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Chapter 1

Context of study

We live in entrepreneurial times.

Orford, Herrington and Wood 2004:6

1.1 Introduction

This chapter sets out the reasons for carrying out the research study. The importance and objectives of the study and the research hypotheses are presented. The chapter outlines the study and concludes by providing a description and clarification of the constructs under study, thereby explaining the focus of the study.

The reasons for carrying out the research are that there seems to be a contradiction in terms of the dictates of strategic and those of entrepreneurship. Planning tends to deal with order while entrepreneurship deals with creation. Creation tends to bring about chaos / disorder. The study would like to establish the extent to which these extremes are practiced by management. In order to establish the nature of this relationship research proposals are postulated which assesses these two constructs against a number of variables. The variables include business biographics such as age, listing and number of employees among others In addition other business operational variables include planning methods, entrepreneurial orientation, management focus on planning and entrepreneurship.

The study begins with literature review before the quantitative aspects of the study are discussed in detail and findings presented.

1.2 Importance of the study

With globalisation accelerating, the competitive relationship between individuals, businesses, regions and nations is becoming increasingly complex and interlocked, regardless of the size and development of the business (Yamada 2004:289).

This dynamism calls for a move from a single-dimensional view when focusing on business competitiveness. This study offers a multidimensional view by reviewing competitiveness from a strategic planning and Corporate Entrepreneurship perspective. Each of the two constructs is multifaceted on its own.

The implementation of corporate entrepreneurship is important not only for large businesses but for small and medium-sized businesses. It is also important to entire economies, since it affects the economy by increasing productivity, improving best practices, creating new industries and enhancing international competitiveness (Antoncic & Hisrich 2004:518). This becomes an important challenge for South Africa, which has been lagging behind in entrepreneurial orientation in the past four years relative to other developing nations surveyed since South Africa's inclusion in the General Entrepreneurial Monitor (GEM) Report in 2001 (Foxcroft , Wood, Kew, Herrington & Segal 2004:3).

Skrt and Antoncic (2005:107) argue that strategic planning (thinking) has become a must for entrepreneurs in this time of global competition, technological change and dynamics in markets. Antoncic and Hisrich (2004:518) emphasise the fact that strategic planning (management) decisions are crucial for heterogeneity in business behaviour and value creation, as well as an important means of generating new value. It becomes very important to study such a phenomenon in businesses so as to contribute towards the desired behaviour of the business.

The entrepreneurial business and innovation that were evident some years back are decreasing rapidly due to the crisis in the IT industry and the breakdown of the dot.com wave. Large established businesses are disassociating themselves from the entrepreneurial "heroes" and "visionary" managers of the dot.com era and choose to hire the quieter "bookkeeper" type of manager in an apparent attempt to assure shareholders that nothing unexpected is about to happen (Drejer 2004:513). There is need therefore to halt this regression by championing the many other successes that have been brought about by a high entrepreneurship orientation.

Drejer (2004:513) adds that focus and resources are slowly but surely being drained from innovative and business-creating activities, leading to a vicious circle in which the ability to improve the competitive position is being diminished at the same time as the competitive position itself is being eroded. This is a worrying development, which calls for scholars to keep researching in the field in order to keep industry and other stakeholders informed about the best practice.

The benefits of entrepreneurship have been widely documented and accepted (Morris & Lewis 1995:38). Businesses can therefore benefit by inducing an entrepreneurial orientation. South Africa is struggling with the challenges of high unemployment, currently averaging 26.7% (Statistics South Africa 2005:1), high poverty levels and a growing divide between the “first and second economies”. It is primary research like this which yield data that is useful for policy formulation and decision-making.

1.2.1 Objectives of the study

The concept of entrepreneurship has been studied from a very wide range of perspectives in every discipline from Psychology to Economics (Christensen 2004:303). The studies which emphasise business growth can roughly be divided into three perspectives, namely, external and internal perspectives and the interaction of the two (Yamada 2004:290). Instead of focusing on the different facets of entrepreneurship or looking at the concepts of strategic planning, which have both been studied extensively, this study combines the two areas and explores their impact on performance.

According to Skrt and Antoncic (2004:108), despite the fact that a number of entrepreneurship authors such as Wickham (2001), Hisrich and Peters (2001), and Timmons and Spinneli (2003), propagate the importance of strategic planning for the success of an entrepreneurial venture, many entrepreneurs tend not to formulate extensive plans. This is so despite the fact that strategic planning and systematic decision-making are considered key determinants of survival and success.

This study aims to explore the extent to which businesses are entrepreneurial and formulate strategic plans.

Entrepreneurial activity tends to lead towards creative destruction in which new combinations of ideas naturally lead to the same constructive development and also to some conflicts and misalignment (Yamada 2004:297). This thesis focuses on one such combination of corporate entrepreneurship (CE) and strategic planning (SP) and aims to establish the extend of the resultant conflicts and misalignment in the practice of these aspects and the business's performance.

According to Drejer (2004:508), the link between the theory and practice of strategic management, of which strategic planning is a key component, has been weak and this calls for a reflection on the part of researchers and scholars.
There is evidence of the practice of strategic planning and intrapreneurship in large businesses in the US and Europe. Studies in the US and elsewhere also show that businesses believe that planning and entrepreneurship lead to better business performance (Kuratko & Hodgetts 1992:466). However, the same cannot be said about South Africa. South African literature supporting the practice of strategic planning in businesses or corporate entrepreneurship is limited or not available. The apparent inadequacy or absence of coverage of the subject in local literature is a big gap that needs to be filled by primary South African research. This study aims to contribute to the filling of this gap.

As an academic discipline, the field of entrepreneurship is desperately in need of more solid theoretical work that will help strengthen its conceptual and empirical foundation and more importantly, provide guidance for emulators so that their success opportunities will be improved (Ma & Tan 2006:705; Cooper, Markman & Niss 2000:115).

This dissertation aims to contribute towards this end in its modest way.

The following is a summary of the exploratory objectives of this research;

- To understand the extent to which businesses practise strategic planning and entrepreneurship.
- To promote strategic planning and entrepreneurship as a best practice in the competitiveness of businesses.
- To show that both strategic planning (normally associated with big businesses) and entrepreneurship (normally associated with small businesses) are beneficial in all businesses irrespective of size.
- To contribute to the South African literature on strategic planning and entrepreneurship.

