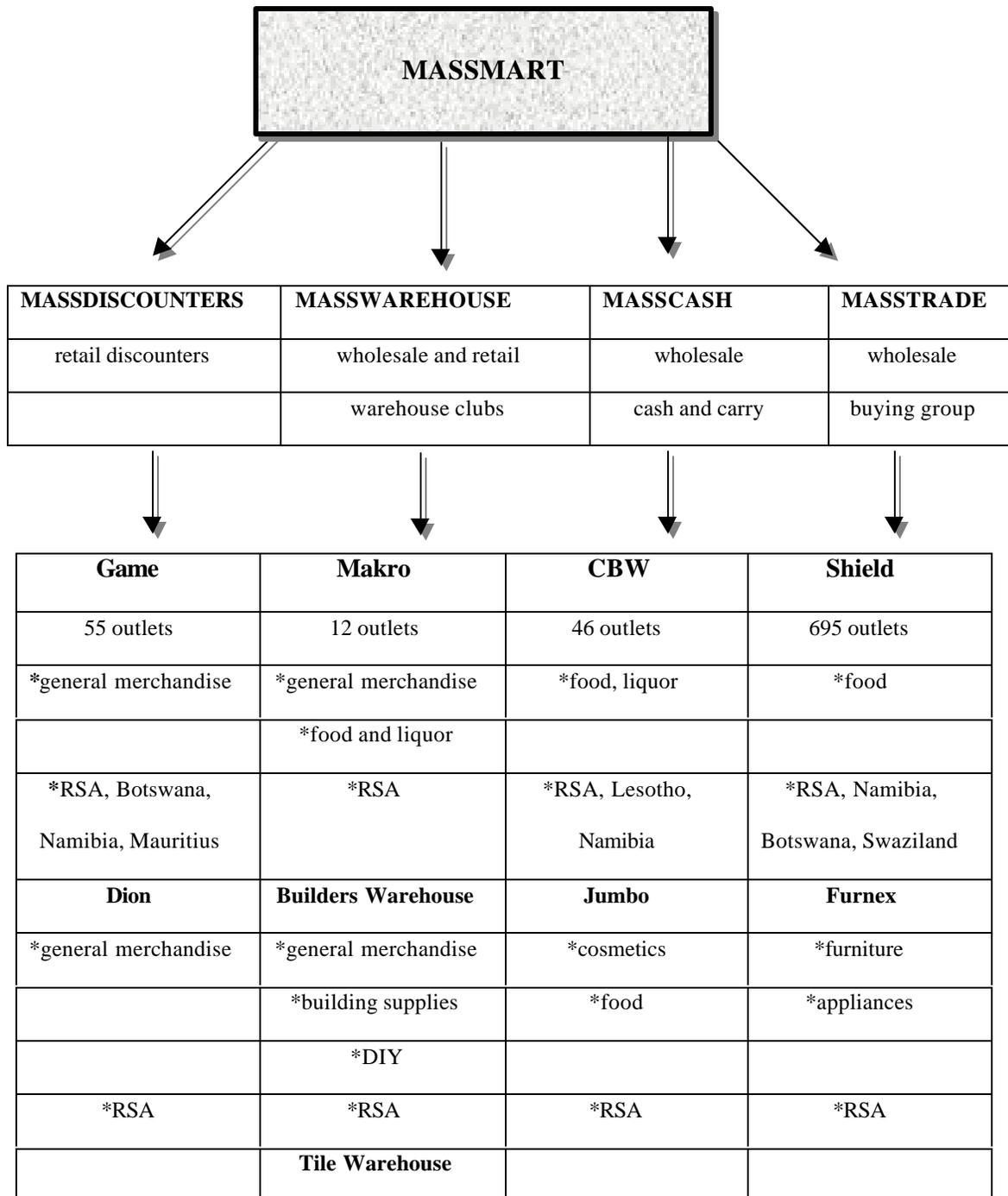
Massmart's major growth initiatives are revenue growth and profit growth (Massmart frequently asked questions, retrieved 18 September, 2004 from the world wide web: http://www.massmart.co.za/investor_relations/faq.asp). Revenue growth comes from existing space, new stores planned in South Africa and Africa and through acquisitions. Profit growth comes from continual improvement in operating practices and cost reduction, inter-divisional collaboration and growing net margins.

Massmart's African growth strategy is to expand into Africa to Mauritius, Mozambique, Botswana and Uganda (Massmart frequently asked questions, retrieved 18 September, 2004 from the World Wide Web: <http://www.massmart.co.za>). The group has four divisions, namely Massdiscounters, Masswarehouse, Masscash and Masstrade (refer to Figure 4).

Massdiscounters consist of the Game and Dion brands which form the case study of this research. Masswarehouse is a chain of 14 large Makro urban warehouse club outlets situated in South Africa and Zimbabwe. Makro markets a focused range of food, liquor and general merchandise to LSM 4 – 10. Masscash comprises 55 cash and carry outlets serving independent traders who target low income consumers, distributing basic food and groceries in urban and rural areas in South Africa, Lesotho and Namibia. Masstrade is a voluntary buying association which serves 766 independently owned food wholesale and retail outlets, targeting lower income consumers. Massmart's stated vision is to be an attractive, innovative and responsible employer of the country's best retail skills, providing inspiring places to work for

(Massmart frequently asked questions, retrieved 18 September, 2004 from the world wide web: http://www.massmart.co.za/investor_relations/faq.asp).

Figure 4: A corporate profile of Massmart Holdings Limited



	*tiles, sanitary		
	*RSA		

A corporate profile of Massmart Holdings Limited

(http://www.massmart.co.za/operating_divisions/corp_profile.asp).

Corporate entrepreneurship can be linked to Massmart’s vision, as corporate entrepreneurship has the potential to motivate and empower employees’ creative and innovative thinking.

2.5 AN OVERVIEW OF MASSDISCOUNTERS

The case study of this research is Massdiscounters, a division within Massmart, which consists of Game and Dion stores (refer to Figure 4). The concept of discount stores needs to be defined.

2.5.1 Discount stores

Levy and Weitz (2001:51) describe a discount store as a retailer that offers a broad variety of merchandise, limited service and low prices. Discount stores offer national brands that are less fashion-oriented than brands in department stores.

According to the Hyperdictionary (<http://www.hyperdictionary.com/dictionary>

accessed on 21/02/2004) a department store is a large retail store, organised into departments, offering a variety of merchandise normally part of a retail chain. A discount store is a sales outlet that offers goods at a discounted price.

2.5.2 Massdiscounters

The discount store Massdiscounters is a South African and Sub-Saharan African retail chain (Massdiscounters strategy document 2002:1). This store is a predominantly cash, discount retailer of general merchandise and non-perishable goods for home, leisure and business use. Massdiscounters has two brands: Game a national and African brand, and Dion a regional brand targeting the Gauteng area.

Dion stores only operate in the Gauteng area and have an exclusive offering relative to Game offerings and cater for the unique needs of the Gauteng consumer (Massdiscounters strategy document 2002:6).

One of Massdiscounters' key success factors is that it is value driven with value offered at competitive prices (Massdiscounters Strategy Document 2002:6). This retailer wants to be the consumers' number one choice in the product categories and to provide return to shareholders above the cost of capital outlay. The organisation aims to be a respected 'in-demand' employer and developer of retail skills.

Massdiscounters strives to be compassionate and caring within the communities in which the organisation trades, through participation in various social responsibility projects.

2.5.3 The retail chains

Customers at the Dion stores are more mature, educated, affluent and hold more senior or professional jobs than the Game customers (Positioning survey 2003:1). According to the survey Dion is perceived to have neat, modern and presentable stores with good security and quality branded merchandise.

This survey also showed that Dion store customers are attracted to interesting new products on offer, good quality merchandise and fair exchange policies, more so than the Game customers. The latter emphasises the importance of this study for Massdiscounters, as a culture of corporate entrepreneurship encourages innovative and creative thinking which can lead to new product development. Both new product development as well as corporate entrepreneurship, creates competitive advantages for the organisation.

Game and Dion were both founded in 1970 until the acquisition of Game by Massmart in October 1998 and the merger of Game and Dion in February 1999 (Massdiscounters Strategy Document 2002:7).

The merger of the Dion and Game businesses in 1998/99 resulted in consolidation and rationalisation taking place around the Dion brand (Dion master strategy document 2004:8). Six Dion stores were closed down and a further ten Dion stores were converted to Game stores due to little prospect of recovery. The business put into place the disciplines that Game excelled in and this improved the focus and profitability of Dion. Improvement was made in administrative disciplines and procedures, labour cost control and a prudent and tight control over all expenses. Unfortunately what the business failed to do was to acknowledge that which Dion did well and which held value for the Dion consumer. The business also failed to recognise any material differences in the Game and Dion customers past or present.

By the latter half of 2003 the business was stagnating and the substantial gains being made around cost control and downsizing were being negated by a lacklustre performance in terms of sales and margin growth. During the end of 2001 until 2003 a number of strategic reviews of Dion were undertaken and subsequent strategies formulated (Dion master strategy document 2004:9). The core of these strategies was to focus Dion as a regional player in the Gauteng market with a consolidated store base.

Dion stores are based in Gauteng only, and all eleven store managers form part of the sample for this research study.

Dion currently reflects a growth of more than 40% in trading profit, before head office expenses for the financial year 2003/04, over the previous financial year of a projected

sales growth of only 5% (Dion master strategy document 2004:10). This was achieved through a vastly improved focus on the Dion brand, especially in the areas of expense control, personnel redeployment, marketing and merchandise selection. Although this is encouraging and leaves room for more cost savings, the only way to achieve long-term sustainable profit growth is to ensure the revenue streams grow ahead of costs and real inflation.

Game increased its market share under extremely competitive conditions due to aggressive merchandising and marketing. According to the Massmart 2003 annual report (refer to Annexure 1) Massdiscounters contributed 31% to total sales of Massmart in 2003. Total sales grew 17, 9% to R6, 2 billion.

The total sales of Massmart Holdings Limited increased from R12 255m, stated in the interim results to December 2003, to R23 788m as per the audited results to June 2004 (refer to Annexure 2).

Massmart is the leader in general merchandise with high sales and profit growth. Table 4 outlines the published financial results for the Massmart group (see Annexure 3):

Table 4: Financial results

	Year ended June 2004 (reviewed)	Year ended June 2003 (audited)	Year ended June 2002 (audited)
	Rm	Rm	Rm
Sales:			

<i>Massmart</i>	23 787,7	20 369,5	16 709,2
Sales:			
<i>Massdiscounters</i>	6 783,5	6 229,3	5 285,3
Trading profit before interest:	928,5	747,7	538,8
<i>Massmart</i>			
Trading profit before interest:	356,6	297,4	209,4
<i>Massdiscounters</i>			
Net profit for the year (Massmart)	562,3	429,3	321,7

Adopted from Massmart Consolidated results for June (2004:3) and Massmart Consolidated results for June (2003:3).

Dion's objectives, according to the Dion master strategy document (2004:11) are:

- Dion will be recognised as a customer friendly and fun in-store and working environment that delivers exceptional levels of customer service;
- Dion will be a national chain of not less than 15 outlets each making a net bottom-line contribution to the brand and Massdiscounters;
- to be a cash positive business as a result of supply chain and working capital improvements as well as stringent stock management disciplines;
- to create stores that are attractive and exciting to consumers, where consumers are attracted to the store to explore the comprehensive and exciting ranges across multiple categories.

A key measure of success for Dion will be to differentiate their brand from Game stores to co-exist in the same locations and satisfy different market segments. Dion needs to be the leading South African multi-category, specialist retailer targeting and capitalising on a top end market that is not catered for within the Massdiscounters brand. Finally Dion has to become a retail employer of choice with motivated and developed staff. Dion will serve as a platform in developing individuals with exceptional operational and merchandising skills.

By the year 2010 the Game development planners anticipate having an expanded network of 130 stores in place – 75 in South Africa and the rest in Africa, such as Kenya, Uganda and Tanzania (“Game Facts”, 2004:1).

It is clear that the relationship of Massdiscounters with the customer is focussed on the ‘total shopping experience’. In addition to their financial success, the key to building long-term customer relationships are Massdiscounters’ guarantees and promises that offer the lowest price, no-hassle returns and lifetime product service support. Every staff member is employed to serve the customer in any way possible (Massdiscounters strategy document 2002:11).

At a *Winning Spirit Conference* in September 2004, Fanus Nothnagel, the managing director of Massdiscounters, said that the company wants to achieve sales in excess of R9, 7 billion. The profit objective is set in excess of R583 million.

Nothnagel stated that the team should be encouraged to innovative, and not to be afraid of making mistakes. This statement reflected the importance of this study regarding the critical role innovation that corporate entrepreneurship can play.

2.5.4 The internal environment of Massdiscounters

A communication audit (2002:1) for Massdiscounters, by the London Business School, showed that there are clear communication channels from head office to the various stores, in other words, downward communication. However, the staff do not perceive communication channels from the various stores to head office, to be open (Massdiscounters Communication Audit 2002:1).

The study identified lateral communication, which is communication from one store to another, to be limited to stock movements. Communication between store managers only happens at annual meetings. According to this audit, store managers are the last to know their stock-take results, which leaves them little time to prepare a head office report. Store managers are accountable, but not responsible for the store budget.

These results show the importance of the current study in the Massdiscounters group. The implementation of corporate entrepreneurship in this organisation

would require an environment of open communication, empowerment and resource availability.

Both the Dion and Game stores function in a very dynamic, competitive environment; are committed to growth and have a policy of 'Promotion from within'. The retailer's commitment to satisfy the community's needs and to change and grow with the times creates a very challenging atmosphere (Massdiscounters Strategy Document 2002:12).

It is imperative for Massdiscounters to understand and successfully implement an entrepreneurial culture, to adjust to customers' changing needs and compete in a dynamic market.

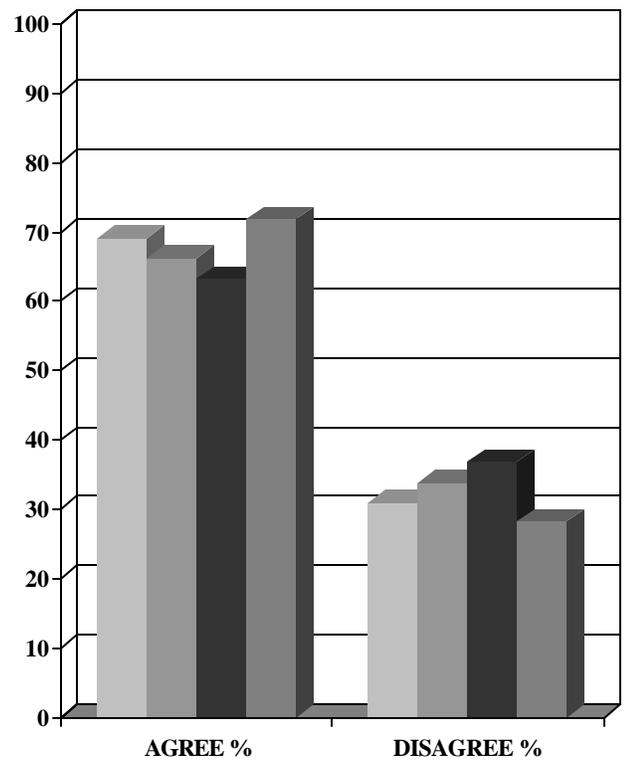
According to the human resource executive of Massdiscounters, Linda Milne, the company must focus on creating an environment and culture where team members are recognised, when they achieve or exceed performance objectives (presentation at *The Winning spirit* conference, September 2004).

Employees must be remunerated and given incentives, in order not to lose the best performers in the company. The importance of open communication to discuss ideas or problems is emphasised in the following figure.

All the above recommendations are based on the results of an internal *Attitude survey* conducted in May 2004 in Massdiscounters (Figure 5).

Figure 5: Massdiscounters attitude survey results

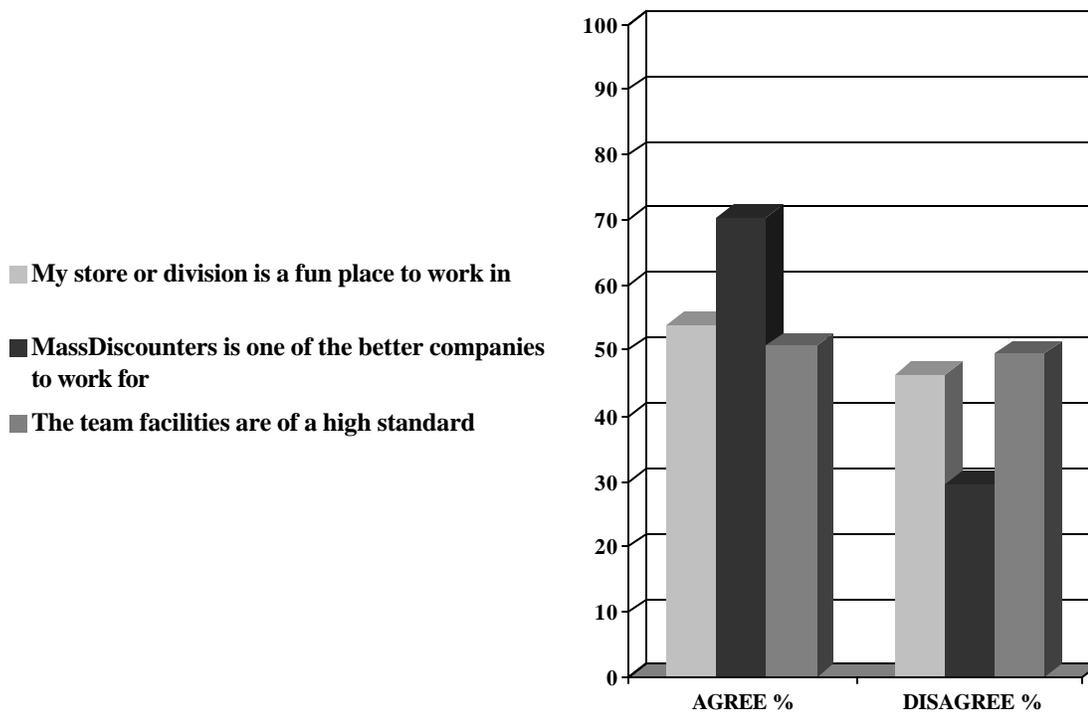
- My store or division practices the open door policy
- My store or the divisional manager discusses new ideas with the team
- My store or the divisional manager makes it easy for me to discuss any problems with him or her
- My store or the divisional manager discusses all the relevant information with the team



Adapted: Milne (Massdiscounters conference 2004:3)

The attitude survey revealed that the majority of the employees of Massdiscounters perceived the company as one of the better employers. More than 50% of the participants perceive the workplace as a fun environment, and almost 50% perceive the team facilities of a high standard (Figure 6).