- To empirically show the relationship between the practise of strategic planning and entrepreneurship.

1.2.2 Problem statement

Theories and frameworks of strategic planning are well documented in academic literature, but the practical evidence of their application is in short supply (Stonehouse and Pemberton 2002:855; Drejer 2004:508). Managers appear either unconvinced or unaware of the practical benefits of strategic planning (Stonehouse and Pemberton 2002:860) and corporate entrepreneurship by businesses (Drejer 2004:513). This is despite the universal belief that the practice of strategic planning and corporate entrepreneurship ensures and enhances the success of businesses. Research shows that planning itself does not lead to the success of businesses, but rather the quality and high levels of entrepreneurial activity in the business.

1.2.3 Study propositions

Proposition 1: Businesses that practise strategic planning do not show significantly higher levels of strategic control.

Proposition 2: Businesses that practise strategic planning do not show significantly higher levels of entrepreneurial orientation.

Proposition 3: Businesses that practise strategic planning do not show significantly higher levels of new product introduction.

Proposition 4: Businesses that practise strategic planning do not show significantly higher levels of financial performance.

Proposition 5: Businesses that practise strategic control do not show significantly higher levels of entrepreneurial orientation.

Proposition 6: Businesses that practise strategic control as part of strategic planning do not show significantly higher levels of new product introduction.

Proposition 7: Businesses that practise strategic control do not show significantly higher levels of financial performance.

Proposition 8: Businesses that are entrepreneurially oriented do not show significantly higher levels of new product introduction.

Proposition 9: Businesses that are entrepreneurially oriented do not show significantly higher levels of financial performance.

Proposition 10: Businesses that have high product introductions do not show significantly higher levels of financial performance.

Proposition 11:1 to P11.5 A statistically significant variance does not exist between strategic planning regarding the following variables:

P11.1: age

P11.2: duration of listing

P11.3: number of full-time employees

P11.4: gross income per annum

P11.5: gross asset value

Propositions 11.1.1 to 11.1.5 A statistically significant variance does not exist between strategic planning regarding the following age strata:

P11.1.1: less than 2 years

P11.1.2: 4 to 10 years

P11.1.3: 11 to 20 years

P11.1.4: 21 to 50 years

P11.1.5: over 50 years

Proposition 11.2.1 to 11.2.5 A statistically significant variance does not exist between strategic planning regarding the following listing duration strata:

P11.2.1: less than 2 years

P11.2.2: 4 to 10 years

P11.2.3: 11 to 20 years

P11.2.4: 21 to 50 years

P11.2.5: over 50 years

Proposition 11.3.1 to 11.3.6 A statistically significant variance does not exist between strategic planning regarding the following full-time employee strata:

P11.3.1: 0 - 200

P11.3.2: 201 - 500

P11.3.3: 501 - 1000

P11.3.4: 1001 - 2000

P11.3.5: 2001 - 5000

P11.3.6: over 5000

Proposition 11.4.1 to 11.4.7 A statistically significant variance does not exist between strategic planning regarding the following gross income strata:

P11.4.1: 0 - 50 million rands

P11.4.2: 51 - 100 million rands

P11.4.3: 101 - 500 million rands

P11.4.4: 501 - 1 billion rands

P11.4.5: 1.1 - 5 billion rands

P11.4.6: 5.1 - 10 billion rands

P11.4.7: over 10 billion rands

Proposition 11.5.1 to 11.5.8 A statistically significant variance does not exist between strategic planning regarding the following gross asset value strata:

P11.5.1: 0 - 20 million rands

P11.5.2: 21 - 50 million rands

P11.5.3: 51 - 100 million rands

P11.5.4: 101 - 500 million rands

P11.5.5: 501 - 1 billion rands

P11.5.6: 1.1 - 5 billion rands

P11.5.7: 5.1 - 10 billion rands

P11.5.8: over 10 billion rands

Proposition 12:1 to 12.5 A statistically significant variance does not exist between strategic controls regarding the following variables:

P12.1: age

P12.2: duration of listing

P12.3: number of full-time employees

P12.4: gross income per annum

P12.5: gross asset value

Proposition 12.1.1 to 12.1.5 A statistically significant variance does not exist between strategic control regarding the following age strata:

P12.1.1: less than 2 years

P12.1.2: 4 to 10 years

P12.1.3: 11 to 20 years

P12.1.4: 21 to 50 years

P12.1.5: over 50 years

Proposition 12.2.1 to 12.2.5 A statistically significant variance does not exist between strategic control regarding the following listing duration strata:

P12.2.1: less than 2 years

P12.2.2: 4 to 10 years

P12.2.3: 11 to 20 years

P12.2.4: 21 to 50 years

P12.2.5: 0ver 50 years

Proposition 12.3.1 to 12.3.6 A statistically significant variance does not exist between strategic control regarding the following full-time employee strata:

P12.3.1: 0 - 200

P12.3.2: 201 - 500

P12.3.3: 501 - 1000

P12.3.4: 1001 - 2000

P12.3.5: 2001 - 5000

P12.3.6: over 5000

Proposition 12.4.1 to 12.4.7 A statistically significant variance does not exist between strategic control regarding the following gross income strata:

P12.4.1: 0 - 50 million rands

P12.4.2: 51 - 100 million rands

P12.4.3: 101 - 500 million rands

P12.4.4: 501 - 1 billion rands

P12.4.5: 1.1 - 5 billion rands

P12.4.6: 5.1 - 10 billion rands

P12.4.7: over 10 billion rands

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Proposition 12.5.1 to 12.5.8 A statistically significant variance does not exist between strategic control regarding the following gross asset value strata:

P12.5.1: 0 - 20 million rands

P12.5.2: 21 - 50 million rands

P12.5.3: 51 - 100 million rands

P12.5.4: 101 - 500 million rands

P12.5.5: 501 - 1 billion rands

P12.5.6: 1.1 - 5 billion rands

P12.5.7: 5.1 - 10 billion rands

P12.5.8: over 10 billion rands

Proposition 13:1 to 13.5 A statistically significant variance does not exist between a business's entrepreneurial orientation regarding the following variables:

P13.1: age

P13.2: duration of listing

P13.3: number of full-time employees

P13.4: gross income per annum

P13.5: gross asset value

Proposition 13.1.1 to 13.1.5 A statistically significant variance does not exist between entrepreneurial orientation regarding the following age strata:

P13.1.1: less than 2 years

P13.1.2: 4 to 10 years

P13.1.3: 11 to 20 years

P13.1.4: 21 to 50 years

P13.1.5: 0ver 50 years

Proposition 13.2.1 to 13.25 A statistically significant variance does not exist between entrepreneurial orientation regarding the following listing duration strata:

P13.2.1: less than 2 years

P13.2.2: 4 to 10 years

P13.2.3: 11 to 20 years

P13.2.4: 21 to 50 years

P13.2.5: 0ver 50 years

Proposition 13.3.1 to 13.3.6 A statistically significant variance does not exist between entrepreneurial orientation regarding the following number of full-time employee strata:

P13.3.1: 0 - 200

P13.3.2: 201 - 500

P13.3.3: 501 - 1000

P13.3.4: 1001 - 2000

P13.3.5: 2001 - 5000

P13.3.6: over 5000

Proposition 13.4.1 to 13.4.7 A statistically significant variance does not exist between entrepreneurial orientation regarding the following gross income strata:

P13.4.1: 0 - 50 million rands

P13.4.2: 51 - 100 million rands

P13.4.3: 101 - 500 million rands

P13.4.4: 501 - 1 billion rands

P13.4.5: 1.1 - 5 billion rands

P13.4.6: 5.1 - 10 billion rands

P13.4.7: over 10 billion rands

Proposition 13.5.1 to 13.5.8 A statistically significant variance does not exist between entrepreneurial orientation regarding the following gross asset value strata:

P13.5.1: 0 - 20 million rands

P13.5.2: 21 - 50 million rands

P13.5.3: 51 - 100 million rands

P13.5.4: 101 - 500 million rands

P13.5.5: 501 - 1 billion rands

P13.5.6: 1.1 - 5 billion rands

P13.5.7: 5.1 - 10 billion rands

P13.5.8: over 10 billion rands

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Proposition 14:1 to 14.5 A statistically significant variance does not exist between new product introduction regarding the following variables:

P14.1: age

P14.2: duration of listing

P14.3: number of full-time employees

P14.4: gross income per annum

P14.5: gross asset value

Proposition 14.1.1 to 14.1.5 A statistically significant variance does not exist between new product introduction regarding the following age strata:

P14.1.1: less than 2 years

P14.1.2: 4 to 10 years

P14.1.3: 11 to 20 years

P14.1.4: 21 to 50 years

P14.1.5: over 50 years

Proposition 14.2.1 to 14.2.5 A statistically significant variance does not exist between new product introduction regarding the following listing duration strata:

P14.2.1: less than 2 years

P14.2.2: 4 to 10 years

P14.2.3: 11 to 20 years

P14.2.4: 21 to 50 years

P14.2.5: over 50 years

Proposition 14.3.1 to 14.3.6 A statistically significant variance does not exist between new product introduction regarding the following full-time employee strata:

P14.3.1: 0 - 200

P14.3.2: 201 - 500

P14.3.3: 501 - 0 1000

P14.3.4: 1001 - 2000

P14.3.5: 2001 - 5000

P14.3.6: over 5000

Proposition 14.4.1 to 14.3.7 A statistically significant variance does not exist between new product introduction regarding the following gross income strata

P14.4.1: 0 - 50 million rands

P14.4.2: 51 - 100 million rands

P14.4.3: 101 - 500 million rands

P14.4.5: 1.1 - 5 billion rands

P14.4.6: 5.1 - 10 billion rands

P14.4.7: over 10 billion rands

Proposition 14.5.1 to 14.5.8 A statistically significant variance does not exist between new product introduction regarding the following gross asset value strata:

P14.5.1: 0 - 20 million rands

P14.5.2: 21 - 50 million rands

P14.5.3: 51 - 100 million rands

P14.5.4: 101 - 500 million rands

P14.5.5: 501 - 1 billion rands

P14.5.6: 1.1 - 5 billion rands

P14.5.7: 5.1 - 10 billion rands

P14.5.8: over 10 billion rands

Proposition 15:1 to 15.5 A statistically significant variance does not exist between a business's financial performance regarding the following variables:

P15.1: age

P15.2: duration of listing

P15.3: number of full-time employees

P15.4: gross income per annum

P15.5: gross asset value

Proposition 15.1.1 to 15.1.5 A statistically significant variance does not exist between financial performance regarding the following age strata:

P15.1.1: less than 2 years

P15.1.2: 4 to 10 years

P15.1.3: 11 to 20 years

P15.1.4: 21 to 50 years

P15.1.5: over 50 years

Proposition 15.2.1 to 15.2.5 A statistically significant variance does not exist between financial performance regarding the following listing duration strata:

P15.2.1: less than 2 years

P15.2.2: 4 to 10 years

P15.2.3: 11 to 20 years

P15.2.4: 21 to 50 years

P15.2.5: over 50 years

Proposition 15.3.1 to 15.3.6 A statistically significant variance does not exist between financial performance regarding the following full-time employee strata:

P15.3.1: 0 - 200

P15.3.2: 201 - 500

P15.3.3: 501 - 0 1000

P15.3.4: 1001 - 2000

P15.3.5: 2001 - 5000

P15.3.6: over 5000

Proposition 15.4.1 to 15.4.7 A statistically significant variance does not exist between financial performance regarding the following gross income strata:

P15.4.1: 0 - 50 million rands

P15.4.2: 51 - 100 million rands

P15.4.3: 101 - 500 million rands

P15.4.4: 501 - 1 billion rands

P15.4.5: 1.1 - 5 billion rands

P15.4.6: 5.1- 10 billion rands

P15.4.7: over 10 billion rands

Proposition 15.5.1 to 15.5.8 A statistically significant variance does not exist between financial performance regarding the following gross asset value strata:

P15.5.1: 0 - 20 million rands

P15.5.2: 21 - 50 million rands

P15.5.3: 51 - 100 million rands

P15.5.4: 101 - 500 million rands

P15.5.5: 501 - 1 billion rands

P15.5.6: 1.1 - 5 billion rands

P15.5.7: 5.1 - 10 billion

P15.5.8: over 10 billion

1.3 Definition of terms

1.3.1 Strategic planning terminology

According to Stonehouse and Pemberton (2002:853) and also Hannon and Atherton (1998:111), several terms are used ambiguously and interchangeably in the literature relating to strategy, resulting in a failure to distinguish between the concepts of *strategic management, strategic thinking, strategic learning* and *strategic planning*. Stonehouse and Pemberton (2002) clarify the concepts as follows:

Strategic management can be conceptualised as a set of theories and frameworks designed to assist managers of businesses in thinking, planning and acting strategically. It concerns the long-term success of the whole business and is a vehicle through which managers can plan for the future.