Figure 6: Work conditions



Adapted: Milne (Massdiscounters Conference 2004:6)

Milne suggested that management must support and encourage their teams. Employees should be treated fairly and consistently, and good behaviour must be recognised. Milne suggested that employees' achievements should be published in

the company's internal newsletter *Massnews*. It is also recommended that good performers must get time off and national as well as international trips must be organised to see other retail outlets. The company needs to invest in the training and development of good performers.

The literature review of this research emphasises the above. The literature review underlines the fact that employees need support from management, if they are to act in a creative and innovative way. Management must encourage employees to take risks and then remunerate them. Corporate entrepreneurs need to feel rewarded and recognised, initiatives such as time off, national and international trips and their achievements published in the company's newsletter, will definitely support a culture of entrepreneurial behaviour.

It is now appropriate to discuss the industry in which Massdiscounters operates.

2.6 MASSDISCOUNTERS' COMPETITIVE INDUSTRY

The South African retail industry is highly competitive due to the existence of many retailers serving the same markets. A document presented at a Massdiscounters strategy session, indicated the following retail outlets in the South African market (Massdiscounters strategy document 2002:11).

2.6.1 Supermarkets

Supermarkets sell perishable food and general merchandise. Massdiscounters competes in the non-perishable food categories by means of competitive and promotional pricing of their products.

2.6.2 Hypermarkets

Hypermarkets are bigger in size with superior presentation of their goods. Massdiscounters competes directly with hypermarkets by also offering the convenient location principle.

2.6.3 Warehouse Clubs

Warehouses focus on the bulk wholesale food market and attract the big basket shoppers. Massdiscounters is competitively priced against warehouse clubs and convert customers with their convenience and a more pleasant shopping environment, with everything under one roof.

2.6.4 Furniture Stores

Furniture stores sell household goods and have dominated the market through aggressive credit offerings. Massdiscounters competes by offering credit to quality customers and a wider range of outside furniture.

2.6.5 Specialist Stores

Specialist stores compete with a narrower range of categories combined with in-store product related customer assistance. Massdiscounters competes on the basis of price and 'all under one roof' convenience.

Another study done by Bateleur Research Solutions in August 2004 indicates the brand usage and positioning tracking for both the Dion and Game brands. The survey focused on stores that offer 'all under one roof' and included Game, Pick 'n Pay Hyper, Checkers Hyper, Makro and Dion. These stores are seen as direct competition for the Game and Dion stores.

According to the Bateleur survey (2004:10) Game has a 47% awareness rate and is first choice for the consumers. Pick 'n Pay has a 17% awareness rate and the majority of the consumers (61%) mentioned this as their second choice. Only 16% of the consumers rated Dion as their number one choice and 33% rated it second.

The majority of the customers (40%) indicated that they visit Game on a regular basis, compared to Dion (8%); Pick 'n Pay Hyper (32%); Checkers Hyper (18%) and Makro (12%). From this study Game appears to be the stronger brand, followed by

Pick 'n Pay Hyper. Dion is at the bottom of the list as only 5% of the consumers really like the store, compared to 31% for the Game brand (Bateleur survey 2004:20).

The findings of the *Brand Usage and Positioning Survey* emphasise the importance of corporate entrepreneurship as well as entrepreneurial and innovative behaviour which can result in new product development. 55% of the consumers indicated that quality products and a wide range of different products (37%) are the most important attractors and impact on their choice of retailers (2004:23). The majority of the consumers indicated that poor quality stock (68%); poor product knowledge (58%); unfriendly staff (58%) and disinterested staff (56%) are factors which are extremely serious problems for the customer (2004:53).

Game is the strongest brand with the highest awareness rate and must continue to offer a wide variety of quality products. Dion stores do not have such a strong brand compared to Game, Checkers Hyper, Pick 'n Pay Hyper and Makro, they must encourage product development, better product knowledge and focus on training staff to promote friendly customer service.

2.7 CONCLUSION

It is clear that Massdiscounters, like many other retailers involved in non-food retailing, sells a similar range of products at similar selling prices. Massdiscounters is an important retailer in the South African economy as it has been rated as one of the biggest retailers.

Massdiscounters was chosen as the case study of this research, as corporate entrepreneurship is a relative new concept in South African business and can become a competitive advantage for this retail chain. To differentiate Massdiscounters from other retailers, a level of quality products, customer service and satisfaction superior to competitors are required.

The retail environment is a dynamic and competitive environment and corporate entrepreneurship can be seen as a catalyst for differentiation. A superior level of service, skills and product differentiation allows the business to prosper, as a result of customers choosing to return to Massdiscounters. This study shows that a culture of corporate entrepreneurship does encourage innovative behaviour, open communication, teamwork and optimal use of organisational resources. This leads to new product development, empowered and satisfied employees -especially on the middle management level- who takes accountability for their areas of responsibility with a focus on excellent customer service.

The latter was indicated in this chapter as important factors for consumers as it impacts on their choice of retailers. Massdiscounters has to foster an entrepreneurial culture and create an environment where employees are innovative to keep its strong market position and become the preferred retailer.

The prosperity of the business will benefit employees in terms of job satisfaction, job security and improved earnings opportunities. Ultimately Massdiscounters will expand, assisting in job and wealth creation for the South African economy.

CHAPTER 3

CORPORATE ENTREPRENEURSHIP, A THEORETICAL OVERVIEW

3.1 INTRODUCTION

According to Nieman et al (2003:11) entrepreneurial orientation is critical to the survival and growth of firms, as well as the economic prosperity of nations.

Entrepreneurial orientation is fostered by a unique blend of factors, such as culture, where entrepreneurship is seen as a desirable career choice and policy makers in the government recognise entrepreneurial orientation.

South African organisations must become competitive at world-class levels if they are to survive in today's competitive era. To this end, many organisations realise the need

to successfully manage their work force and promote creativity and innovation amongst the workforce.

According to the literature reviewed, entrepreneurship is no longer restricted to small business start-ups and is becoming a reality in a larger organisational context. These large organisations realise the importance of entrepreneurial behaviour inside an already existing organisation and the positive impact it has on business performance, growth and profitability.

The focus of this study will be on the corporate entrepreneurial behaviour of middle managers inside a large, South African retail organisation

According to Bulbulia (1999: 65) good managers are in limited supply in this country. In the urgency to become internationally competitive, organisations need to effectively utilise the competitive advantage that is embodied within their management team. It is in the interest of the business that these managers are empowered in such a way that they voluntarily align themselves to their organisation and its objectives.

This chapter includes a theoretical overview of the concept of intrapreneurship, also referred to as corporate entrepreneurship. The characteristics of a corporate entrepreneur as well as the link between corporate entrepreneurship with strategic management will be discussed. This will be followed by a discussion on innovation and the key role it plays in corporate entrepreneurship. Lastly, constraints to corporate entrepreneurship and entrepreneurial management in an organisation will be discussed.

3.2 ENTREPRENEURIAL BEHAVIOUR

A study conducted by the Graduate School of Business, Cape Town University, investigates how entrepreneurial South Africa is (Foxcroft *et al* 2002:4). In an international comparison of 37 countries, South Africa is 15th in start-up activity, i.e. the business has not paid salaries and wages for longer than three months. South Africa is 29th in a new firm activity, i.e. the business has paid salaries and wages for longer than three months but less than 42 months. Finally, South Africa is 9th in necessity entrepreneurship, i.e. people become involved in a new business because of no other choice for work. Overall, South Africa ranks lowest of all developed countries in all measures of entrepreneurship. The following table illustrates the total entrepreneurial activity (TEA) and supports the fact that South Africa ranks lowest:

Table 5: South Africa's TEA in relation to the rest of the world

Country	TEA 2002	Necessity rate	Opportunity rate	Start-up rate	New firm rate	TEA 2001
1. THAILAND	18.9	3.35	15.31	11.63	8.4	n.a.
2. INDIA	17.88	5.04	12.42	10.89	7.45	11.55
3. CHILE	15.68	6.74	8.53	10.4	5.49	n.a.
4. KOREA	14.52	4.12	8.55	5.85	9.29	14.89
5. ARGENTINA	14.15	7.13	6.77	8.52	6.2	11.11

6. NEW ZEALAND	14.01	2.25	11.57	9.13	6.06	18.07
7. BRAZIL	13.53	7.5	5.78	5.69	8.46	12.74
8. MEXICO	12.4	2.7	8.28	9.18	3.22	20.73
9. CHINA	12.34	6.97	5.61	5.54	7.41	n.a.
10. ICELAND	11.32	0.92	8.62	5.65	6.23	n.a.
11. USA	10.51	1.15	9.11	7.09	4.57	11.61
12. IRELAND	9.14	1.38	7.77	5.66	4.2	12.23
13. CANADA	8.82	1.1	7.36	5.94	3.58	10.98
14. NORWAY	8.69	0.37	7.42	5.23	4.4	8.78
15. AUSTRALIA	8.68	1.53	6.69	3.76	5.22	15.5
16. SWITZERLAND	7.13	0.87	6.03	4.44	3.26	n.a.
17. ISRAEL	7.06	1.4	5.22	3.36	3.88	5.67
18. HUNGARY	6.64	2.11	4.0	3.49	3.62	11.43
19. SOUTH AFRICA	6.54	2.38	3.3	4.71	2.0	9.45
20. DENMARK	6.53	0.43	5.9	3.63	3.12	8.01
21. SINGAPORE	5.91	0.86	4.94	4.03	2.03	6.58
22. ITALY	5.9	0.53	3.34	3.74	2.35	10.16
23. UK	5.37	0.69	4.38	2.49	3.05	7.8

24. GERMANY	5.16	1.15	3.92	3.51	2.07	7.99
25. SLOVENIA	4.63	1.37	3.26	3.28	1.53	n.a.
26. NETHERLANDS	4.62	0.5	4.03	2.57	2.09	6.44
27. SPAIN	4.59	1.02	3.42	2.24	2.54	8.17
28. FINLAND	4.56	0.33	3.88	2.68	2.06	7.66
29. POLAND	4.44	1.27	2.84	3.67	0.77	9.97
30. TAIWAN	4.27	0.71	3.33	1.28	3.08	n.a.
31. SWEDEN	4	0.67	3.33	1.8	2.51	6.68
32. CROATIA	3.62	0.85	2.18	2.81	0.94	n.a.
33. HONG KONG	3.44	1.19	2.25	2.04	1.4	n.a.
34. FRANCE	3.2	0.09	2.84	2.4	0.86	7.37
35. BELGIUM	2.99	0.27	1.99	2.13	1.08	4.54
36. RUSSIA	2.52	0.56	1.9	1.09	1.54	6.93
37. JAPAN	1.81	0.51	1.24	0.87	1.04	5.19

Source: Adapted from GEM (2002:10)

Foxcroft *et al* (2002) argues that countries with low per capita income have high rates of necessity entrepreneurship.

The latter author states that between January 1999 and July 2002, 140 000 jobs were created by new start-ups in South Africa. New firms in South Africa created nearly one million jobs.

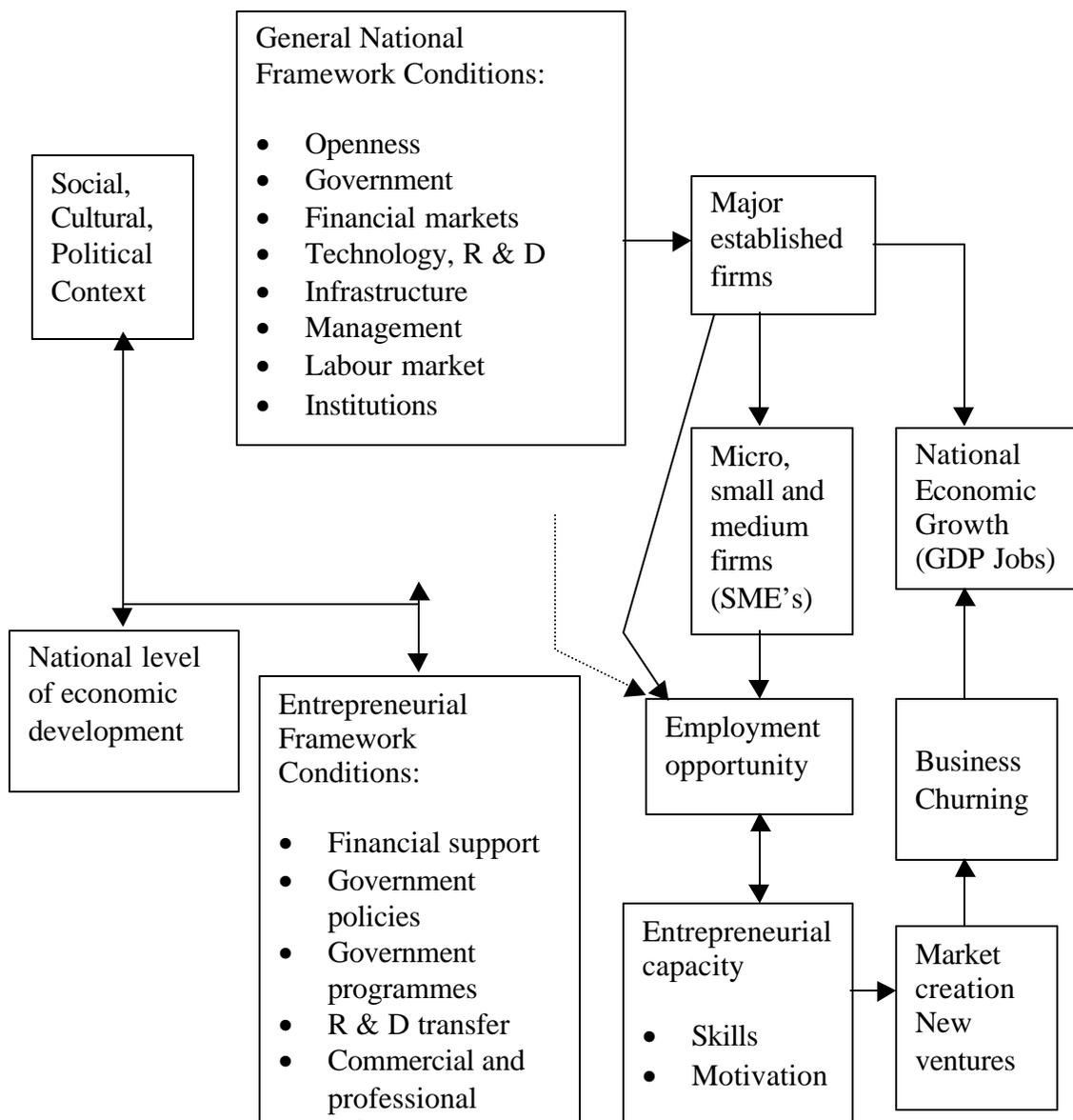
According to this study, South Africa's Total Entrepreneurial Activity (TEA) index is 6, 54 – thus, 6 out of 100 adults in South Africa are entrepreneurs, or engaging in starting and or owning their own businesses. South Africa has the smallest proportion of entrepreneurs compared to any other developed country in this study (as indicated in Table 5).

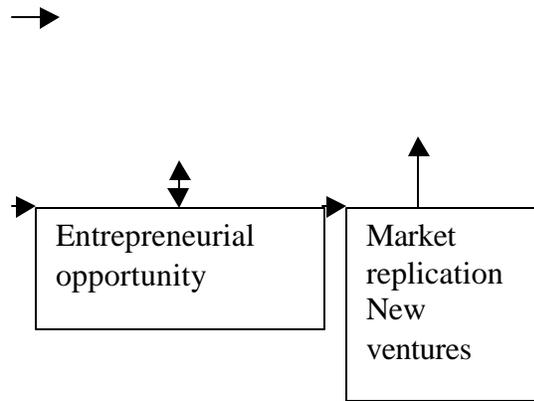
The model, developed from this study, recognises two contributions to economic growth. First, by established firms and secondly, by entrepreneurial activity which operates in a social, cultural and political context.

According to this model, entrepreneurs need infrastructure, education, financial support and government policies in order to behave entrepreneurially. The combination of the capacity, skills and motivation of South Africans to capitalise on entrepreneurial opportunities influences the rate of new firm creation and wealth creation, which leads to economic growth.

It is clear from the Foxcroft model that entrepreneurship is important for economic growth (Figure 7).

Figure 7: The Global Entrepreneurship Monitor conceptual model





Foxcroft et al. (2002:11).

According to van Aardt and van Aardt (1997:3) entrepreneurship is important for societies to generate economic growth and ensure economic development. In general, South Africa is not educated or socialised to be entrepreneurial, and South Africans enter the labour market as employees and seldom to initiate business ventures.

3.3 INTRODUCTION TO CORPORATE ENTREPRENEURSHIP AND INTRAPRENEURIAL BEHAVIOUR

Kierulff defines the corporate entrepreneur as a person in an existing corporation who examines potential new market opportunities, obtains resources to meet attractive opportunities and initiates production and sales (Van Aardt and Van Aardt 1997: 8). To summarise, the corporate entrepreneur starts a new business centre within the company.

Entrepreneurship is defined as the act of initiating, creating, building and expanding an enterprise or organisation; building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain (Van Aardt and Van Aardt 1997: 5). The authors demonstrate that the current trend is not to limit entrepreneurship to smaller and medium sized organisations, but to expose it to large organisations. It is therefore clear that there is a close relationship between the concepts of entrepreneurship and corporate entrepreneurship, which is entrepreneurship inside larger organisations. Sexton defines entrepreneurship as an approach to general management that begins with opportunity recognition and culminates with the exploitation of the opportunity (Van Aardt and Van Aardt 1997: 7). However, various authors are of the opinion that entrepreneurship cannot exist in large organisations as the culture of such organisations changes from the search for opportunity to a form of maintenance of the status quo.

It is the aim of this study to convince managers that entrepreneurial behaviour inside an already existing business is possible and that this behaviour could have a positive impact on the business's performance and competitive advantage.

Cantillon (Hisrich 1986:16) defines entrepreneurship as a risk-bearing economic function. Say broadens the definition to include the concept of bringing together factors of production (Hisrich 1986:16).

Schumpeter (Hisrich 1986:16) adds to the definition of entrepreneurship the concept of innovation in areas such as process innovation, organisational innovation and product innovation.

In a study conducted by the Graduate School of Business, Cape Town, Epelle (2003:1) considers the corporate entrepreneur as the person who comes up with new ideas, who pushes for change, who develops creative responses in the organisation and who takes full advantage of opportunities. The author underlines that the intrapreneur is the corporate equivalent of the entrepreneur, i.e. the corporate or internal entrepreneur. Entrepreneurship is considered as the bringing together of the factors of production with the provision of management and bearing of the risks associated with the venture. Entrepreneurs have the ability to see and evaluate business opportunities; to gather resources; to take advantage of these opportunities and initiate action to ensure success.