Strategic thinking relates to a vision of the future developed by business leaders, requiring managers to think ahead to develop long-term "strategic intent" for the business.

Strategic learning is concerned with the processes by which businesses learn about themselves and the environment, thereby devising demanding, but achievable long-term goals together with the appropriate strategies intended to realise them. Strategic learning is vital to the development of the strategic knowledge upon which competitive advantage is based and involves the gathering and analysis of information to support the development of vision and strategy.

Strategic planning centres on the setting of long-term business objectives and the development and implementation of plans designed to achieve the business objectives. The long-term orientation, level, detail and degree of flexibility involved in the process are vital elements. They define *strategic planning* as the devising and formulating of plans at business level which set the broad and flexible objectives, strategies and policies of a business, driving it towards its vision of the future.

Chen (2005:364), and Stonehouse and Pemperton (2002:854) cite Mckiernan (1997), who indicates four well-established frameworks for strategic management / planning;

- The planned approach (prescriptive)
- Emergent learning / logical incrementalism (Quinn 1978)
- Competitive positioning (outside-in analysis, Porter 1985)
- Core competence resource / knowledge based (inside-out analysis).

Strategic planning and thinking involve two distinct thought processes. Planning involves analysis and then establishing and formalising systems and procedures. Thinking involves synthesis, encouraging intuitive, innovative and creative thinking at all levels of the business (Graetz 2002:457).

Stonehouse and Pemperton (2002:854) point out that confusion over the terminology used for *strategy* is compounded by the different approaches devised to try to understand competitive advantage. O'Reagan and Ghobadian (2002:663) concur that the term *strategic planning* has a multitude of meanings. No school represents a complete or definitive explanation of strategic management / planning within a business (Stonehouse & Pemberton 2002:854). In addition there is the suggestion by Mintzberg (1990) that *strategy* is a combination of deliberate plans and emergent adjustments over time and Quinn's (1980) logical incrementalism.

Characteristics of strategic planning systems, adopted from Karger and Parnell (1996:46), form the basis of this construct. This is presented below as Table 1.1.

Table 1.1 Characteristics of a strategic planning system

Characteristics	Description	Supporting literature
Internal orientation	The extent of attention devoted to a business's recent history and current situation, past performance and analysis of strengths and weaknesses.	Camillus & Venkatraman (1984) Grant & King (1982) King & Cleveland (1978) Lorange & Vancil (1977 Steiner (1979) Stevenson (1976)
External orientation	Ability to obtain reliable and timely research information in order to learn about external environmental opportunities and threats.	Andrews (1971) McDaniel & Kolari (1987) Ramanujam *et al*. (1986) Snow & Hrebiniak (1980) Veliyati & Shortell (1993
Functional integration	The extent of coverage given to different functional areas with a view to integrating different functional requirements into a general management perspective.	Hitt, Ireland & Palia (1982) Hitt, Ireland & Stadler (1982) Lorange (1980) Snow & Hrebiniak (1980) Ramanujam *et al.* (1986) Ramanujam & Venkatraman (1987)
Key personnel involvement	The degree of involvement of top management, board members, line and staff managers in the planning process.	Govindrajan (1986) Modway *et al* (1982) Ramanujan & Venkatraman (1987) Steers (1977) Veliyath & Shortell (1993)
Use of analytical techniques:	The extent of reliance on appropriate planning techniques in order to solve ill-structured strategic	Fredickson (1984) Grant & King (1982) Hax & Majluf (1984)

	problems.	Ramanujam & Venkatraman (1987)
Creativity in planning:	The degree to which planning efforts emphasise new modes of thinking.	Cartwright (1987) Greenley (1986) Ramanujan *et al.* (1986) Roach & Allen (1983) Shank, Niblock & Sandal (1973)
Focus on control	The degree of emphasis placed on planning as a means of business control.	Andrews (1971) Camillius (1975) King & Cleland (1978) Langley (1988)

Karger and Parnell 1996:46

This study adopts the prescriptive approach (also called deliberate or planned approach). It is inclusive of the emergent (learning) competitive positioning (Porter) and the core competence, resource or knowledge-based approaches.

The term *strategic planning* is used in this study to encompass both functional and operational planning, bearing in mind that each of the two on its own or combined does not constitute strategic planning.

Inferences are drawn about strategic management, bearing in mind that strategic planning is one of the constructs of strategic management. The terms may at times be used interchangeably.

1.3.2 Corporate entrepreneurship

The study uses the construct *corporate entrepreneurship* (CE), (Burgelman 1983;Vesper 1984; Guth & Ginsberg 1990; Hornsby et al. 1993; Zahra 1991;1993; Stopford & Fuller 1994; Sharma & Chrisman 1999) to mean entrepreneurship in an existing business and to encompass intrapreneuring (Pinchot 1985), intrapreneurship (Hisrich & Peters 1998; Antoncic & Hisrich 2000, 2001), corporate venturing (Macmillan 1986, Vesper 1990), business / industry transformation (Thornberry 2003) and posturing (Covin & Slevin 1986,1991). The summary of terms and the names of scholars, adopted from Antonic and Hisrich (2003:15) are provided below as Table 1.2.