Epelle (2003:1) concludes that corporate entrepreneurs are process owners with the ability to evaluate value-optimising opportunities and make use of the necessary resources to their advantage.

According to Johnson (2001:138), corporate entrepreneurship consists of three related concepts. First, corporate entrepreneurship, which is the creation of new entrepreneurial ventures within the organisation. Secondly, dispersed entrepreneurship, which is the building of structures and a culture across the organisation. This culture supports entrepreneurship, innovation and stimulates

employees to take ownership of the business. Third, corporate venturing, which is the building of innovative capacity by developing close relationships with small ventures in related sectors.

According to MacMillan (Van Aardt and Van Aardt 1997: 22) there are six levels of corporate entrepreneurship in organisations. Corporate entrepreneurship manifests itself in more than one way in an organisation, and the following six levels have been identified:

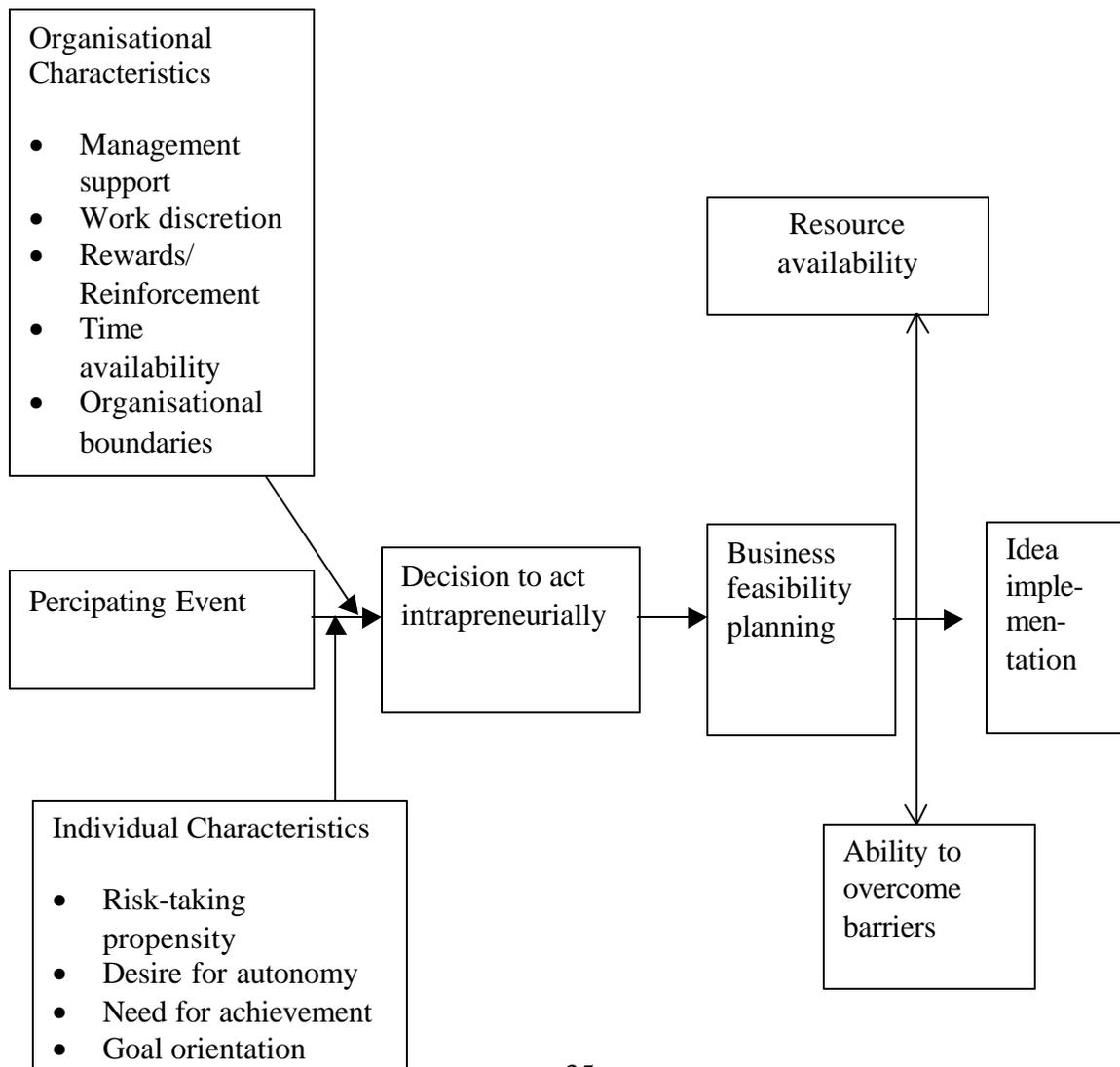
- Level 1 – the improvement or change of current products and services
- Level 2 – new products and services are to be sold to current markets within one to two years
- Level 3 – existing products and services are to be sold to new markets within one to two years
- Level 4 – new products and services can be sold to current markets, or existing products and services can be sold to new markets. These new ventures will take more than two years to reach the commercialisation stage.
- Level 5 – new products or services that are unfamiliar to the business but are already being produced and sold by other companies
- Level 6 – new products or services that do not exist today but could be developed to replace current products or services in known markets, or entirely new markets that could be created for the new products and services.

In order for the concepts of corporate entrepreneurship to be realised in a business, Hornsby (Kuratko and Morris 2002:33) focuses on the interaction of

organisational factors and individual characteristics that are ignited by a percipating event – such as a merger, change in management, new technology – that leads to successful intrapreneurial behaviour.

The model explained below (Figure 8) indicates the organisational factors that influence middle managers’ pursuit of corporate entrepreneurial behaviour. This model explains that a transformational trigger will cause executive management to select an adaptive strategy. The strategy is a corporate entrepreneurial strategy to assist the organisation to cope with change.

Figure 8: An interactive model of corporate entrepreneurship



Adapted from Kuratko and Morris (2002:33).

According to this model, the decision of middle managers to behave intrapreneurially is influenced by top management's support, the use of rewards, supportive organisational structure, resource availability and a tolerance for risk-taking. The greater the degree to which middle managers perceive the existence of the above-mentioned factors, the higher the probability of the managers' decision to behave intrapreneurially.

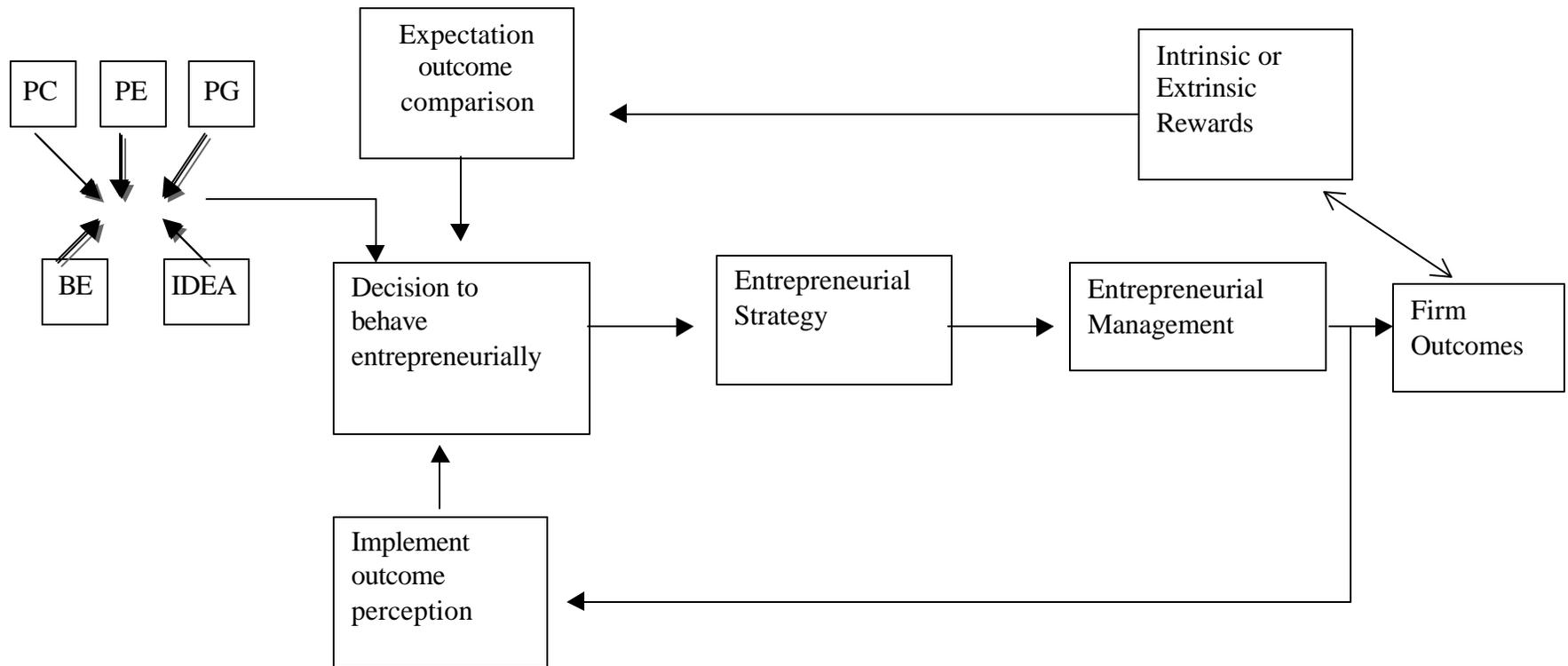
In addition to this, executive management needs to perceive the overall outcome of the corporate entrepreneurial strategy as a positive initiative. This will lead to stronger motivation to continue to pursue the corporate entrepreneurial strategy. The greater the degree to which middle managers perceive that their corporate entrepreneurial expectations are met or exceeded by the outcome resulting from intrapreneurial behaviour, the stronger the motivation to engage in future intrapreneurial behaviour (refer to Figure 8).

According to Milkovich and Newman (1999:277) the expectancy theory of Vroom states that motivation is the product of three perceptions: expectancy, valence and instrumentality. Expectancy is the employee's assessment of his or her ability to perform required job tasks. Instrumentality is the employee's beliefs that requisite job performance will be rewarded by the organisation. Valence is the value

employees attach to the organisational rewards offered for satisfactory job performance. It can therefore be assumed that a motivational process drives such corporate entrepreneurial behaviour.

Naffziger (Kuratko and Morris 2002:83) researches the motivational process that drives corporate entrepreneurial behaviour. The process begins with an entrepreneur who recognises an opportunity. The tendency to act on this opportunity is the result of the interplay between personal characteristics, personal goals, current business environment and the nature of the innovative idea. The individual takes into account the probable outcomes and the resources required to pursue the new idea. When outcomes meet or exceed expectations, entrepreneurial behaviour is positively reinforced and the individual is motivated to continue to behave entrepreneurial (see Figure 9).

Figure 9: A model of entrepreneurial motivation



PC = personal characteristics

PG = personal goals

PE = personal environment

BE = business environment

Kuratko and Morris (2002:83).

On the basis of Figure 9, it can be concluded that in order to facilitate intrapreneurial behaviour, the organisation needs to assist the corporate entrepreneur by rewarding innovative ideas, allow time to work on projects, and make resources available to enable the corporate entrepreneur to act intrapreneurially.

From all of the above, it is clear that corporate entrepreneurs have the ability to identify business opportunities, make use of the necessary resources and initiate action to bring the opportunity to real success. Corporate entrepreneurs need management support and a positive working environment in order to act intrapreneurially.

In addition to this, the decision to act intrapreneurially depends on the ability of the corporate entrepreneur to perform the required task, the employees' belief that job performance will be rewarded, and the value the employee attach to the organisational reward offered for job performance.

3.4 CHARACTERISTICS OF A CORPORATE ENTREPRENEUR

Epelle (2003:2) identifies the qualities of a corporate entrepreneur. The author is of the opinion that corporate entrepreneurs are achievement-oriented, result-oriented and their performance standards are continually increasing. Corporate entrepreneurs are determined, take decisive decisions and see projects through, as a result of their dedication and commitment.

It is argued that corporate entrepreneurs are exceptional managers of resources and are able to mobilise resources needed to get the work done. They have a clear vision of where the organisation and business unit are going.

Epelle states furthermore that corporate entrepreneurs are leaders with the ability to influence the behaviour of the group and to change in a changing environment. They take calculated risks and have the ability to cope with change and uncertainty. These entrepreneurs are able to identify opportunities, and the opportunities depend on the organisation and stages of development of the industry. Since corporate entrepreneurs are creative, they have the ability to match business unit goals with corporate goals, and seek organisational effectiveness above personal goals.

In addition to these characteristics, Pinchot (1985:33) accentuates the fact that corporate entrepreneurs need team building skills and an understanding of business and marketplace reality.

Underlining the characteristics previously mentioned, Brian Joffe, Bidvest South Africa, has recently been awarded the Ernst and Young Entrepreneur of the Year award (Le Roux 2004). Joffe has been selected because of his ability to recognise opportunities in the market and his ability to turn poor performing businesses into successful, profitable organisations. Brian believes in teamwork, especially if the business operates in an unstable market.

A corporate entrepreneur is resourceful, committed and can adapt a plan until they succeed (Pellman 1999:90). Pinchot tabled the differences between an intrapreneur (corporate entrepreneur) and promoter in Table 6.

Table 6: Differences between real intrapreneurs and promoters

REAL INTRAPRENEURS	PROMOTERS
Driven by a vision and use money to progress toward the vision.	Driven by a desire for power and position. Corporate entrepreneurship is a way to get a better title, larger budget, improved visibility and pay.
Moderate risk takers – they study the risk associated with the challenge. They look for ways to manage and reduce risks.	High risk takers. They are obsessed with the success of the project and its rewards.
Persistent and committed to an idea.	Changes ideas when the project becomes too challenging.
Analytic and intuitive – use both thinking styles to analyse data when data is available or use intuition when a decision must be made.	Analytic or intuitive – has only one thinking style.

Honest – they share information with the team and sponsor.	Often dishonest and tend to say whatever is necessary to sell the project.
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Pinchot and Pellman (1999:90).

Ross (Van Aardt and Van Aardt 1997: 7) states that the corporate entrepreneur operates within the complexity of an organisation that inhibits change and innovation. The corporate entrepreneur finds a way to encourage the entrepreneurial spirit and release the innovative potential of his or her workforce. The corporate entrepreneur is an individual who is motivated by independence and creativity, but could cope with the corporate environment, its reward and promotion systems.

Ross is of the opinion that corporate entrepreneurs prefer to be directly involved in projects, but can delegate tasks. Corporate entrepreneurs take calculated risks and keep risky projects in the background until the success of such projects can be guaranteed. Ross continues by stating that corporate entrepreneurs are able to convince management of their dreams and ideas; serve themselves, the client and their sponsors.

To summarise the above, it can be said that corporate entrepreneurs or intrapreneurs are corporate risk takers. Corporate entrepreneurs take personal risks to make new things happen and they work within large organisations. They introduce and produce new products; processes and services that lead to company growth and profit. Corporate entrepreneurs have no capital and have to

persuade management that their new ideas are promising. A corporate entrepreneur is, in effect, a general manager of a business that does not exist.

In conclusion, one can argue that corporate entrepreneurs have team building skills, are action orientated and independent, but operating within the general boundaries of the organisation. These entrepreneurs understand the business and are self determined goal setters with an internal locus of control. They could be considered as leaders who are familiar with the setting of high quality standards, and who seek organisational effectiveness above personal goals.

3.5 CORPORATE ENTREPRENEURSHIP AND STRATEGIC MANAGEMENT

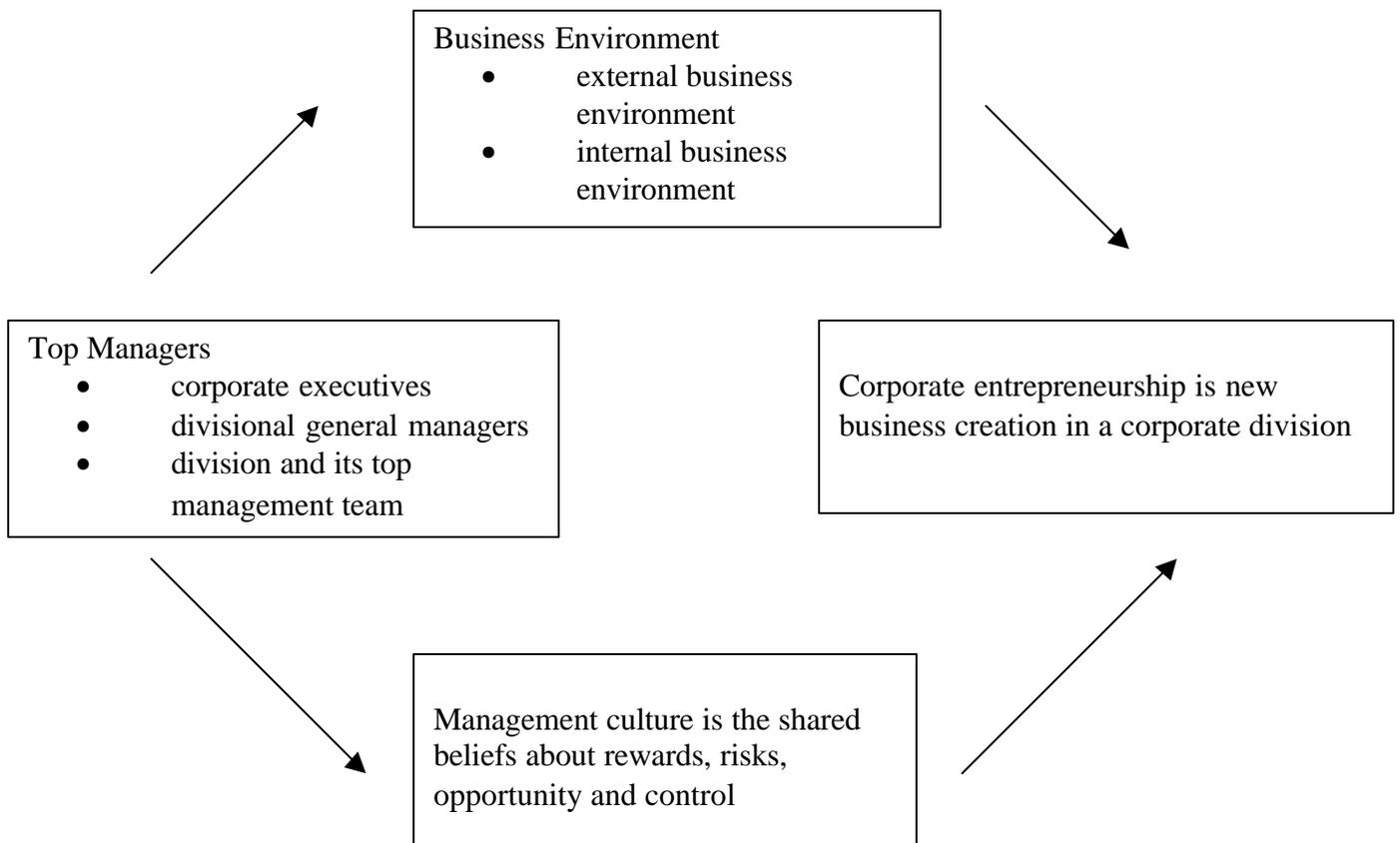
According to Guth and Ginsberg (De Coning and Hill 1993:31) corporate entrepreneurship should manifest itself in establishing new business ventures within the framework of the core organisation; and by transforming key ideas on which the core business is built. In this process, middle level managers have a key role to play as corporate entrepreneurs. It is their responsibility to identify and exploit opportunities, within the entrepreneurial framework provided by top management, to the benefit of the organisation.

Management culture can be defined as the beliefs which corporate executives and division managers share (Sathe 2003:21). Financial incentives are not needed, Sathe argues, to promote corporate entrepreneurship if the right management cultures prevail. Sathe states that the internal and external business environment

influence new business creation. As per Figure 10, a divisional general manager's personality, experience and leverage with corporate executives are important assets that influence new business creation.

Sathe (2003:269) states that business creation is inhibited in matrix organisations, based on shared resources and accountability. New business creation is encouraged where business units have clear accountability for results and dedicated cross-funding resources.

Figure 10: Influence of the business environment



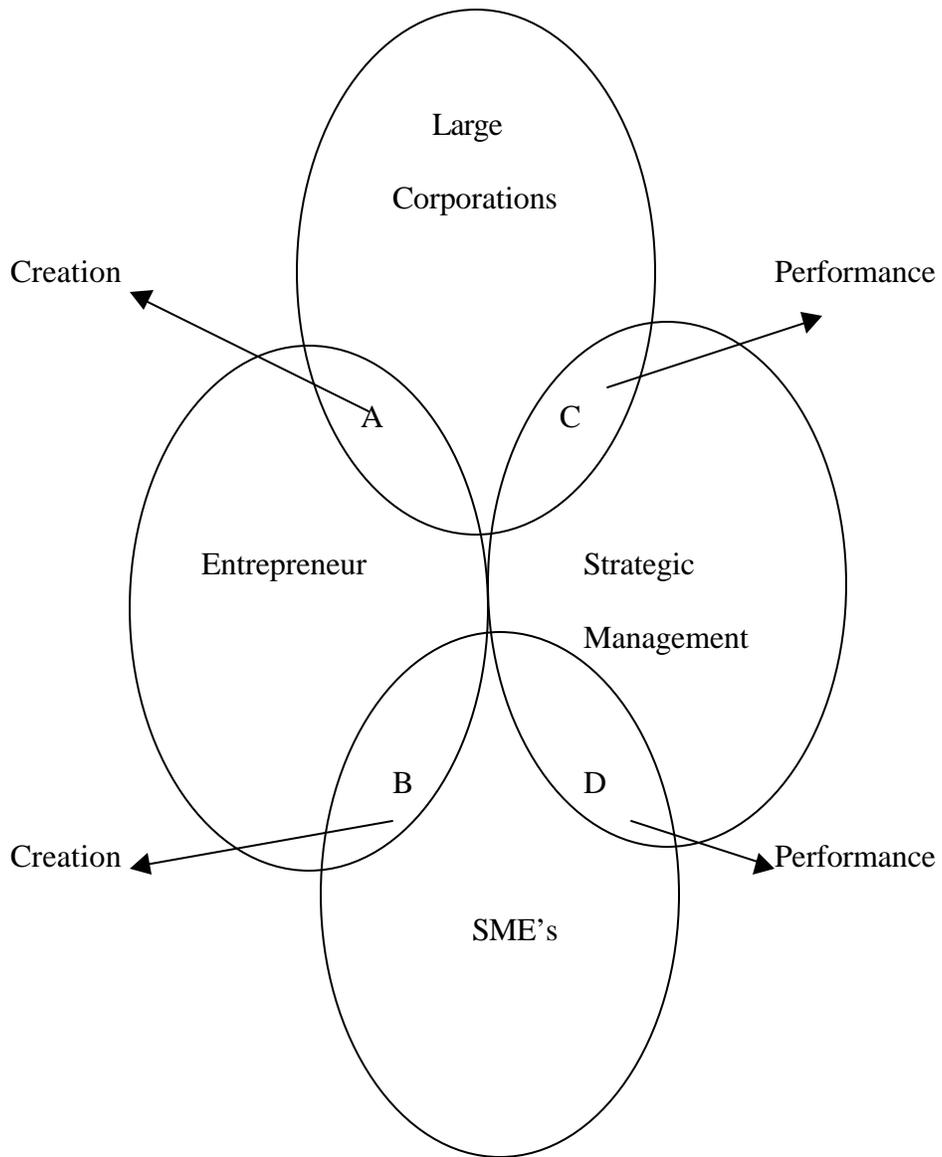
Sathe (2003:39).

Entrepreneurship is about creation, and strategic management is about the process to achieve above-average performance (Hitt et al 2002:34). The latter authors are of the opinion that large organisations benefit from entrepreneurship, through corporate entrepreneurship as well as strategic management, which include corporate performance.

In addition to this, small and medium-sized enterprises (SME's) benefit from entrepreneurship as well as strategic management through growth and performance. This interface of entrepreneurship incorporating strategic management is diagrammatically illustrated in Figure 11.

With reference to Figure 11, Hitt et al (2002:22) explain that 'A' represents the corporate entrepreneur who is responsible for the creation of internal ventures and innovation in large firms. 'B' represents the entrepreneur who is responsible for new venture creation. 'C' includes strategic management concepts of an organisation such as mergers, processes, diversification, corporate performance, goals and objectives. Finally, 'D' represents the strategy and performance of SME's.

Figure 11: The entrepreneurial strategic management interface



Hitt et al (2002:22).

It can be concluded from Figure 11 that the corporate entrepreneur acts as an entrepreneur in a large organisation through the creation of internal ventures with an innovative approach.

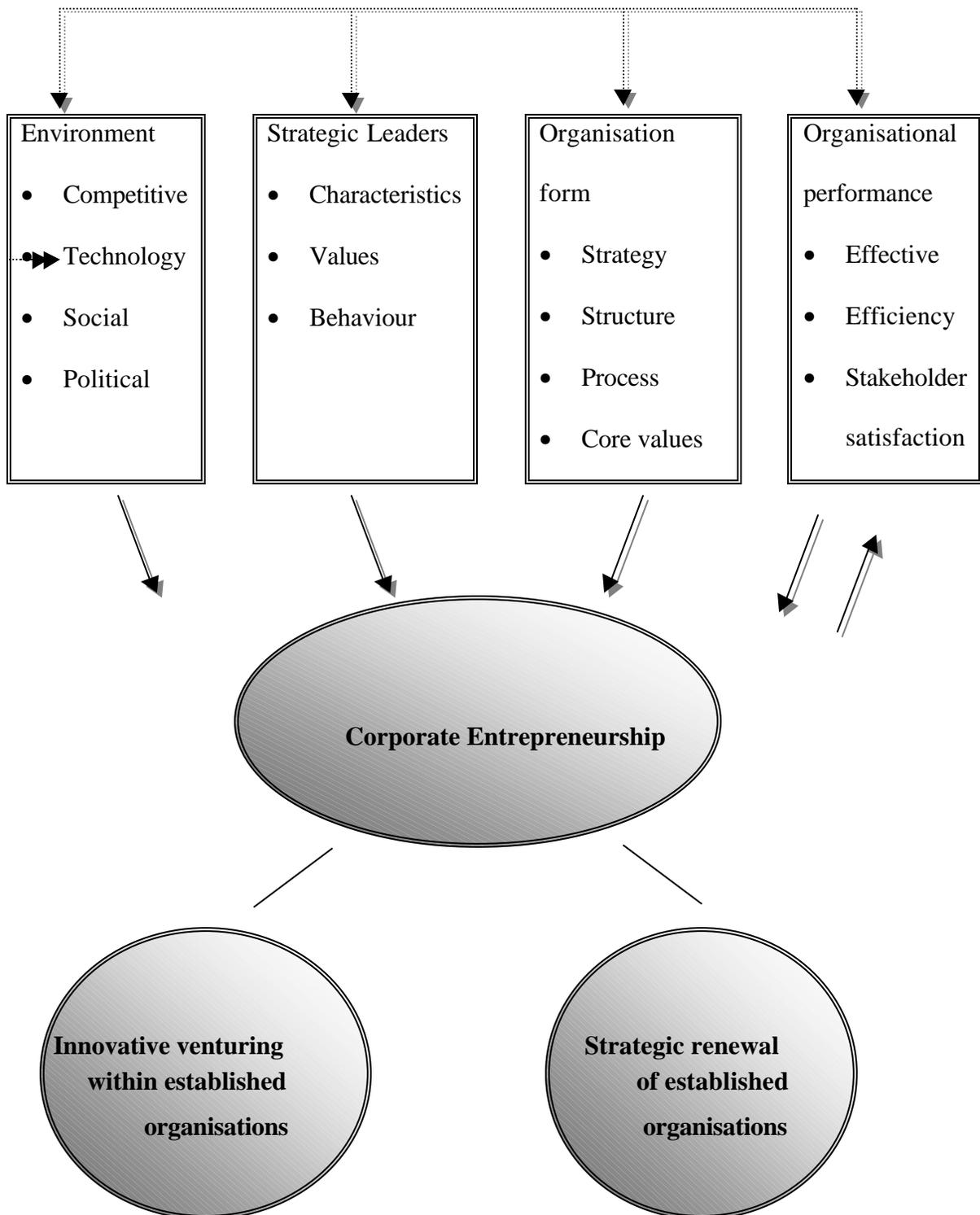
Strategic management concepts such as diversification and mergers influence the performance of the smaller units within the larger organisation.

In addition to Hitt's strategic management interface model, Gruth and Ginsberg (Kuratko and Morris 2002:32) argue that the domain of corporate entrepreneurship encompasses internal innovation and strategic renewal initiatives that transform operations within organisations.

In Figure 12, each component represents an important element affecting the nature and outcomes of corporate entrepreneurship. The macro environment as well as the behaviour and values of strategic leaders affect entrepreneurial behaviour.

Organisational form, such as structure, strategy and process could have an effect on entrepreneurial behaviour of the corporate entrepreneur, which does impact on organisational performance.

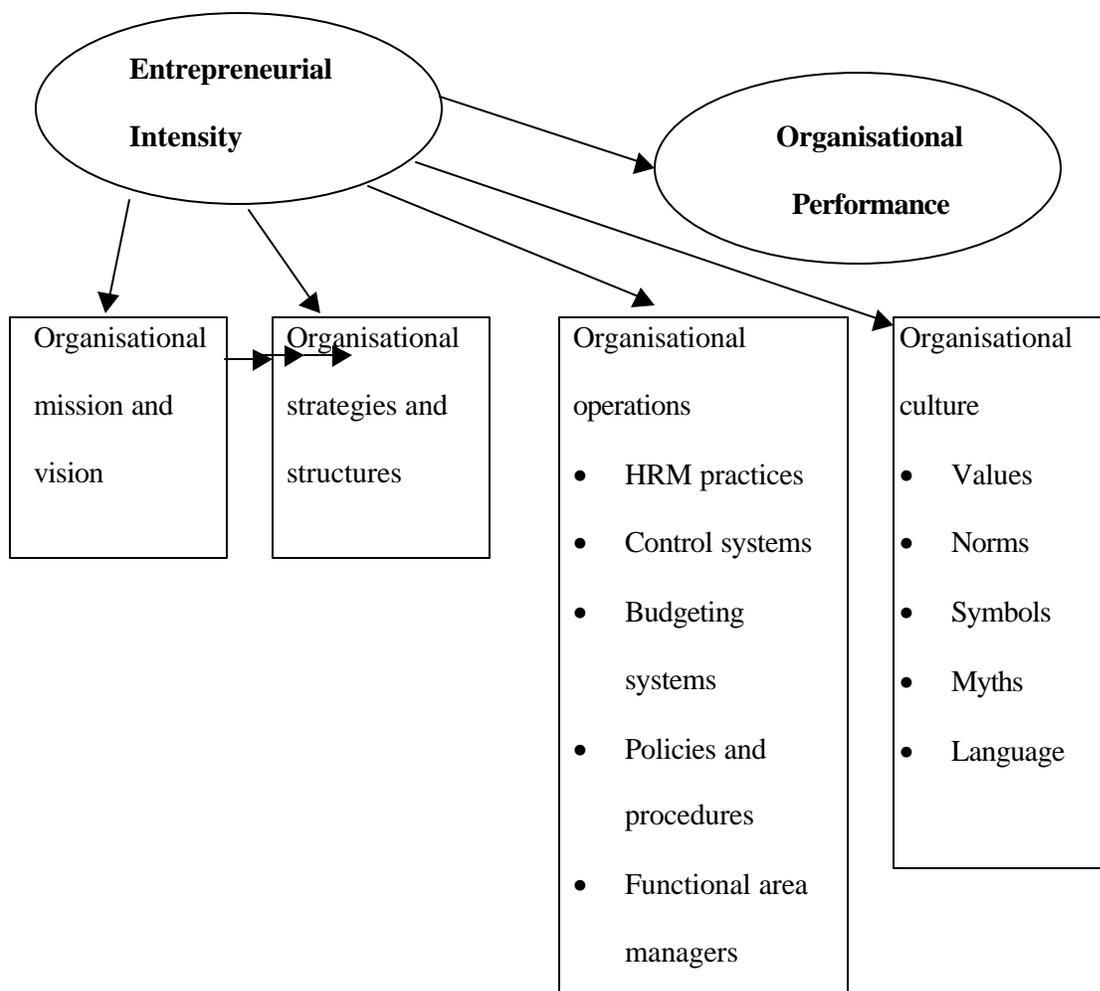
Figure 12: Fitting corporate entrepreneurship into strategic management



Kuratko and Morris (2002:32)

Covin (Kuratko and Morris 2002:34) concludes by arguing that an entrepreneurial orientation has a direct influence on company performance because it is interlinked with the vision and mission of the firm, the strategic objectives, the structure of the organisation and the overall organisational culture. Organisational operations such as budgets, policies and procedures should allow for entrepreneurial interaction in order to have an effect on organisational performance. This integrative model, illustrated in Figure 13, allows for considerable management intervention.

Figure 13: Strategic integration of entrepreneurship throughout the organisation



Kuratko and Morris (2002:34).

3.6 CORPORATE ENTREPRENEURSHIP AND INNOVATION

Companies will face new problems in consumer market mega trends (Lampikoski and Emben 1996:156). Some of these trends cause difficulties for companies, especially for retailers who have been operating in the traditional manner whilst more people are getting connected to computer networks. Further, new media behaviour and changing shopping habits are reshaping advertising and retailing.

Lampikoski and Emben conclude that the ability to survive economic downswings is characteristic of companies which have a high level of innovativeness. Therefore, companies have to innovate to be able to adapt to the fast changing competitive environment and social, political and economic developments.

A competitive advantage is capabilities and performances that are more pleasing and beneficial to customers and stakeholders (Mitchell and Cotes 2003:3). The company can therefore increase sales and profitability as well as sound cash flow.

Kuczarski (1995:6) continues by stating that to gain real competitive advantage, the focus of innovation must be on developing new-to-the-world or new-to-the-market products. These products must provide consumers with totally new perceived benefits.

According to Kuczarski, innovation is the single best way to leapfrog competition, move ahead of industry, and increase profit margins and future earnings. Innovative companies realise that failure is part of innovation and therefore involves risk taking. Successful companies have a new product strategy and use multi-functional teams with

dedicated team members. Compensation incentives stimulate an entrepreneurial environment, which is likely to motivate participation on new product and innovation teams. Financial and non-financial rewards that recognise performance are critical for effective innovative teams. New product team members prefer team and individual bonuses.

The author states that successful innovation is built on top management's commitment and that the development of a portfolio of new product types helps to diversify risk and provide a balanced approach to innovation.

According to Johnson (2001:135) although entrepreneurship is often viewed as a small business or new venture phenomenon, it is increasingly being applied in the corporate sector. The author argues that there is a misunderstanding where it is believed that once an organisation reaches a certain size, it loses its capacity to act entrepreneurially and to stimulate and foster innovation. It is suggested that organisations need to adopt a proactive attitude towards innovation and the creation of new ventures to survive in an increasingly aggressive, competitive and dynamic market place. Johnson states that the impact of out-of-town shopping malls and the emergence of e-commerce present a challenge to the high street and local retailer, and that innovation becomes extremely important (Johnson 2001: 136).

The assumption on which products and services, its design or its market strategy were based, may no longer fit reality, according to Drucker (1985:41). Customers have changed their values and perceptions. Thus, while they still buy the same 'thing' they are actually purchasing a very different 'value'. This in itself is an opportunity for

innovation. Drucker is of the opinion that today's businesses, especially the large ones, will not survive in this period of rapid change and innovation, unless they acquire entrepreneurial competence. It is in the self-interest of many existing big businesses to learn to manage themselves for entrepreneurship, but they may also have a social responsibility to do so. The author concludes by stating that the enterprise that does not innovate, inevitably ages and declines.

According to Miller (Bulbulia 1999:21) the rate of change experienced by an industry and the competitiveness within the industry, determines the rate of innovation developed by that industry. Jennings also states that in a highly competitive environment, it is more likely that a company would be innovative, thereby requiring greater intrapreneurial qualities from its employees (Bulbulia 1999: 21).

Creativity is the source of innovation and the soul of entrepreneurship (Kuratko and Morris 2002:104). It is required in spotting the patterns and trends that define an opportunity. The corporate entrepreneur has to be highly creative in getting a sponsor, building and using a network, obtaining management buy-in for the concept, forming a team and coming up with resources. Kuratko and Morris (2002) identify different types of innovation:

- discontinuous innovation where a product/service addresses a need that has not been addressed before;
- dynamically continuous innovation which involves a dramatic improvement over existing products or services;
- continuous innovation is incremental innovation whereby the performance of an existing product is enhanced;

- imitation is the copying, adapting or mimicking of the innovation of other firms.

Pinchot and Pellman (1999:1) describe innovation as a new product or service; better ways of reaching customers; technological advancement; quality improvements; cycle-time reductions; methods of reducing environmental impact; improved organisational systems and structures; better internal services and new forms of employee participation. The end result is where corporate entrepreneurs create 'intraprise', whether a new product/service or new process or new venture. The authors mention that within an organisation, entrepreneurs take new ideas and turn them into profitable new realities. They argue that rapid and cost-effective innovation is the primary source of lasting competitive advantage.