Table 1.2 Classification of business level entrepreneurship

Scholar	Concept name	Characteristic dimensions	Definitions
Miller and Friesen (1983)	Innovation (a dimension of strategy-making)	New products	Introduction of new products and production-service technologies, the search for novel solutions to marketing and production problems (Miller & Friesen1983:222)
		Risk-taking	--------
		Proactiveness	The attempt to lead rather than follow competitors (Millner & Friesen 1983:222)
Covin and Slevin (1986,1991)	Entrepreneurial posture	Risk-taking	Risk-taking with regard to investment decisions and strategic actions in face of uncertainty (Covin & Slevin 1991:10)
		Innovativeness	The extensiveness and frequency of product innovation and the related tendency towards technological leadership (Covin & Slevin 1991:10)
		Proactive ness	The pioneering nature of the business's propensity to aggressively and proactively compete with industry rivals (Covan & Slevin 1991:10)
Guth and Ginsburg (1990)	Corporate entrepreneurship	Internal innovation and venturing	The birth of business within the existing businesses (Guth & Ginsberg 1990:5)
		Strategic renewal	The transformation of businesses through renewal of the key ideas on which they

			are built (Guth & Ginsberg 1990:5)
Zahra (1991,1993)	Corporate entrepreneurship	Innovation and venturing	Creating new business through market developments or by undertaking product, process, technological and administrative innovations (Zahra 1993:321)
		Strategic renewal	The redefinition of the business concept, reorganisation, and the introduction of system-wide changes for innovation (Zahra 1993:321)
Lumpkin and Dess (1996)	Entrepreneurial orientation	Autonomy	Independent action of an individual or a team bringing forth an idea or vision and carrying through completion (Lumpkin & Dess 1996:140)
		Innovativeness	A business's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services of technological processes (Lumpkin & Dess 1996:142)
		Risk-taking	A sense of uncertainty …probability of loss or negative outcome …high leverage from borrowing and heavy commitment resources (Lumpkin & Dess 1996:144)
		Proactiveness	Taking initiatives by anticipating and pursuing new opportunities and by participating in emerging markets (Lumpkin & Dess 1996:146)
		Competitive aggressiveness	Propensity to directly and intensely challenge its competitors to achieve entry or improve position (Lumpkin & Dess 1996:148)

Knight (1997)	Entrepreneurial orientation	Innovativeness	Pursuit of creative or novel solutions to challenges confronting the business, including the development or enhancement of products and services, as well as administrative techniques and technologies for performing business functions (Knight 1997:214)
		Proactiveness	The opposite of reactiveness and associated with aggressive posturing relative to competitors (Knight 1997:214)

Antoncic and Hisrich 2003:15

This study focuses on the formation of corporate ventures and the entrepreneurial venture. It adopts the approach by Christensen (2004:306), which views *corporate entrepreneurship* as an overall term for all other labels and perspectives. These terms include intrapreneurship, corporate venturing, internationalisation and internal resources.

Corporate entrepreneurship is assumed to mean and encompass *intrapreneurship, entrepreneurship* (individual behaviour normally associated with small businesses) corporate venturing and corporate renewal. The words *entrepreneurship, intrapreneurship, corporate entrepreneurship and corporate venturing* will be used interchangeably and be assumed to mean the same thing.

The term ***Business*** is used through out this study. It is assumed to mean entities that are opportunity seeking and in the main are driven by the profit-making motive. The term business will also mean the activities or behaviour of these entities as they execute their missions. The term ***public company*** represents a form of business ownership in which a business' shares are traded at the exchanges market and as defined by the South African Companies Act.

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The components of the strategic planning construct are provided as Table 6.1 and that of the entrepreneurship performance index (EPI) as Table 6.2 in Chapter 6. These form the basis upon which the measuring instruments are developed.

1.4 Outline of proposed study

This section outlines how the study is framed. Chapters 2 to 5 detail the literature of the subject under study. Chapters 6 and 7 provide the empirical methods of study and the results thereof respectively. A bit of detail of these chapters is discussed below.

Chapter 2 (strategic planning and entrepreneurship) provides a detailed review of the interface between the two constructs.

Chapter 3 (strategic planning) gives a detailed review of what strategic planning is, its different facets and how strategic planning result in strategy. The formulation of an entrepreneurial strategic planning approach is also reviewed.

Chapter 4 (corporate entrepreneurship) provides a detailed analysis of what corporate entrepreneurship is by reviewing its different aspects. The importance of entrepreneurship in firm performance is emphasized.

Chapter 5 (the relationship between strategic planning and corporate entrepreneurship) details the linkages between the constructs. The chapter emphasizes the need for an integrative approach in the practice of the two constructs in order to maximize the possible benefits.

Chapter 6 (research methodology) provides the research method and the data analysis techniques used in the study.

Chapter 7 (measurement and data analysis) Results of the analysis are presented.

Chapter 8 (conclusion and recommendations)
The chapter concludes the research report and makes recommendations on the findings.

Chapter 2

Introduction to Strategic Planning and Corporate Entrepreneurship

We meet at the departure point,
what you see and what you don't see
are the phantoms of the cross-roads.
Marechera 1990

2.1 Introduction

Though debate is ongoing about whether the two fields of strategic planning and corporate entrepreneurship should be integrated or separated, Meyer *et al.* (2002:31), and Ma and Tan, (2006:705) maintain that there has been a popular trend of cross-fertilisation between strategic management and entrepreneurship research, two fields deeply concerned with wealth creation and heavily influenced by Schumpeter's seminal work on innovation and creative destruction.

This chapter gives an overview of strategic planning and corporate entrepreneurship. It provides the strategic planning and corporate entrepreneurship interface. This interface provides the meeting position and the point of departure for the two constructs. From this departure point, each construct is discussed in detail in later chapters. The chapter serves therefore as the introduction to the whole literature review of this dissertation. The underlying components of the strategic planning construct and the literature support are provided as Table 1.1 based on the work of Parnell and Karger (1996:50). The corporate entrepreneurship construct and supporting literature, based on Antoncic and Hisrich (2003:19), are provided in Table 4.2 in support of the EPI by Morris and Kuratko.

2.2 Strategic planning / Entrepreneurship and size of the business

Strategic management has traditionally been interested in big business, while entrepreneurship has been interested in small businesses. The interface between the two areas is the strategic management-entrepreneurship interface and this is necessitated by today's rapidly changing business environment which is about speed and action. All business, regardless of size and age, must be entrepreneurial to effectively compete and survive (Meyer *et al.* 2002:19). In addition, Schendel (1995:145), Slater and Olson (2000:813), and Meyer *et al*. (2002:27) discuss the entrepreneurial and the integrative as components of strategy. The entrepreneurial aspect is about creation and resource allocation, while integration is about managing what entrepreneurship creates. The interplay between the entrepreneurial and integrative strategy components determines how business achieves competitive advantage.