Porter (Van Aardt and Van Aardt 1997:20) lists the most typical causes for innovation. He states that new technologies can create new possibilities and new or shifting buyer needs lead to changes or shifts in products. Innovation could also originate from the emergence of a new industry segment as it may lead to new demands for new products. Shifting input costs or availability could result in new supply conditions and changes in government regulations, such as product standards and environmental controls are stimulus to innovation.

According to Gephart (Lampikoski and Emben 1996:155), economists have shown that differing levels of capital, investment in education and creativity and innovation explain the differences in the growth of productivity. Gephart is of the opinion that a

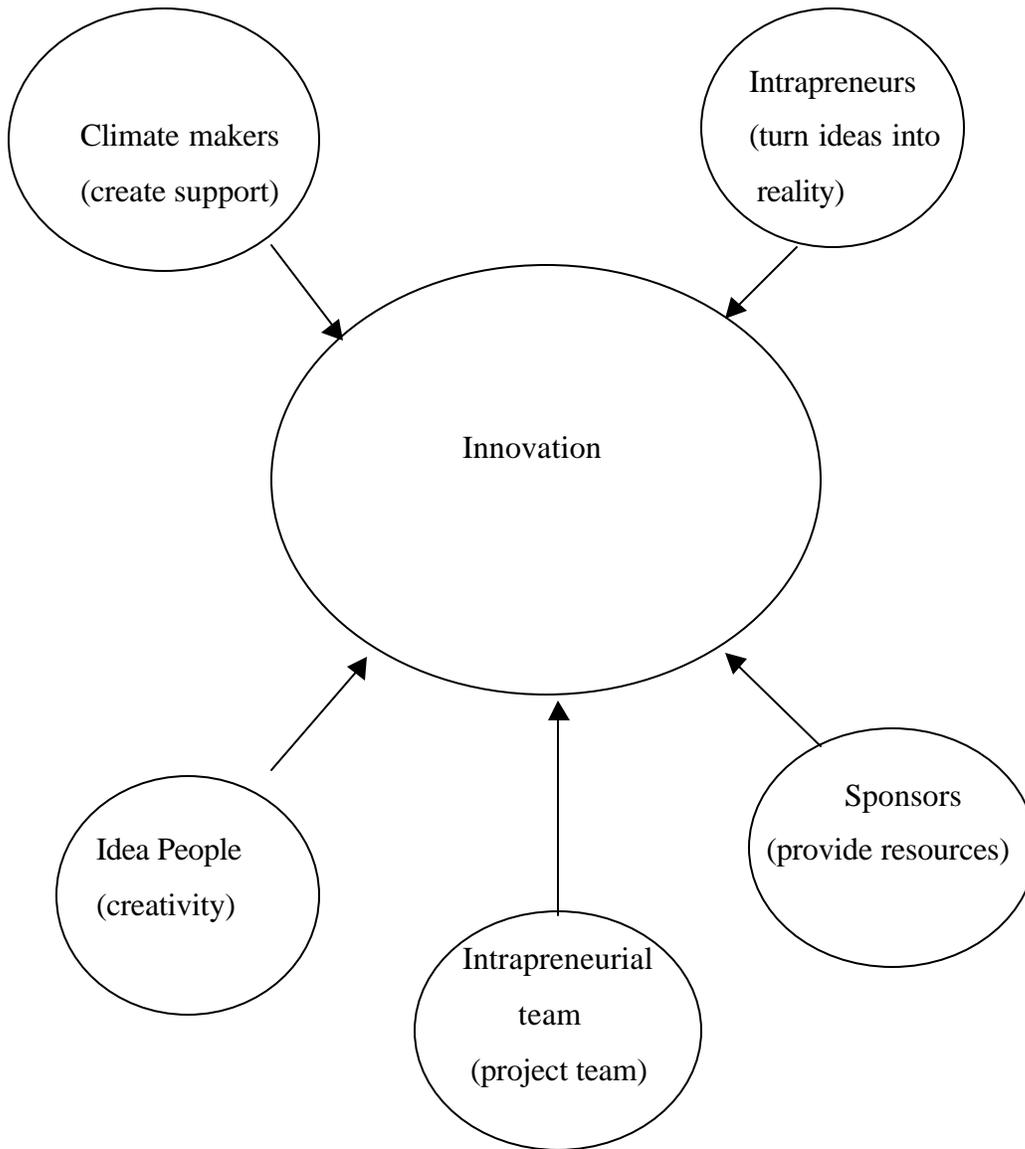
high level of innovativeness and inter-related human resource practices results in higher levels of productivity and better financial performance.

Companies need managers capable of generating bright ideas in order to be innovative (Lampikoski and Emben 1996:3). The authors define innovativeness as the capacity to create ideas and develop them to be usable in practice.

Pinchot and Pellman (1999:87) argue that a large degree of the culture of an organisation is created by its middle managers, and usually the vision of a company is too general to inspire innovation - a more specific vision that requires breakthrough innovation, is required. The crucial roles of innovation are hereby identified (refer to Figure 14):

- idea people are the creative people within the organisation with good ideas which will capture the enthusiasm and commitment of a corporate entrepreneur;
- these entrepreneurs turn ideas into realities, they either come up with their own ideas, or build on someone else's;
- the intrapreneurial team is the core group of the project, and they are responsible from the initial stages to commercialisation or implementation;
- sponsors create a vision and look for a strong intrapreneurial team to coach and to provide resources for;
- climate makers work to create intrapreneurial freedom and effective sponsors within the organisation.

Figure 14: The crucial roles of innovation



Pinchot and Pellman (1999:15).

It can be concluded from the crucial roles of innovation, that innovation within an organisation depends to a large degree on entrepreneurial behaviour.

It is clear from the above that innovation can improve the levels of productivity for an organisation. Organisations need innovative managers, people with new

ideas to create a culture of innovation. Tidd, Bessant and Pavitt (2001:30) identify the characteristics of an innovative organisation, which fosters innovation (Table 7).

Table 7: Elements of an innovative organisation

ELEMENT	KEY FEATURE
Learning organisation	Proactive experimentation, communication and sharing of experiences
Key individuals	Specific people with the responsibility to facilitate innovation
Leadership	Commitment from top management; allowing risk-taking behaviour and support
Structure	Organisational structure to allow creativity, learning and interaction between functions with open communication channels
Focus	Total quality culture and customer orientated
Individual development	Educate and train individuals to ensure high levels of competency and empowerment

Creative culture	Positive attitude to creative ideas, supported by a relevant reward structure
Teamwork	The use of teams, cross-functional, to solve problems. Requires investment in team building
Communication	Open communication, - upwards, downwards and laterally
Involvement	Participation in organisation-wide continuous improvement activity

Tidd et al (2001:30).

Employees who understand the organisation's strategic goals are more likely to be innovative, and employees who understand the industry process have a broader basis of knowledge from which to innovate within the firm (McGinnis and Verney 1987:23).

The authors argue further that innovation should be identified as a performance goal so that the goal can be reinforced with the appropriate reward system. In addition, enlightened rules eliminate non-essential restrictions on employee conduct, and thereby enhance the climate for individual innovation. The entrepreneurial mindset is one of belief in change and innovation, while the bureaucrats stifle innovation and the classic bureaucrat believes in the status quo.

3.7 THE IMPLEMENTATION OF CORPORATE ENTREPRENEURSHIP

Pinchot and Pellman (1999:25) say that corporate entrepreneurship can be introduced to an organisation that needs to be more innovative. This can be done by sharing the business strategy that gives direction to innovation and to create implementation channels for corporate entrepreneurs with ideas. Furthermore, the launch of the 'intraprise' should be supported with sponsors, training and coaching, and the climate of innovation should be diagnosed and improved.

Innovation comes from a workforce empowered by both their ideas and their ability to contribute to the enterprise (Smith 1997:9). Innovative companies invest in human resource programmes, employee development and continuing education.

Smith is of the opinion that low-innovation companies spend much more money hiring replacements due to high turnover and low morale.

The author states that a major aim of leadership is to improve the performance of workers who will then take pride in the quality of their work. Leaders can improve motivation within their organization by:

- providing a positive working environment
- recognising everyone's effort, by empowerment
- involving everyone
- developing skills
- evaluating and measuring continuously

In establishing a successful entrepreneurial environment, certain factors and leadership must be operational in the present firm (Hisrich 1986:77). The organisation must operate on the frontiers of technology with new ideas being encouraged. Research and development is key for successful new product ideas. Organisation should ensure that there are no initial opportunity parameters inhibiting free creative problem solving.

Most prior research has focused on the various activities of top managers in support of corporate entrepreneurship. Little is actually known about how much weight middle managers place on different aspects of the internal organisation in promoting or facilitating corporate entrepreneurship.

Nonaka and Takeuchi (Hornsby, Kuratko and Zahra 2002:257) highlight the central role of middle managers. Middle managers work with suppliers, observe the market and analyse competition. They are therefore well suited to identify areas where innovation is needed.

Hornsby et al (2002:269) measure the key internal organisational factors that influence middle managers to initiate corporate entrepreneurship activities. The factors identified are: the appropriate use of rewards, top management support, time availability, organisational boundaries and work discretion/autonomy.

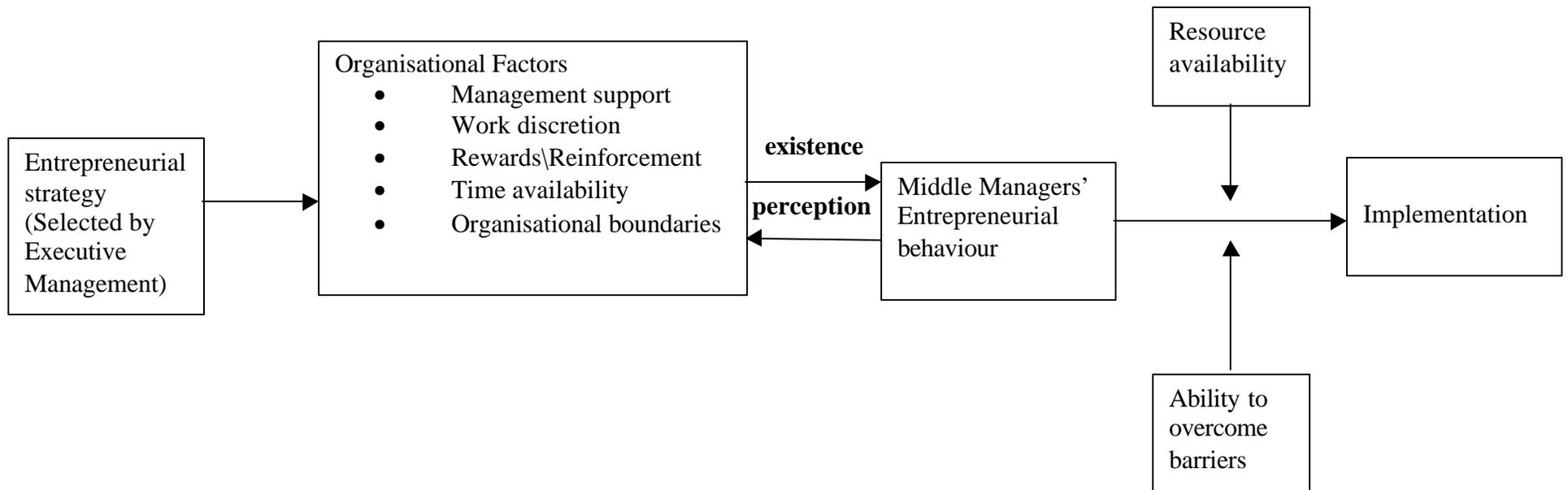
The authors emphasise the fact that middle managers play a vital role in creating an environment that encourages innovation and entrepreneurship. Middle

managers can influence their subordinates' commitment to these activities and the company can benefit from corporate entrepreneurship activities.

In support of previous arguments, Hornsby, Naffziger, Kuratko and Mantagno (1993:30) emphasise that if an organisation strives to foster corporate entrepreneurship it needs to implement a reward system, which is based on results. Management support, which relates to the willingness to facilitate entrepreneurial projects, is required. In addition to this, employees must have the availability of resources, such as time, for innovative activities. Lastly, employees and management must be willing to take risks and have a tolerance for failure, should it occur.

Figure 15 provides a model, which suggests that a firm's strategy influences the internal factors that affect corporate entrepreneurship, as argued earlier.

Figure 15: Middle managers' perception of the internal environment for corporate entrepreneurship



Hornsby et al (2002:261)

Lampikoski and Emben (1996:161) underline that an organisation needs to be market-orientated and focused on business opportunities in order to facilitate corporate entrepreneurship. The strategy of the organisation should be based on a vision, and the structure should be flexible and flat with few status differences. There must be a culture of risk taking, respect for people, tolerance for mistakes, a sense of pride, the drive for improvement and continuous development. The authors suggest that resources should consist of competent, innovative managers and personnel. Work should be organised in such a way that it allows for job rotation, shared responsibility and controlled freedom.

In support of the above, Hisrich and Peters (Van Aardt and Van Aardt 1997: 23) identify the following as critical success factors for implementing corporate entrepreneurship in large organisations:

- the organisation must be at the forefront of technological development
- new ideas should be encouraged
- experimentation should be encouraged
- failures are permitted
- no boundaries for opportunities are set
- a multi-disciplinary team approach is followed
- there is voluntary participation in programmes
- sponsors and champions are available.

Rule and Irwin (Bulbulia 1999:17) emphasise the importance of the role of senior managers in inviting ideas, establishing a conduit for submissions and

ensuring that the whole organisation is empowered to submit suggestions. It is important that success stories are publicised to create trust between corporate entrepreneurs and top management.

The authors state that a culture must be established so that the corporate entrepreneurs are free to generate new ideas without the organisation taking ownership of their intellectual capital. Von Hippel (Bulbulia 1999:17) is of the opinion that corporate entrepreneurs must be allowed financial autonomy to operate, however, limits should be placed on the total venture portfolio of each corporate entrepreneur or intrapreneurial team, to contain the risk exposure of the organisation.

Nieman et al (2003:356) provide general guidelines for businesses that wish to implement corporate entrepreneurship. First, management needs to identify, develop and train the individual corporate entrepreneurs. Successful corporate entrepreneurs must be rewarded. Second, the intrapreneurial team needs to be selected, trained and its roles and team structures need to be clarified. Third, the organisational structure and culture of the business needs to be emphasised, with new products, innovation and new businesses as the central aim. Last, where applicable, businesses need to focus on intrapreneurial outposts, where the organisation has business units outside the confines of the core business structure to enhance the innovative abilities of the organisation.

Mark Lamberti, Executive Chairman of Massmart Holdings, is widely acclaimed as a leading innovator in the African retails space (Manson 2003,

<http://www.mediatoolbox.co.za/pebble.asp?relid=2964&p=54>). According to Manson, Lamberti believes in individual recognition, personal growth, autonomy, and honest appraisal when tracking and shaping the top 50 executives in Massmart.

It can be concluded that an organisation with a strong emphasis on corporate entrepreneurship needs commitment from top management. Senior managers must be convinced of the value of corporate entrepreneurship and demonstrate their enthusiasm for the program. Parameters need to be identified for the programme, such as goals, compensation and action plans.

Management needs to identify corporate entrepreneurs in the business and encourage them, develop skills among managers to recognize and develop corporate entrepreneurs. Management must select and assist a team of corporate entrepreneurs to network and give them the training and resources necessary to execute their ideas. An organisation needs to allow for mistakes as well as failure and steer the intrapreneur away from internal and technical problems. Lastly, support mechanisms need to be established to encourage long-term intrapreneurial activity throughout the company.

3.7.1 Constraints to intrapreneurial behaviour

The macro or external environment such as technology, the economy, social and political environment, can either have a constraining or a conducting effect on intrapreneurial behaviour. An individual firm has very little control over the

external environment and must adapt to the dynamic conditions. In contrast, the management of a firm has large control over the internal environment. These internal characteristics that either constrain or enhance innovative efforts will be addressed in the following paragraphs.

Kuratko and Morris (2002:124) underline that there are various factors within the typical organisation, which constrain corporate entrepreneurship. These factors include inflexible and overly rigid systems, too many hierarchical levels in organisational structures, and narrow span of control, responsibility without authority, top-down management, restricted communication channels and lack of accountability.

In addition to these, corporate culture, lack of consensus over priorities, values that conflict with entrepreneurial requirements, and the absence of innovative goals could also hinder corporate entrepreneurship.

Kuratko and Morris (2002:125) consider complex policies and procedures, complex approval systems, over reliance on established rules and unrealistic performance criteria as major preventative factors. Lastly, factors such as the absence of entrepreneurial role models at top management level, resistance to change, complacency, inappropriate skills or talents, and employees' fear of failure will inhibit entrepreneurial behaviour.

The main categories of internal constraints to corporate entrepreneurship are:

3.7.1.1 Reward systems

According to Pinchot (1985:26) current reward systems fail because traditional reward for success such as promotion, does not match the risk of innovating or intrapreneuring.

In addition to this, are the executive incentive programmes which are often based on profit or cost targets. Executives become reluctant to jeopardize their career potential by risky entrepreneurial projects. The career path does not lead to freedom. There is a risk in investing the company's money into building new businesses and launching new products and services. Pinchot recommends that organisations avoid the payment of lump sum bonuses, as corporate entrepreneurs could leave the organisation or the country to start their own businesses.

Bulbulia (1999:1) states that the challenge for organisations is to find the most cost-effective way to compensate employees so that they are satisfied, they identify with the organisation, they are committed to its objectives and assume responsibility for its success.

3.7.1.2 Excessive formalisation in organograms

Extensive chains of command discourage personal initiative. Stevenson and Jarillo (De Coning et al 1993:38) state that organisations should become more opportunity-driven by providing the freedom to become entrepreneurial. The

separation of operations into semi-autonomous product divisions tends to hamper entrepreneurial projects that require co-operation among various divisions.

3.7.1.3 Resource allocation

Resource allocation is based on the generation of revenue that makes it difficult to secure funding for entrepreneurial endeavours. Stevenson and Jarillo (De Coning et al 1993:38) stresses that organisations should assist corporate entrepreneurs to build suitable networks, and allow them relatively free access to organisational resources. Standards and procedures for the utilisation of organisational resources should be deregulated.

3.7.1.4 Top management

According to De Coning (1992:11) top managers should avoid unnecessary bureaucracy in the organisation to enable employees to exploit new opportunities. This includes elements such as future-orientated visions, the inspiration of employees and to be suitable role models for employees. The author comments that intrapreneurial behaviour is discouraged when management does not support the efforts of employees, and not being tolerant of their mistakes. Employees need coaching and mentoring and a culture or environment conducive to corporate entrepreneurship, to enable them to act as corporate entrepreneurs.

From the above discussion there are a few general guidelines for creating a climate conducive to entrepreneurial activities. As per previous definitions, corporate entrepreneurship is a creative and innovative effort, and the failure of innovative corporate projects should be separated from personal failure. Entrepreneurs should not be compromised on pay, status or advancement potential if the project fails. A fear of failure does not stimulate entrepreneurial effort and career risk should be minimised.

The focus should rather be on the need for success, the desirability of innovation, support for innovative efforts, challenging standards, a friendly team spirit and fair rewards for entrepreneurial success. A flexible time and resource framework should be implemented since innovative endeavours are not promoted by strict budgets and time schedules.

3.7.1.5 Entrepreneurial management

Many organisations are unattractive, unresponsive and bureaucratic place to work for. The driving forces in the world today are people and their ideas, not control and authority (Smith 1997: xiv). Smith is of the opinion that organisations need to learn how to manage ideas, and not just people. Therefore, good leadership creates an environment where everyone feels they are part of the organization and allows them to contribute to the enterprise.

Accenture, a leading provider of management and technology consulting services and solutions, did a survey over 18 months on *Liberating the*

Entrepreneurial Spirit. The survey was researched from January 2000 to June 2001 and participants included 880 senior executives from 22 countries. Respondents were based in Argentina, Australia, Belgium, Brazil, Canada, France, Germany, India, Italy, Japan, Malaysia, Mexico, the Netherlands, Poland, Singapore, South Africa, South Korea, Spain, Sweden, Taiwan, the United Kingdom and the United States (Ellis and Forehand 2001:7).

This survey defined entrepreneurship as the creation of value by people and organisations, through the application of creativity, drive and willingness to take risks. According to this survey, there is a lack of agreement about entrepreneurship across countries and it became evident that executives could not agree on which organisations are to be considered intrapreneurial. Social and cultural attitudes are the most significant factors in encouraging entrepreneurial activities. Barriers to entrepreneurship include negative attitudes and an aversion to risk and failure (Ellis and Forehand 2001).

According to the survey, a new style of leadership is required to create an entrepreneurial environment. The entrepreneurial leader should focus on collaboration and effective teamwork. However, executives are nervous about giving their workforce the freedom to act, or to believe that it is possible for workers to be too entrepreneurial.

The survey states that South African organisations have many barriers to overcome in order to become entrepreneurial. In this survey 85 per cent of South African executives mentioned aversion to risk and failure, 78 per cent

commented on the lack of entrepreneurial instinct in employees. A further 73 per cent cited low staff motivation and aspirations, and an overall average of 64 per cent commented on low levels of readiness to change and adapt as constraints to entrepreneurial tendencies. External factors such as the lack of resources, manpower and funding, also appear to be constraining entrepreneurial tendencies.

In conclusion, almost all South African respondents (93 per cent) agreed that the government, organisations and educational bodies could encourage corporate entrepreneurship. Knowledge sharing and improving working environment (88 per cent) are the most frequently measures being undertaken by South African organisations to increase the level of corporate entrepreneurship in business.

Modic (1985:7) states that an entrepreneurial spirit is not enough, and that we need an intrapreneurial society. This requires executives of all organisations to make innovation and entrepreneurship part of everyday activity. Too often executives site that they cannot innovate due to inadequate return on investment, fear of failure, lack of top management support, red tape and lack of funds for innovation. The author concludes by stating that management should become more committed to innovation and have written innovation plans.

In another study conducted by Pearce, Krame and Robbins (Kuratko and Morris 2002:95), key behaviours that define an entrepreneurial manager have been identified. An entrepreneurial manager displays enthusiasm and encourages others to take initiative for ideas. This manager inspires others to think about

their work in new ways and help others find ways to improve products and services. Finally, the entrepreneurial manager creates an environment where people get excited about making improvements.

Pinchot and Pellman (1999:93) identified additional factors that senior management should consider in order to promote innovative and entrepreneurial behaviour in the organisation:

- be dissatisfied with *status quo*, talk to employees, suppliers and customers;
- create a vision which will empower employees but will also guide the independent and innovative employee;
- allow employees to come up with creative ideas to find and implement the opportunity that lies within the overall strategy;
- remove anything that blocks innovation in the organisation;
- search for and reward sponsors – sponsors fund, nurture, guide, educate, question and redirect innovators;
- keep the system open to all kinds of innovation from value improvement, process breakthroughs, line extensions, new products and services, new ways of working together, new internal services through to new organisational patterns;
- create a flexible organisation by building choice into the system such as allowing operating divisions to find their own ways to satisfy internal customers, let employees choose which projects they prefer to work on, and how much time to spend on new ideas;
- measure innovation and the climate for innovation by measuring the progress of each division.

The authors conclude that effective leaders create conditions that bring out people's ability to produce extra ordinary results. Cost-effective innovation is created by factors such as tolerance of risk, support for corporate entrepreneurs, managers who sponsor innovation, empowered teams, transmission of the vision and strategic intent; measurement of innovation, transparency and truth as well as good treatment of people.

Drucker (1985:138) adds that entrepreneurial management requires the organisation to be receptive to innovation and willing to perceive change as an opportunity. Policies and practices are needed to create the entrepreneurial climate. Systematic measurement or appraisal of a company's performance as entrepreneur or innovator is mandatory.

Drucker concludes that entrepreneurial strategies are as important as purposeful innovation and entrepreneurial management. Together, this is innovation and entrepreneurship.

The latter illustrates that the ability of middle managers to act as corporate entrepreneurs is directly influenced by the top managers of the organisation.

Top managers influence corporate entrepreneurship through their management style, effectiveness of networking and the diversity of their functional experience.

Corporate entrepreneurs need the resources and unconditional support of a large organisation to innovate. Large organisations need the innovative force and initiative of corporate entrepreneurs to survive in a dynamic business environment with intense competitive structures. These entrepreneurs are independent employees and the traditional organisation usually gives little room for independence, which results in large organisations being unable to implement new ideas. The latter suggests that organisations should move away from bureaucratic management systems and styles.

The need for this study lies in the findings that demonstrate the fact that corporate entrepreneurs (intrapreneurs) therefore have significant consequences for business survival, performance and growth.

CHAPTER 4

RESEARCH METHODOLOGY AND FINDINGS

4.1 INTRODUCTION

The purpose of this chapter is to provide a detailed description of the research methodology and to provide the results of the empirical research.

The first section consists of a discussion of the research methodology including the aims and objectives, the research design, the measuring instrument and method of collecting and analysing the data, are discussed.

4.2 AIMS AND OBJECTIVES OF THE STUDY

The purpose of the current study is to identify the factors that impact on entrepreneurial behaviour in Massdiscounters, and to provide recommendations to assist the retail organisation with promoting entrepreneurial behaviour amongst its employees.

4.2.1 Primary objective

The primary objective is to identify factors that influence entrepreneurial behaviour of middle management in the retail organisation: Massdiscounters

4.2.2 Secondary objectives

In order to achieve the primary objective the following secondary objectives for this study have been set:

- to determine whether there is management support for corporate entrepreneurship in this particular retail organisation;
- to identify the level of work discretion of employees in this case study;
- to identify the rewards for creative and innovative employees;
- to identify any organisational boundaries that hamper or induce corporate entrepreneurial behaviour;
- to identify the factors that promote and impede the entrepreneurial behaviour of middle managers in an already established organisation;
- to identify what needs to be done in a retail organisation to promote entrepreneurial behaviour amongst its middle managers.

4.3 RESEARCH METHODOLOGY

4.3.1 The research design

Ethnographic research involves a case study where the research is usually qualitative in nature and aims to provide an in-depth description of a small number (less than 50) of cases (Mouton 2001:149). Mouton states that the design classification is empirical, and that the data is a combination of text and numeric. Key research questions are both exploratory and descriptive.

Wegner (2002:28) describes descriptive research as having the primary purpose of describing the phenomena which characterises the research problem. The current phenomenon under investigation is corporate entrepreneurship within Massdiscounters.

4.3.2 Population and sampling

A population is a set of all cases of interest (Shaughnessy et al 2003:128).

The population of the current study is defined as all middle management in the local scores of Massdiscounters.

Middle level managers were selected as the population for this study, as limited research has been done on this level on management, yet, middle managers do have an influencing power in the organisation.

A **sample frame** is the complete list of members of the population (Shaughnessy et al 2003:128). For the current study the *Store Listings & Addresses* of September 2004 was used as the sample frame, consisting of 66 managers. This is an internal office document from Massdiscounters.

Store managers within the South African borders were selected, and included geographical areas such as Centurion, Menlyn, Benoni, Johannesburg, Polokwane, Nelspruit, Pinetown, Empangeni, Mafikeng, Parow, George and Port Elizabeth.

All qualifying managers received the questionnaires and therefore no samples were drawn out of this population.

4.3.3 Instrument of Assessment

A self-completion questionnaire was used to collect the data (refer to Annexure 4). The questionnaires were distributed using two different methodologies, paper-based self completion and e-mail based questionnaires.

Wegner (2002:25) claims that there is a growing trend to use e-mail and internet to collect information, yet urges that the researcher should evaluate the sample frame to determine if it is suitable for e-mail data collection. The present study focussed on a population where each member of the population did have access to e-mail and the e-mail addresses were available in the sample frame.

One of the advantages of using e-mail communication is that store managers can complete the questionnaire in their own time and a cost effective factor present. One of the disadvantages of using e-mail communication is that the researcher cannot control the environment in which this gets completed, nor can it be checked for completeness.

The majority of the questions are closed ended questions. Welman and Kruger (2001:130) list the following level of measurements:

- Nominal: Numbers assigned to variables only serve to distinguish respondents. Gender is an example of such a variable in the current study. A '1' is assigned to males and a '2' to females.
- Ordinal: The numbers assigned to categories not only serve to distinguish them but also to indicate ranking. An example of this type of variable in the current research is the education level. A '1' assigned to Std 8, is less than a '2' assigned to Std 10.
- Interval: There are equal distances between consecutively higher numbers assigned. While the scales used in the current study is ordinal according to these definitions, Welman and Kruger quote Kerligner (1986) as stating that for the practical purposes, the scores on for example attitude scales, may be regarded as satisfactory appropriations of interval measurements.
- Ratio: These are measurements where there is equal distance between the numbers, as with interval scales, yet it also has an absolute zero. An example of this type of scale is age.

The following instrument was used: **The Corporate Entrepreneurship Assessment Instrument (CEAI)**

The CEAI (Kuratko and Morris 2002:295) asks the respondents to rate predetermined test items and is divided into five sections. The questionnaire consists of 48 items and takes approximately 25 minutes to complete. Respondents need to answer questions by choosing *Strongly disagree*, *Disagree*, *Not sure*, *Agree* or *Strongly agree*. Each question can only be rated once.

The 48 questions are designed to measure 5 underlying constructs, as given in Table 8 below.

Table 8: Underlying contracts or factors of the CEAI

SECTION	QUESTIONS
1. Management support for corporate entrepreneurship	Q1 – Q19
2. Work discretion	Q20 – Q29
3. Rewards/Reinforcement	Q30 – Q35
4. Time availability	Q36 – Q41
5. Organisational boundaries	Q42 – Q48

When an individual and an organisation become aware of corporate entrepreneurship, it may choose to change the environment or behaviour to incorporate this entrepreneurial culture. Therefore, the CEAI serves to be an appropriate measuring instrument in this study. The CEAI is practical and relevant to the business environment, thus, it can be applied in the retail organisation by senior and middle level management.

In addition to the original CEAI, the researcher added two sections to the questionnaire. First, an explanation to the respondents of the purpose of the study as well as the sample selected. A brief explanation of the problem has been provided, by mentioning the fact that many organisations believe that when it reaches a certain size, it loses its capacity to act entrepreneurial.

The second part is where the researcher requires personal, demographic information.

The following was required:

- gender;
- age;
- home language;
- cultural group;
- highest qualification;
- years of experience in this industry;
- years as a store manager in this industry;
- whether the person ever started his/her own business;
- if started his/her own business, the respondent was asked to state reasons why he/she entered a salaried job.

The rationale behind these demographic questions is that it places the results in a frame of reference and might provide insights into differences between demographic groups or correlation with regards to entrepreneurial behaviour.

4.3.4 Data collection

The *Corporate Entrepreneurship Assessment Instrument (CEAI)* developed by Kuratko and Morris (2002:295) was applied to all *Dion* and *Game* store managers in South Africa.

The *Dion* store managers received their questionnaires during a Store Managers' meeting in July 2004. The *Game* store managers received their questionnaires through e-mail communication. A total of 37 store managers returned the questionnaire.

Store managers who received the questionnaire through e-mail communication had five working days to respond. Thus, all store managers who were at the office over this period and had access to their e-mail, had the opportunity to participate. Store managers who were not at the office over this period, due to annual leave or other work related commitments, did not respond. Store managers who experienced technical problems with their computer system, and as a result did not have access to e-mail, were also excluded.

4.4 Statistical Analysis and reliability of factors

A statistical computer package, *Statistical Package for Social Sciences (SPSS) 12.1 for Windows*, was used by an external researcher. The current section discusses the statistical analysis techniques used to analyse the empirical research (the CEAI) in detail. The first section provides a theoretical overview of the statistical techniques and the second section discusses the creation of the CEAI factors and their statistical reliability.

4.4.1 Statistical techniques

Nonparametric statistics are used if the data generated from measures are ordinal or

nominal or if the size of the sample is small (DePoy and Gitlin 1998:267).

Non-parametric tests are often used in place of their parametric counterparts when certain assumptions about the underlying population are questionable. The small sample size of the current research indicates that non-parametric tests would be more suitable. A factor that often limits the applicability of tests based on the assumption that the sampling distribution is normal is the size of the sample of data available for the analysis (*sample size; n*). It can be assumed that the sampling distribution is normal even if there is no certainty that the distribution of the variable in the population is normal, as long as the sample is large enough (e.g., 100 or more observations). However, if the sample is very small, then those tests can be used only if there is certainty that the variable is normally distributed, and there is no way to test this assumption if the sample is small. This information was retrieved from <http://www.statsoft.com/textbook/stnonpar.html>.

4.4.2 The Wilcoxon Mann-Whitney Test

This is one of the most powerful of the non-parametric tests for comparing two populations. It is used to test the *null hypothesis* that two populations have identical distribution functions against the *alternative hypothesis* that the two distribution functions differ only with respect to location (median), if at all. The Wilcoxon Mann-Whitney test does not require the assumption that the differences between the two samples are *normally distributed*.

In many applications, the Wilcoxon Mann-Whitney Test is used in place of the *two sample t-test* when the normality assumption is questionable. This test can also be

applied when the observations in a sample of data are ranks, that is, *ordinal data* rather than direct measurements. This is according to an internet source, http://www.cas.lancs.ac.uk/glossary_v1.1/nonparam.html#nonparat

The Kruskal-Wallis H test is used when more than two groups are compared. This test is an extension of the Wilcoxon Mann-Whitney U test, and is the nonparametric analogue of a one-way analysis of variance and detects differences in distribution location (SPSS 11.5).

4.4.3 Chi-Square Test

The Chi-Square Test procedure tabulates a variable into categories and computes a chi-square statistic. This ‘goodness-of-fit’ test compares the observed and expected frequencies in each category to test either that all categories contain the same proportion of values or that each category contains a user-specified proportion of values (SPSS 11.5:2004).

DePoy and Gitlin (1998:267) state that the nonparametric analog of the t-test is the chi-square (χ^2). This test is used for nominal data to examine the differences between groups.

4.4.4 Spearman Correlation analysis

Pearson correlation calculations are based on the assumption that both X and Y values are sampled from populations that follow a normal (Gaussian) distribution, at least approximately, although with large samples, this assumption is not too important. Alternatively, the nonparametric Spearman correlation is based on ranking the two

variables, and so makes no assumption about the distribution of the values (<http://www-micro.msb.le.ac.uk/2060/2060-3.html>).

4.5 Creation and reliability of scales

A number of questions comprise one factor (see Table 8 above). To create the one factor score from all the questions, a mean is simply computed. For example:

$$\text{Reward/Reinforcement} = (\text{score for Q30+31+32+33+35})/5$$

As the responses on the questionnaire ranged from a 1, strongly disagree to a 5, strongly agree, the higher the score on a factor the more agreement there is with that issue, i.e. the more positive or satisfied the respondents were on that factor.

Reliability is defined as the consistency or stability, whether the measurement can be repeated and confirmed by further competent measurements (Rosnow and Rosenthal 1996:123).

The “Internal-consistency reliability” is the degree of relatedness of the individual items in one factor or scale (Rosnow and Rosenthal 1996:124). There are various methods to calculate the internal consistency reliability, such as the Cronbach alpha and the Kuder-Richardson (K-R20) tests. The K-R20 test is used when items are scored dichotomously (0 or 1). The Cronbach alpha was calculated for the current study.

The Cronbach alpha has a range of 0-1, where 0 is no internal consistency and 1 is the maximum internal consistency (Blanch and Durrheim 1999:90). Blanch and Durrheim state that the acceptable level for the Cronbach alpha depends on what is

being measured yet set a **rule of thumb** at 0.75. Nunnally (1978) for instance, sets the level at 0.7, and therefore these are values to guide one in deciding on the degree of reliability.

To examine the reliability of the five factors an item analysis was performed. An item analysis involves the following:

- The internal reliability consistency is calculated for each scale (Cronbach alpha)
- Should a particular question be excluded from a factor, the alpha would change, and the new alpha (if the question is excluded) is also calculated for each question. This indicates how well each item contributes or correlates with the overall factor and helps to make decisions regarding the factor
- If it is found that the factor Cronbach alpha could be significantly improved by excluding one of the questions from the factor, the factor total score is then created without this question.

The table below contains the item analysis for each of the five factors. Management support, work discretion and organisational boundaries show high internal reliability. While the Cronbach alpha of 0.62 for reward and reinforcement is not high, it is still on an acceptable level and it can not be improved by deleting any of the questions.

Table 9: Item analysis for the CEAI factors: Management support, Work discretion and Rewards/Reinforcement

Management support		Work discretion		Rewards/Reinforcement	
Cronbach alpha = 0.883		Cronbach alpha = 0.801		Cronbach alpha = 0.62	
Question Number	Cronbach's Alpha if Item Deleted	Question Number	Cronbach's Alpha if Item Deleted	Question Number	Cronbach's Alpha if Item Deleted
Q1	0.883	Q20	0.822	q30	0.694
Q2	0.875	Q21	0.849	q31	0.681
Q3	0.879	Q22	0.759	q32	0.66
q4	0.876	Q23	0.771	q33	0.634
q5	0.879	Q24	0.773	q34	0.647
q6	0.878	Q25	0.766	q35	0.671
q7	0.878	Q26	0.755		
q8	0.883	Q27	0.754		
q9	0.88	Q28	0.773		
Q10	0.872	Q29	0.79		
Q11	0.872				
Q12	0.871				
Q13	0.875				
Q14	0.873				

Q15	0.886		
Q16	0.876		
Q17	0.876		
Q18	0.887		
Q19	0.877		

The following table outlines the item analysis for the CEAI factors: time availability and organisational boundaries.