Hitt, Ireland, Camp and Sexton (2002:28) describe the content domain that lies at the centre of entrepreneurship and strategic planning as innovation, business networks, internationalisation, business learning, teams, growth, flexibility and change. It is the integration between the two that results in fast-growth businesses.

Meyer *et al.* (2002:29) look at the integration of, or blend into a whole, the two constructs as a single field of study. This is because:

- Both constructs view the performance of a business as a primary dependent variable.
- The new economy and the increasingly dynamic nature of the competitive environment demand entrepreneurial qualities such as flexibility and real-time responsiveness.
- Shifting paradigms in strategic management highlight the dynamic nature of businesses and the need for all businesses to be entrepreneurial.

2.3 Entrepreneurship / Strategic planning and performance

Meyer and Happard (2000:2) report an entrepreneurial dominant logic which leads a business and its members to constantly search for and filter information for new product ideas and process innovations that will lead to greater profitability.

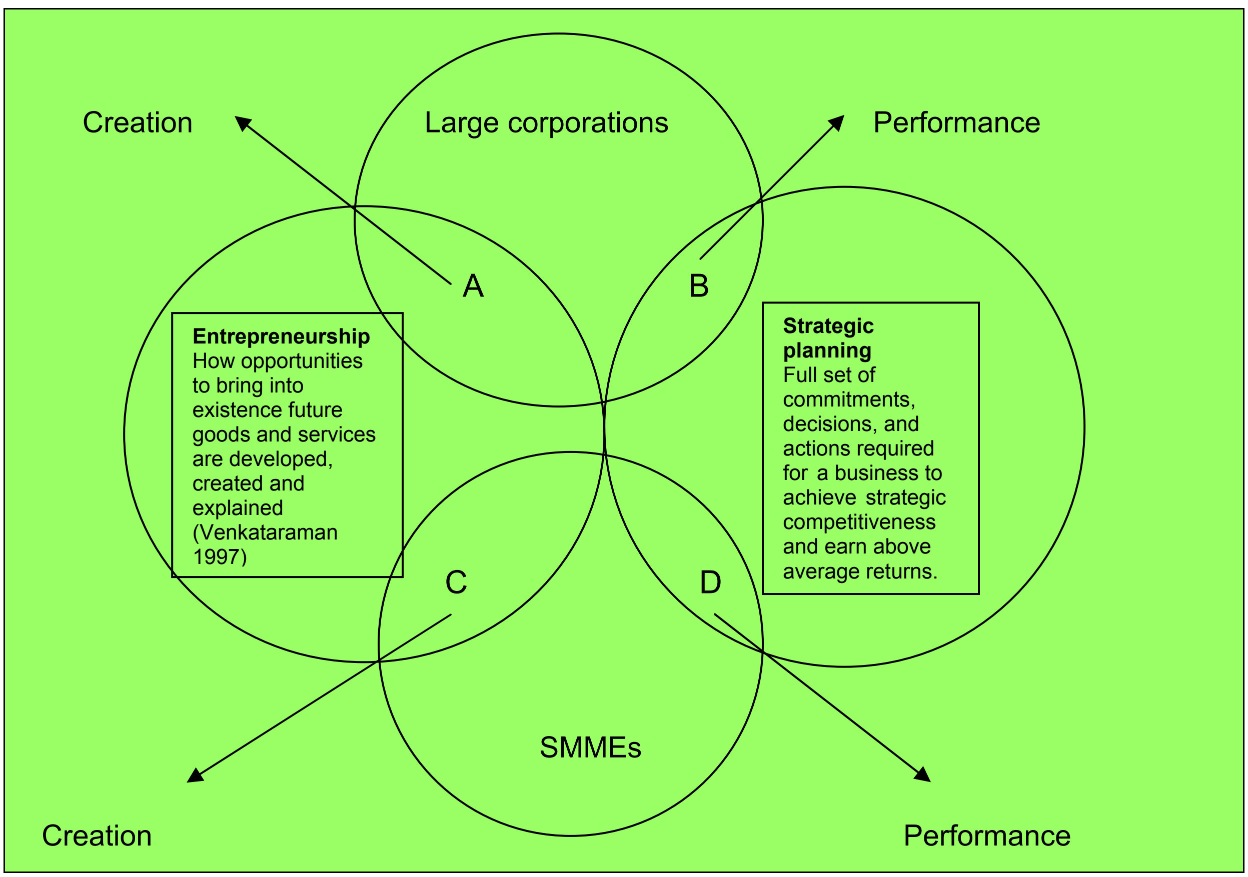
The fit between entrepreneurial orientation as a strategic element and its business and environmental context may have a positive impact on performance, not just the existence of such an orientation per se (Zahra 1993; Dess et al. 1997 in Antoncic & Hisrich 2004:521).

The convergence of entrepreneurship and strategic management / planning is driven partly by time and responsiveness, speed of innovations and actions taken in the marketplace. Entrepreneurial ventures are stereotyped as agile and capable of making decisions in real time. These time-compressed decision processes are created to meet the needs of customers, adapt to the environment and compete in a continuously changing competitive landscape.

The basis of the strategic planning (management) interface is the performance denominator. *Entrepreneurship* is ultimately about creation and *strategic management* is about achieving above-average performance via competitive advantage. It would be illogical to look at creation without looking at the outcome of such creation, whether it is wealth creation, job creation, profitability or growth. Any of these are performance measures (Meyer *et al.* 2002:33)

This is illustrated in diagram Figure 2.1 below.

Figure 2.1 The entrepreneurship / strategic management interface



Meyer et al. 2002:34

Figure 2.1 shows that entrepreneurship and strategic planning do not intersect; rather, the size of the business, small or large, and the issues of creation and performance create the spaces in which the fields communicate, i.e. the interface. Both small and large corporations benefit from strategic planning and entrepreneurship.
As indicated by Hitt *et al.* (2002:2), entrepreneurship has largely examined small businesses while strategic management concentrates on large businesses. This strategic entrepreneurship link emphasises the primary interface of creation and performance.

Wickland and Shepherd (2005:73) note that performance results from both consistency of structural and strategic factors and the congruence of these with entrepreneurial configurations that fit multiple contextual dimensions.

2.4 Strategic entrepreneurship

Strategic entrepreneurship is the integration of entrepreneurial / opportunity-seeking actions and strategic / advantage-seeking actions to design and implement entrepreneurial strategies that create wealth. Strategy provides a starting point for the examination of corporate entrepreneurship in which core competences of a corporation can be leveraged to create new businesses (Sathe 2003:2).

Hitt *et al.* (2002:2) note that strategic entrepreneurship is entrepreneurial action that is taken with a strategic perspective and that the entrepreneurial and strategic actions are complementary and can achieve the greatest wealth when integrated.

This need for strategic entrepreneurship is vital because, as Bouchard (2001:3) emphasises, entrepreneurship is exposed to the liabilities of the new and to failure. The entrepreneurial process is complex and uncertain. Strategic planning, of which the aim is, "to do better what a business already does well", takes place within familiar contexts, can capitalise on past experience and apply proven recipes. It is less exposed to failure than entrepreneurship and is characterised by a marked "anti- failure bias".

Businesses that continuously focus on finding better solutions maintain competitive advantage and in doing so require effective strategic planning and entrepreneurship throughout the ranks of the business (Lewis, Goodman & Fandt 2001:149).

The contemporary business environment is characterised by increasing risk and decreased ability to forecast fluid and industry boundaries which need a managerial mindset that must unlearn traditional management principles in order to minimise failure. This mindset needs to create or help shape its own environment by creating a strategic and entrepreneurial alertness if it is to survive the chaos, complexity and contradictions (Morris & Kuratko 2002:150).

Fink, Marr, Siebe & Kuhle (2005:360) point out that to survive and grow in an era of continuous change businesses must identify upcoming opportunities and threats early enough and deal with them in their strategic planning. Corporate entrepreneurship activities provide a business with opportunities to connect with its strategic vision or shape its strategic future (Kelly, Neck, O'Connor and Paulson 2002:1), and this is part of the strategic entrepreneurship.

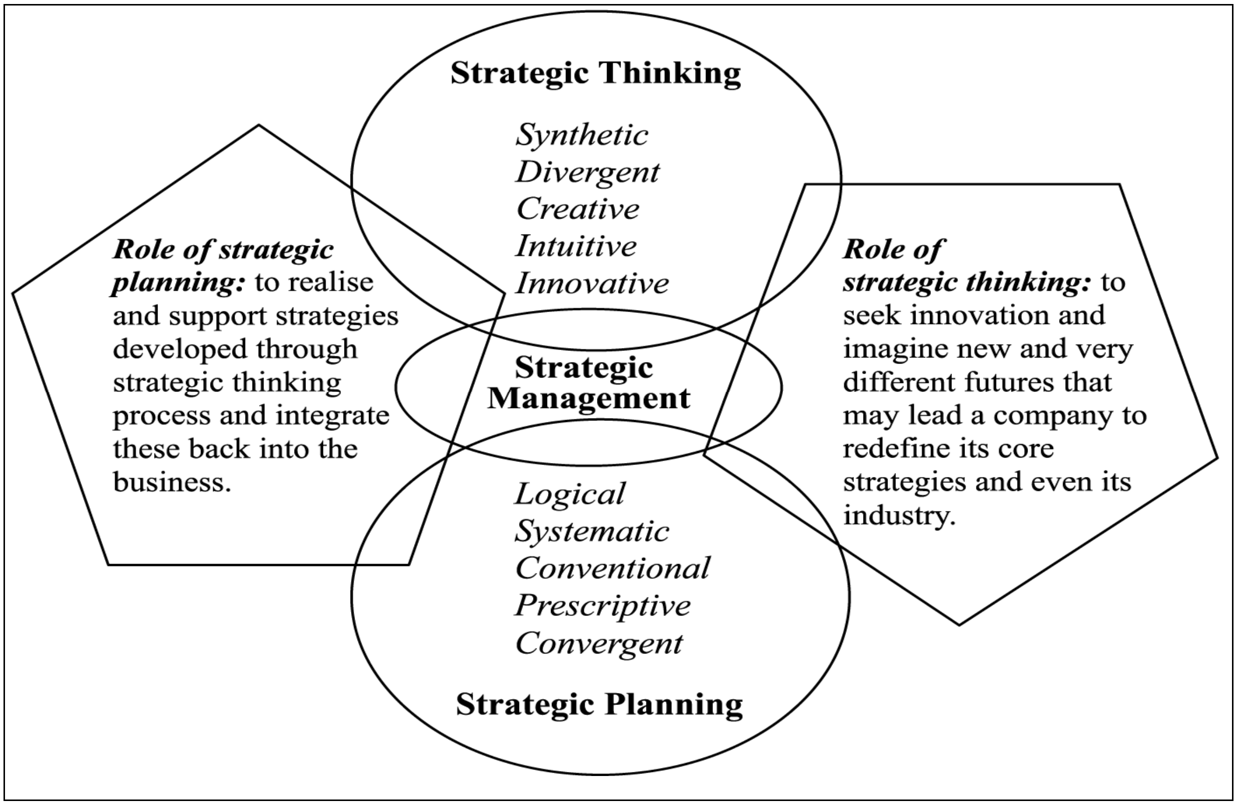
2.5 Planning and strategic thinking

Thinking strategically in the strategy-making process recognises that planning and strategic thinking is "distinct but interrelated and complementary thought processes" that must sustain and support each other for effective strategic management. As they are integral components of strategic management, there is need for moments of convergence and moments of divergence, a synergistic tension that reconciles creativity with rationalism and pragmatism and blends synthetic with analytical critical thinking. Recognising and valuing the creative tension between strategic thinking and planning provides a powerful driving force within the strategic planning process. The strategies from strategic thinking have to be operationalised through convergent and analytical planning (Graetz 2002:457).

This reasoning is illustrated in Figure 2.2.

Due to higher resource constraints, smaller businesses' key strategy prescription is to pursue a focus strategy by choosing a favourable product-market environment. The resources are concentrated on a restricted range of products, markets and customers. Corporates, on the other hand, tend to have slack resources which they can move around in support of alternative strategic postures (O'Gorman 2001:63). Having alternative strategic postures is about entrepreneurship, and making use of such resources becomes crucial.