Table 10: Item analysis for the CEAI factors: time availability and organisational boundaries

Time availability		Organisational boundaries	
Cronbach alpha = -0.092		Cronbach alpha = 0.766	
Question Number	Cronbach's Alpha if Item Deleted	Question Number	Cronbach's Alpha if Item Deleted
Q36	-0.130	Q42	0.797
Q37	-0.155	Q43	0.769
Q38	0.067	Q44	0.746
Q39	-0.046	Q45	0.720
Q40	-0.132	Q46	0.701
Q41	-0.089	Q47	0.692
		Q48	0.708

The reliability of the 'Time available factor' is extremely low (-0.092) and there is an indication that all the items in this scale does not measure in the same direction (negative correlations).

When examining the questions it is clear that q36: "During the past three months, my work load kept me from spending time on developing new ideas", is written negatively and a high score on this question would indicate that there indeed was no time.

A high score on q37: "I always seem to have plenty of time to get everything done", would indicate that there is enough time. As happens with negatively written items, respondents might not have noticed or have read the phrasing carefully.

When recoding q36, q39 and q40 they are rescaled to measure in the same direction as the other questions in the questionnaire. Rescaling involves changing a score of 5 to 1, 4 to 2, 2 to 4 and 5 to 1 (3 remains the same).

The following item analysis was found after rescaling:

Table 11: Item analysis of the “Time available factor”

Time availability	
Cronbach alpha = -0.708	
Question Number	Cronbach's alpha if Item Deleted
q36	.6714
q37	.5889
q38	.6862
q39	.6487
q40	.6967
q41	.7097

The “Management support” factor consisted of certain sub-dimension. Eight categories related to management support for corporate entrepreneurship were assessed. These categories relates to:

- work methods (Q1 and Q2)
- ideas (Q3, Q4, Q5 and Q6)
- procedures (Q7 and Q8)
- management experience (Q9)
- money and financial support (Q10, Q11 and Q12)
- risks and risk-taking (Q13, Q14 and Q15)
- organisation support (Q16 and Q17)
- employee interaction (Q18 and Q19)

As with the five factors of the CEAI questionnaire, one score will represent all the questions within the dimension and it is also necessary to establish reliability of these sub-dimensions.

The Cronbach alpha can not be calculated for a single item, as it gives the degree of correlation between items. As most of the sub-dimensions consist of only two questions, the calculation “if alpha deleted” can not be computed. It will be of no value if one question is deleted, leaving only one other. Therefore the table below only contains the Cronbach alpha values for each of the sub-dimensions, and no item analysis.

Table 12: Internal reliability of the “Management support” sub-dimensions

Sub-dimension	Cronbach alpha
Work methods	0.638
Ideas	0.775
Procedures	0.565
Management experience	Single question
Money and financial support	0.838
Risks and risk-taking	0.801
Organisation support	0.691
Employee interaction	0.645

Internal reliabilities are acceptable, if not high on certain sub-dimension.

4.6 RESEARCH FINDINGS

The results that were obtained from the analysis of the data gathered for the purpose of this study are presented and discussed. Responses were obtained quantitatively by using a questionnaire.

The first section provides the demographic profile of the sample to act as a frame of reference for interpretation of the results. The following section discusses the scores awarded to the 5 factors and the last section compares these scores across some of the demographic variables.

4.6.1 Demographic profile

Respondents were under no obligation to write their names or provide any other personal information. The section on demographic information was in some cases not completed by all respondents.

The sample consists of 11 *Dion* store managers (30%), 10 *Game* store managers in Gauteng (27%) and 16 *Game* store managers from other geographical regions (43%). Refer to Figure 16.

Figure 16: Distribution among store types

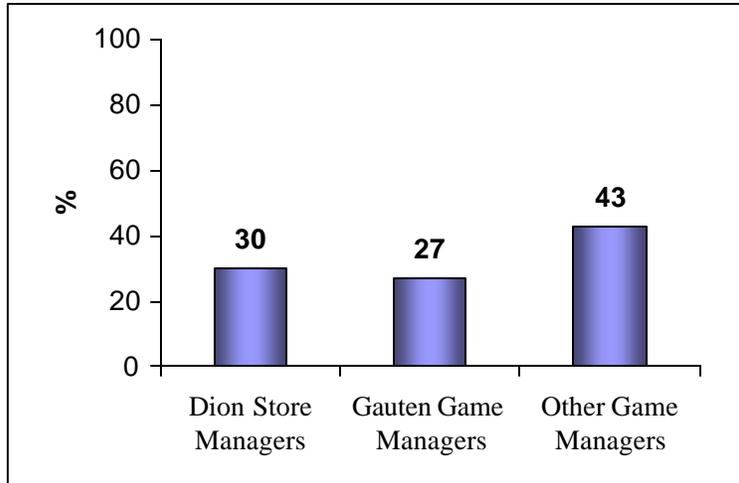
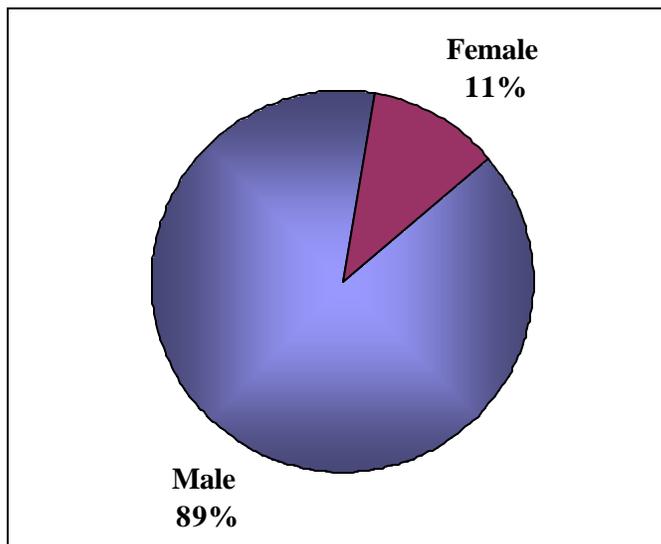


Figure 17 indicates that the store managers in Massdiscounters are generally male (89%).

Figure 17: Gender distribution of store managers (n = 36)



The average age of store managers is 37 years old (see Table 13). The standard deviation of 4.6 is relatively small, indicating that 66% of the managers are 4.6

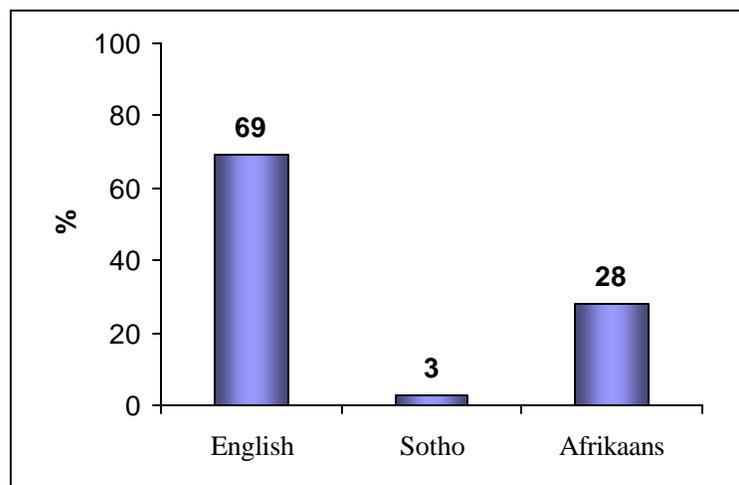
years above or below 37 years of age. The youngest manager is 29 and the oldest 48 years.

Table 13: Average age (n = 30)

	Minimum	Maximum	Mean	Std. Deviation
AGE	29.00	48.00	37	4.65

Afrikaans, English, Sotho, Nguni, Venda, Asian, European (German, Italian, French) and other ethnic languages were the options respondents had to consider. The majority of the respondents are English speaking (see Figure 18). Language or race was not a prerogative in selecting members for the sample. The figure below indicates the percentage respondents who speak each language. Most respondents indicate that they speak English (69%) or Afrikaans at home (28%).

Figure 18: Language Distribution (n = 29)



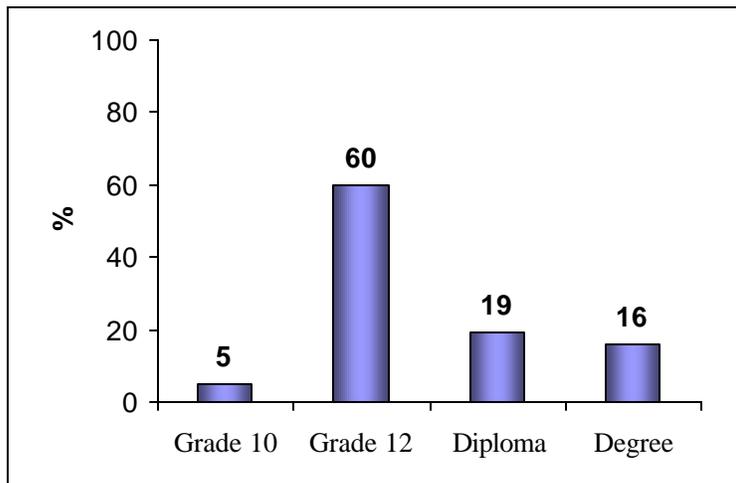
The cultural group to which respondents belong is given below in Table 14. Most of the managers are white (55.9%) and Asian (29.4%).

Table 14: Culture distribution of the sample (n = 34)

	Frequency	Percentage
White/Caucasian	19	55.9
Indian	4	11.8
Asian	10	29.4
Black	1	2.9

The highest qualification of the majority of the respondents is Standard 10 (Grade 12). This is indicated in Figure 19.

Figure 19: Highest education level of respondents (n = 37)



The rationale behind asking this question is to determine if there is a relationship between education and entrepreneurial behaviour. Yet with the unequal number respondents in each group, only two sufficiently large enough groups (grade 12 and

post matric) will be compared. Therefore the degree and diploma groups will be combined and the two respondents with only Grade 10 will be excluded

The number of years of experience that managers have in the industry was also asked. This would allow the researcher to establish if experience influenced respondent's perception of the internal environment of corporate entrepreneurship. The majority of the respondents have between 11 – 15 years of experience in the industry (refer to Table 15).

Table 15: Average number of years experience (n = 37)

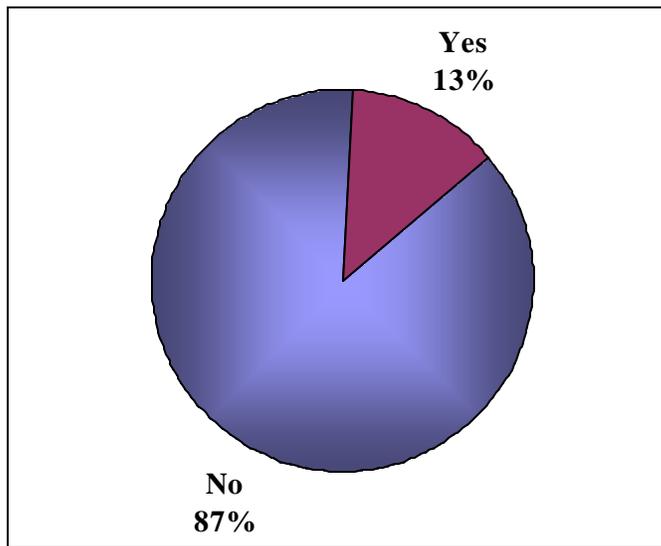
	Minimum	Maximum	Mean	Std. Deviation
Years experience	1.00	27.00	11.6	7.03

The question of length of time employed as a store manager was given to respondents as a categorical variable with the categories 0-3 years, 3-5 years and 5 or more years.

It seems as if there is almost an even split between the different categories. 12 of the respondents have been a store manager for 0 – 3 years, 11 have been a store manager for 3 – 5 years and 13 have been a store manager for 5 or more years.

Respondents were asked whether they have ever started their own business (Figure 20). The rationale behind this question is to determine if there are any former entrepreneurs in the sample. The majority of the respondents have never started their own businesses.

Figure 20: Ever started a business



The reasons why the managers who had started their own business did ender into a salaried job are as followed:

- Needed a stable income (Asian male, highest education is matric)
- The business was sold (35 year old male, white and degreed)
- To gain experience and knowledge (young 29 year old Asian male, with std 10)
- Had a dishonest partner (33 year old Asian male with Matric)

4.6.2 The corporate entrepreneurship environment

This part of the questionnaire contains the original CEAI test as had been developed by Morris and Kuratko (2002:295). Reprinted with permission of South-Western, a division of Thomson Learning – see Annexure 5.

Respondents need to answer questions by choosing *Strongly disagree* (1), *Disagree* (2), *Not sure* (3), *Agree* (4) or *Strongly agree* (5).

The sample consists of 37 respondents; however, one store manager did not complete this section. Thus, 37 store managers completed the section on demographic information, but only 36 store managers completed the CEAI section.

The CEAI questionnaire consists of five factors, as discussed in Table 8. As the factors consist of an average across the questions, and the factors have been found to be reliable, only the results of the five factors will be discussed in this chapter and not the results of each individual question. The factor “Management support” consist of sub dimension, and these will be examined in addition to the overall scores on the five factors.

Table 16 contains the descriptive information for the five factors and Figure 21 provides a graphic plot of the mean scores.

Table 16: Descriptive information of the five CEAI factors (n = 36)

	N	Minimum	Maximum	Mean	Std. Deviation
Management Support	36	1.89	4.05	3.06	0.54
Work discretion	36	1.90	4.40	3.29	0.63
Reward/Reinforcement	36	2.17	4.83	3.64	0.59
Time availability	35	1.40	4.00	2.57	0.60
Organisational boundaries	35	2.71	5.00	4.06	0.58

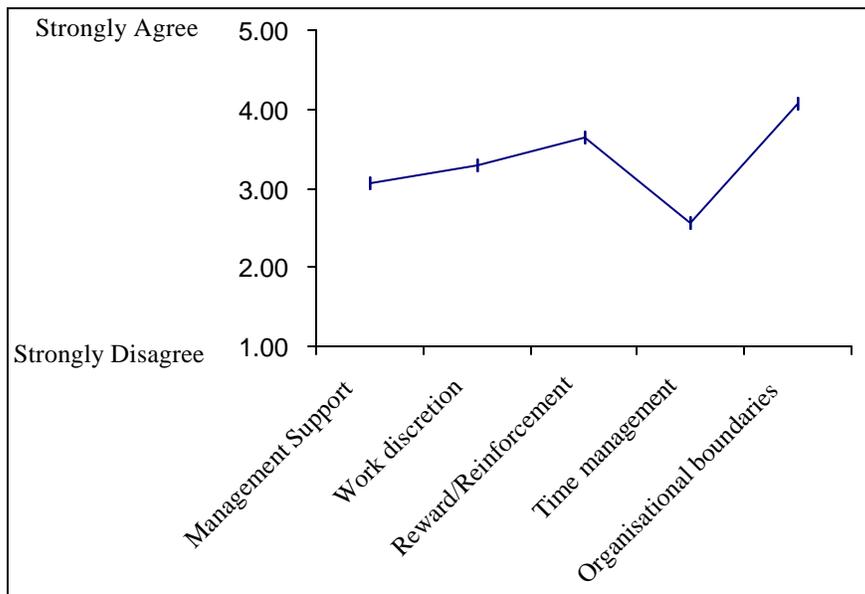
Time availability is one of the factors where respondents awarded the lower scores.

This factor refers to the time available for managers to spend on entrepreneurial

activity. It is clear that the opportunity to create an environment conducive to corporate entrepreneurship is limited.

The literature study does show that corporate entrepreneurship is not promoted through strict time schedules. Corporate entrepreneurship could be encouraged through flexi time schedules which allow the corporate entrepreneur to plan entrepreneurial activities and share ideas with team members.

Figure 21: Graphic presentation of factor mean results (n = 36)



The factor “organisation boundaries” received the highest score (average of 4). This factor refers to operating procedures and the existence of many written rules. The fact that the score is high on this factor does indicate that managers are clear of what is expected of them. They do, however, have to follow standard operating procedures to do major tasks.

Literature on the concept of corporate entrepreneurship does consider complex policies and procedures and over reliance on established rules as major preventative factors to a corporate entrepreneurial culture.

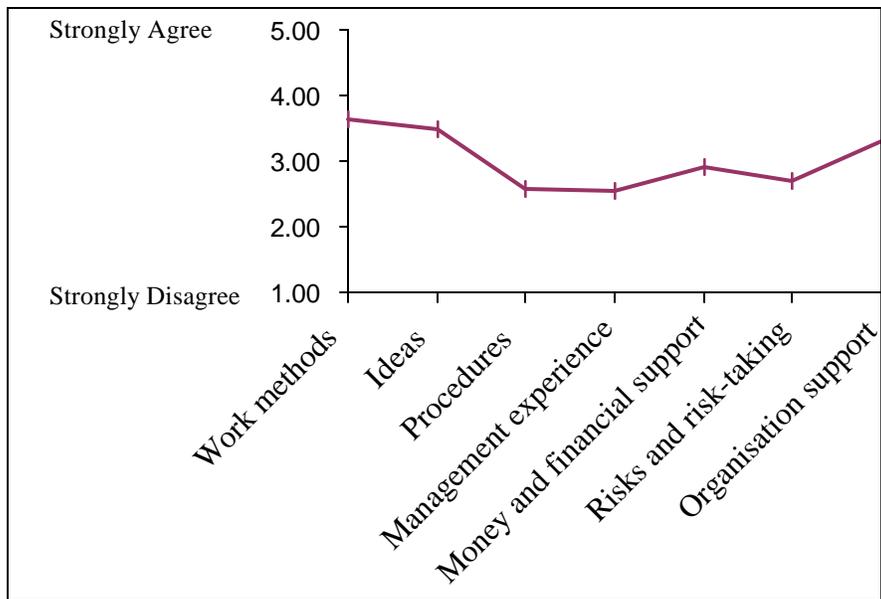
Reward/reinforcement is also relatively well rated, with a mean score of 3.6. This relates to special recognition of employees on work performance and an increase in job responsibilities if an employee performs well.

Table 17 below provides the descriptive information of each of the sub-dimensions of “Management Support”, and Figure 22 graphically illustrates the mean scores.

Table 17: Descriptive information of the sub-dimensions of “Management Support” (n = 36)

	Minimum	Maximum	Mean	Std. Deviation
Work methods	2	5	3.64	0.81
Ideas	2	5	3.47	0.70
Procedures	1	5	2.57	0.84
Management experience	1	5	2.56	0.88
Money and financial support	2	5	2.92	0.83
Risks and risk-taking	1	5	2.69	0.82
Organisation support	1	5	3.29	0.79

Figure 22: Graphic presentation of factor mean results of management support sub-dimensions



The aspects of management support that received the best ratings are:

- work methods
- ideas
- organisational support.

The fact that the scores of the above dimensions are high is a positive indication of the ability of the organisation to see and implement improved work methods. Developing ideas for the improvement of the organisation is encouraged, and the organisation does support many small and experimental projects.

Procedures, management experience and risk taking were rated relatively lower. This indicates that employees have to go through elaborate justification and approval

procedures before making decisions on projects. It also shows that there are not many top managers known for their innovative process in the business. Individuals are not encouraged to take calculated risks and risk takers are not recognised for their willingness to champion new projects.

4.7 COMPARISON OF DEMOGRAPHIC GROUPS REGARDING THE CEAI FACTORS

The ratings on the factors could be influenced by demographic variables in other words some groups might rate a certain factor higher or lower than other groups. For statistical comparison between groups, there has to be, if not equal numbers, then at least large enough numbers of respondents in each groups. In the case of some variables, like gender there are only four females and this does not allow for a valid comparison with the 33 males.

Groups that can be compared are:

- Division
- Culture groups: White and Asian
- Education groups: Grade 12 and Post Matric qualification

Scores across the three areas, Dion, Game Gauteng and Game Other is compared by means of the **Kruskal Wallis Test** (see section 4.4.2) and the results are given below in Table 18.

Table 18: A comparison between the five CEAI factor scores of the different divisions

	Chi-Square	p-value
Management Support	1.96	0.37
Work discretion	0.26	0.88
Reward/Reinforcement	2.91	0.23
Time management	1.72	0.42
Organisational boundaries	2.45	0.29

To judge the significance of differences between groups, the p-value is used. A p-value of below 0.05 is chosen as the significance level.

No significant differences are found between any of the three divisions with regard to the scores on the five CEAI factors (no p-values below the set level of 0.05).

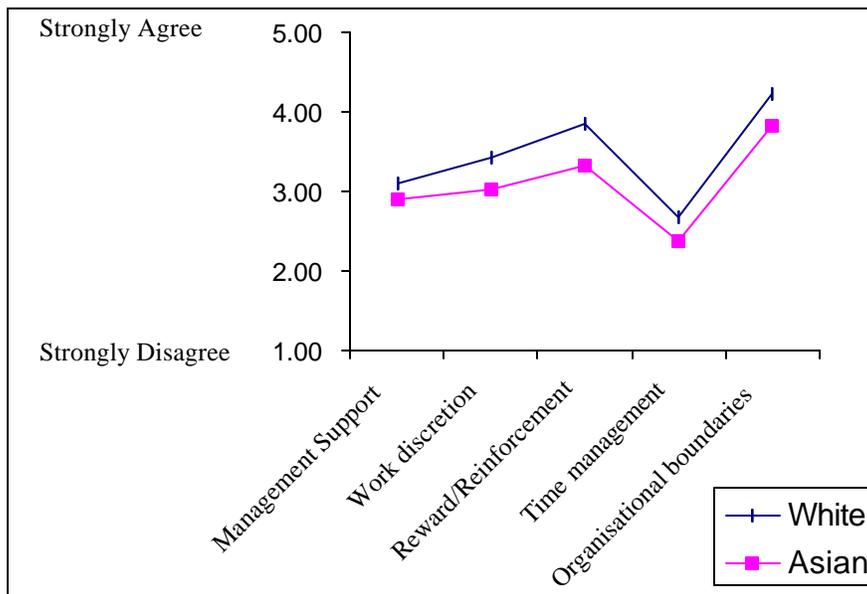
Scores across the two variables, White and Asian culture groups, are compared by means of the **Mann-Whitney** test (see section 4.4.2) and the results are given below in Table 19.

Table 19: A comparison between the five CEAI factor scores of White and Asian respondents

	Mann-Whitney U	Z	p-value
Management Support	75	-0.92	0.36
Work discretion	63.5	-1.45	0.15
Reward/Reinforcement	50	-2.08	0.04
Time management	66	-0.97	0.33
Organisational boundaries	47	-1.90	0.05

Two significant differences were found between the White and Asian culture groups. Differences are on Reward/Reinforcement and Organisational boundaries. The figure below (Figure 23) gives a graphic illustration of the mean scores awarded by both culture groups.

Figure 23: Mean scores of White and Asian respondents on each of the CEAI factors



It can be seen from the above figure that the Asian respondents were more negative towards all the aspect of corporate entrepreneurship, but significantly so with regard to reward and reinforcement, and organisational boundaries. There is a possibility that this could be linked to the fact that more Asian people tried to start their own business in the past (refer to Figure 20). The Asian people who started their own businesses had to enter into a salaried job to earn a stable income, gain experience and knowledge or had a dishonest partner.

The five CEAI factors are compared to the 2 variables related to education: people with Grade 12 and those with post matric qualification (refer to Table 20).

Table 20: A comparison between the five CEAI factor scores of persons with only Grade 12 and those with a post matric qualification

	Mann-Whitney U	Z	p-value
Management Support	120.00	-0.43	0.66
Work discretion	128.00	-0.14	0.89
Reward/Reinforcement	75.00	-2.07	0.04
Time management	91.00	-1.15	0.25
Organisational boundaries	93.00	-1.07	0.28

It is only with regard to the factor reward and reinforcement that the groups differ. The more educated respondents are the more negative with regard to this factor (3.8 versus a score of 3.4).

A cross-tabulation between culture and education (Table 21) shows that white and Asian respondents have similar education. Findings that education influences the perception on Reward/Reinforcement are independent of the influence of culture.

Table 21: Cross-tabulation between Culture and Education (n = 32)

Culture		Qualification recoded		Total
		Std 10	Post Matric	
White	Frequency	11	6	17
	% within Culture	64.7	35.2	100
Indian	Frequency	1	3	4
	% within Culture	25	75	100
Asian	Frequency	7	3	10
	% within Culture	70	30	100
Black	Frequency	1	0	1
	% within Culture	100	0	100
Total	Frequency	20	12	32
	% within Culture	62.5	37.5	100

The variables ‘age’ and ‘number of years of experience in the industry’ are continuous variables. A Spearman correlation is done to determine if there is a relationship between these variables and the scores on the CEAI factors.

Table 22: Spearman correlation between CEAI factors and Age and Number of years experience in the industry

	Experience (n = 36)		Age (n = 28)	
	Correlation Coefficient	p-value	Correlation Coefficient	p-value
Management Support	-0.39	0.017	0.03	0.873
Work discretion	-0.05	0.750	0.26	0.182
Reward/Reinforcement	-0.22	0.191	0.16	0.403
Time management	0.14	0.411	0.37	0.052
Organisational boundaries	-0.16	0.361	0.02	0.910

One significant relationship is found between the length of experience in the industry and the satisfaction with management support. The negative correlation indicates that the more experienced persons are more likely to rate the 'Management Support' factor lower than those persons with less experience.

4.8 CONCLUSION

The research methodology and results from the empirical research were discussed in this chapter. The population for the current study was defined as the middle managers of the *Game* and *Dion* stores. The Corporate Entrepreneurship Assessment Instrument (CEAI) was used to evaluate the perception of middle managers of the internal environment.

Significant differences were found between white and Asian groups. The Asian group was more negative than the whites, on 'Rewards/Reinforcement' and 'Organisational boundaries'.

Another significant finding is that the more educated managers were more negative with regard to 'Rewards/Reinforcement' than the less educated. Lastly, the more experienced managers in the industry rated 'Management Support' lower than those managers with less experience.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The purpose of this study was to explain the concept of corporate entrepreneurship and to identify the factors that influence entrepreneurial behaviour within the organisational structure of a South African retail organisation.

In order to identify corporate entrepreneurial behaviour and the factors which influence this behaviour, research in the form of a literature study and empirical research was done.

A specific measurement instrument, the Corporate Entrepreneurship Assessment Instrument (CEAI), was given to all *Game* and *Dion* store managers.

The aim of this chapter is to provide a synthesis of the research conducted. It is imperative to summarise the aim of the study, followed by the main findings from the empirical research, conducted in a South African retail organisation. Recommendations arising from the findings and suggestions for further research will be discussed in the following section.

5.2 AIMS OF THE STUDY

5.2.1 Primary objective

The primary objective is to identify factors that influence entrepreneurial behaviour of middle management in the retail organisation: Massdiscounters.

5.2.2 Secondary objectives

The secondary objectives are to determine whether there is management support for corporate entrepreneurship in this particular retail organisation, and to identify the level of work discretion of employees in this case study.

It also aims to identify the rewards for creative and innovative employees and to identify any organisational boundaries that hamper or induce corporate entrepreneurial behaviour.

Lastly the study aims to identify the factors that promote and impede the entrepreneurial behaviour of middle managers in an established organisation, and to make relevant recommendations to senior management.

5.3 FINDINGS OF THE LITERATURE STUDY

5.3.1 Chapter 2

This chapter provided background information about the retail industry and sets the scene for entrepreneurship in the corporate environment. Retail has been defined (Levy and Weitz 2001); (Mason et al 1993) and (Statistics South Africa 2004) as the business that sells products and services to consumers, and forms the final link in the distribution channel.

It is evident from this chapter that retail is a dynamic industry and retailers are challenged to improve their margins, through greater efficiencies and reductions in operating costs.

Massmart is considered one of South Africa's biggest sellers of consumer goods, food and alcohol. The case study for this research is Massdiscounters, a division of Massmart, which contributed 31% to the total sales of Massmart in 2003. It is clear that Massdiscounters is an important division in the Massmart group.

To differentiate Massdiscounters from other retailers, a level of quality products, customer service and satisfaction superior to competitors are required. Corporate entrepreneurship has the potential to become a competitive advantage for this retailer and an entrepreneurial environment can result in innovation and new product development. It is for this reason that Massdiscounters was chosen as the case study.

5.3.2 Chapter 3

This chapter emphasises that corporate entrepreneurship is not confined to a particular business size or stage in an organisation's life cycle. Organisations need to realise the importance to successfully manage their work force and promote creativity and innovation on all levels.

Various authors define corporate entrepreneurs as corporate risk takers who drive innovative ideas and products within larger organisations. Their creative ideas and innovative behaviour lead to new product development, processes and services which results in company growth and profits.

Corporate entrepreneurial behaviour is influenced by top management's support, rewards and recognition, organisational structures, resource availability and a tolerance for risk-taking.

Covin (Kuratko and Morris 2002:34) says that entrepreneurial behaviour has a direct influence on company performance, because it is interlinked with the vision and mission of the business, the strategic objectives, the structure of the organisation and the organisational culture (Figure 13).

The chapter describes the relationship between creativity, innovation and corporate entrepreneurship. Couger's creativity model (Couger 1995) was

discussed. It was stated earlier that retail is a dynamic industry and Massdiscounters operate in a highly competitive environment.

Innovation plays an important role in an organisation that operates in a highly competitive environment. It requires greater entrepreneurial qualities from its employees.

This chapter also addresses the important role middle managers play in influencing employees and the corporate culture (the focus of this study). It stated that middle managers work with suppliers, observe the market and analyse the competition. They are well suited to identify areas where innovation is needed.

It can be concluded from the literature study that corporate entrepreneurship has a significant role to play in business survival, performance and growth.

5.4 FINDINGS FROM THE EMPIRICAL RESEARCH

This research involved all middle level managers in Massdiscounters and the CEAI measured five underlying factors (Table 8) through a self-administered questionnaire.

Chapter 4 provides a brief theoretical explanation on the research methods applied in the study.

The first part of the questionnaire asked the respondents for demographic information. The rationale behind requesting such information is to provide insight into differences between demographic groups with regards to entrepreneurial behaviour.

5.4.1 Demographic information

The sample consists of 11 Dion store managers (Gauteng), 10 Game store managers (Gauteng) and 16 Game store managers from other geographical areas in South Africa. The findings show the results being similar across all three divisions, no significant findings were found by the comparing results of the three divisions.

The majority of the store managers in Massdiscounters are male and the average age is 37. The small group of female store managers did not allow the researcher to identify any significant difference between males and females, with regard to entrepreneurial behaviour.

Language or race was not a prerogative in selecting members for the sample. Most of the respondents indicated that they speak English (69%) or Afrikaans at home (28%). The majority of the middle managers are white (55, 9%) or Asian (29, 4%).

The respondents were asked about their level of education. The rationale behind asking this question was to determine if there is a relationship, between education and intrapreneurial behaviour. It was found that the managers with

the higher qualifications (post matric) were less satisfied with the organisation's rewards and reinforcement, than the managers whose highest qualification was Grade 12.

The number of years of experience that managers have in the industry was also required from respondents. This allows the researcher to establish if experience influenced the respondents' perception of the internal environment of corporate entrepreneurship.

The majority of the store managers (18) have between 11 to 15 years of experience in the industry. It was found that the managers with the longest industry experience - 16 to 30 years (13 respondents) - had a more negative perception of management's support in the organisation, than those managers who did not have that many years of experience in the industry – 0 to 10 years (5 respondents).

Respondents were asked if they had ever started their own businesses, and the majority (87%) said No. The respondents who did start their own businesses in the past, entered into a salaried job for reasons related to income, a dishonest partner or the business was sold. The rationale behind asking this question is to determine the number of entrepreneurs in the sample and the level of their intrapreneurial activity in an established organisation (not their own business).

The research has found that the majority of the respondents, who did start their own businesses before, were more negative towards all the aspect of corporate

entrepreneurship. Their negativity was significant with regard to reward and reinforcement, as well as organisational boundaries.

5.4.2 Findings on the five CEAI factors

A detailed analysis of the findings was provided in chapter 4. The next section is a brief summary of the main findings.

i) Management support

The results of this factor indicate that the organisation is quick to implement new and improved work methods. There are however, not enough entrepreneurial role models in top management and risk taking is not encouraged (refer to Table 17 and Figure 22). Respondents were asked to rate the questions as Strongly Agree (coded as 5) and Strongly Disagree (coded as 1). Both the questions on management's experience with the innovative process (mean score of 2, 56) and risk taking (mean score of 2, 69) were rated between Disagree (coded as 2) and Not sure (coded as 3).

Results of the literature study showed the importance of having entrepreneurial role models in top management, to identify and train corporate entrepreneurs.

Corporate entrepreneurs need to know that management encourages risk taking and supports new initiatives, realising that some of them might fail.

ii) Work discretion

This factor was relatively well rated, with a mean score of 3, 29. This implies that store managers do feel that they don't have to double check all of their decisions with someone else. It is perceived that the organisation provides the store manager the freedom to use his or her own judgment and abilities. Empowerment and independent working does encourage entrepreneurial behaviour and innovation, as stated in the literature survey.

One negative aspect is that there is a perception that harsh criticism and punishment result from mistakes made on the job. Various authors stated that any organisation that strives to implement corporate entrepreneurship should encourage risk taking and allow for mistakes and failures.

iii) Rewards/Reinforcement

This factor was well rated with a mean score of 3, 64. Store managers are of the opinion that their jobs are challenging and that management helps them to get their work done by removing obstacles and roadblocks. It is believed that a store manager will get special recognition for a job well done, and job responsibilities will be increased if the manager performs well. These are positive factors that contribute to the creation of a corporate entrepreneurial culture.

iv) Time availability

This factor was not well rated (a means score of only 2, 57) as managers feel that their work load keeps them from spending time on developing new ideas. They also thought that their jobs are so structured that they have little time to think

about wider organisational problems. Store managers feel that they are always working with time constraints.

The literature study did highlight availability of resources, such as time, a very important factor which can hinder or encourage entrepreneurial behaviour. If an organisation is to encourage entrepreneurial behaviour it should consider flexible time since innovative endeavours are not promoted by strict time schedules.

v) Organisational boundaries

This factor was rated high (a mean score of 4, 06) which is an indication that managers know what is expected of them and there is little uncertainty in their jobs. However, store managers think that there are too many written rules and procedures and that they have to follow standard operating procedures to do major tasks.

The organisation must be made aware of the fact that complex policies and procedures, approval systems and over-reliance on established rules, are major preventative factors for corporate entrepreneurship (Kuratko and Morris 2002:125).

5.5 CONCLUSION

It is clear from the results of the literature study as well as the empirical research that organisations need to explore the creative potential of the work force.

Management need to realise that employees not only work for the financial

remuneration, but also for 'psychological' remuneration such as challenging jobs, responsibility and recognition. The CEAI factor on rewards and reinforcement (which refers to the above forms of 'psychological' remuneration) was well rated by the middle managers of Massdiscounters, with a mean score of 3, 64.

Although there is room for improvement, the middle managers in general feel positive about the rewards and reinforcement policies of the organisation.

Organisations that strive to implement corporate entrepreneurship should ensure open communication channels in the organisation and business success stories need to be shared with the rest of the employees. The employees should be allowed to communicate new ideas to management. This will lead to innovative behaviour, which further can result in new product or process development, a competitive advantage for any organisation.

Management need to realise that bureaucracy and top-down management destroy creativity. Responsibility without authority and accountability does not encourage entrepreneurial behaviour, as corporate entrepreneurs need to be empowered.

Corporate entrepreneurship is not promoted when the management punishes an individual who takes initiative. This results in employees fearing failure and resisting change.

It is important to have entrepreneurial role models at top management level, to develop, train and support corporate entrepreneurs.

5.6 RECOMMENDATIONS FOR FURTHER INVESTIGATION

This section provides recommendations for future research of a similar nature:

- The sample size should be increased to include all middle managers in the Massmart group
- Align the demographic structure of the sample to identify significant differences or correlations between groups e.g. include more female store managers to identify the difference/correlation between male and female managers with regard to entrepreneurial behaviour
- Include senior managers in the population to identify the possible differences or correlations in the perception of the internal environment, from middle management's perspective versus senior management.

This study endeavoured to be unique as limited information is available on corporate entrepreneurship and this has not been researched intensively in this retail organisation. The findings will create an awareness of the concept *corporate entrepreneurship* in the corporate environment.

It offers a platform for future developments in the field of corporate entrepreneurship and its impact on an organisation. This study provides decision makers with a concept that assists them in the implementation of motivating intrapreneurial programmes by being aware of the factors which impact on corporate entrepreneurial behaviour. This is a much needed foundation for South African organisations and throughout the world.

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ANNEXURES