Figure 2.2 Strategic thinking and planning



Graetz 2002:457

Achieving success through planning requires the participation of a broad range of business members in a decision-making process which tolerates a diversity of views and encourages strategic thinking. Businesses that encourage a wide range of different ideas and views are more likely to produce plans that are comprehensive and fully developed. Thinking is a skill, and as is the case with most skills, it can be developed through training and practice. Employees should be provided with the training necessary to develop strategic thinking skills and given the opportunity to practise those skills in their work environment. In addition, they should be rewarded for thinking strategically when developing their plans (Lewis *et al.* 2001:138).

Graetz (2002:456) points out that *entrepreneurship* is a creative, dynamic, responsive and often intuitive process in the framework of a largely unpredictive environment that fits more closely with the concept of strategic thinking.

In order to achieve the desired business outcomes, Kazanjian, Drazin & Glynn (2002:172) note that the link between strategic planning and corporate entrepreneurship is a fundamental one, as reflected in research by Schendel (1999) and Borringer and Bluedorn (1999).

2.6 Chapter summary

In this chapter the constructs of strategic planning and entrepreneurship were reviewed in detail. This included related aspects of these constructs such as strategic thinking, strategic planning, and strategic entrepreneurship. The relationships between these constructs were discussed in detail. The chapter serves as the introduction to the literature review.

Strategic planning is normally associated with big businesses while entrepreneurship is associated with small businesses. In appreciating the interface between the two concepts it becomes clear that all businesses irrespective of size need to have strategic plans as well as be entrepreneurial. This is so because entrepreneurship ensures that opportunities are identified (innovation and creativity) and pounced on in time. Strategic planning on the other hand ensures that a business achieves strategic competitiveness in the provision of goods and services

One key common element found in the two constructs is strategic thinking. This involves innovation and creativity. As pointed out by Lewis *et al. (*2001:138) this thinking is so critical that it should be developed through training and practice. through out the whole organisation Employees should also be rewarded for thinking strategically.

As a result of the strong need to practice both strategic planning and entrepreneurship, a new construct strategic entrepreneurship encapsulates the bond between the two. As noted by Sathe (2003:2) strategic entrepreneurship is about opportunity-seeking actions and strategic / advantage-seeking actions to design and implement entrepreneurial strategies that create wealth.

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Wealth creation is about good performance. As noted by Wickland and Shepherd (2005:73) performance results from both strategic factors and the congruence of these with entrepreneurial configurations that are multidimensional.

Chapter 3

Strategic Planning

We shall not cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time.

Eliot

3.1 Introduction

The chapter defines what strategic planning is. It then concentrates on the strategic planning process. The *process* defines what strategic planning is. Each of the different stages is analysed in detail and contextualised in relation to strategic planning and corporate entrepreneurship. In cases where there are different approaches, these are discussed in detail and a dominant position identified. The discussion on strategic planning is based on the conventional approach.

The strategic planning construct is explored in detail. The different strategic planning views ranging from the traditional / classic, the incremental and the emergent convergent are explained in terms of what they are and how they relate or differ from each other. The study adopts the traditional (conventional) approach as the basis of analysis and so the whole detailed strategic planning process is presented with this bias.

3.2 The strategic planning process

Traditionally, strategic planning is the process of
(1) analysing the business's external and internal environment
(2) developing a vision and mission
(3) formulating overall goals
(4) identifying general strategies to be pursued

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(5) allocating resources to achieve business goals,
(6) deciding how these will be monitored and controlled (Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw & Oosthuizen 2001; Thompson & Strickland 2001; Pearce & Robinson 2000; Kaplan & Norton 2001; Drucker 1974; Hitt, Duane & Hoskisson 2003; Stonehouse & Pemberton 2002).

Strategic planning becomes a sequence of analytical and evaluative procedures to formulate an intended strategy and the means of implementing it. Strategic planning is one of the constructs of strategic management. The strategic management process of “formulation, implementation and evaluation” becomes the operationalisation of strategic planning (Thompson & Strickland 2001:7).

Business strategy is part of strategic planning and it is generally prescriptive in nature, envisaging a process of “formulation” (deciding what to do) followed by implementation (taking action). The production of a written statement of business objectives, namely the “mission statement”, is a key feature of strategic planning (Barnes 2002:131).

This is supported by Daft (2002:139), who points out that strategic planning set out decisions and actions used to “formulate” and “implement” strategies that will provide a competitively superior fit between the business and its environment in order to achieve business goals.

Kargar and Parnell (1996:41) posit that strategic planning is an attitude and a process concerned with the future consequences of current decisions and that it links short, intermediate, and long-range plans. It does not attempt to make future decisions or even forecast future events. It adjusts plans to the emerging business environment, manages the business analytically, links, directs and controls complex business through a practical working management system which plays a vital role in the performance of a business.

Morris and Kuratko (2002:153) point out that strategic planning is the formulation of long-term plans for the effective management of external threats and opportunities in the light of a business’s internal strengths and weaknesses. It defines the future of the business. This includes defining the business’s mission, specifying achievable objectives, developing strategies and setting policy guidelines.

Smit and Cronje (2002:138) point out that strategic planning has as its objective the long-term survival of the business in a volatile environment. To survive the management has to formulate a vision and mission statement, scan the internal and external environment for opportunities and threats, formulate long-term goals and choose a strategy that will lead to goal attainment.

3.3 Strategic planning perspectives

Parnell (2005:159) presents two approaches to strategy: strategy as an art and as a science. According to the art perspective, the lack of environmental predictability and the fast pace of change suggest that the inherent value of strategic planning is limited. Strategists should incorporate substantial creativity and intuition in order to design a comprehensive strategy for the business. The science perspective views the business environment as largely objective, analysable and to a great extent predictable. Strategic managers therefore follow a systematic process of environmental, competitive and internal analysis and build the business strategy on this foundation.

Grattan (2004:66) supports the assertion that strategy formulation is an art, guided by whatever science can be brought to bear, and that when it comes to strategy formulation, positioning and resources need to be considered since these are complementary and not alternative.

Pitcher (2003:50) cites George Santayana, who wrote that “man’s progress has a poetic phase in which he imagines the world, then a scientific phase in which he sifts and tests what he has imagined”.
The resources premise is in agreement with Chandler‘s (1962:13) classic definition of strategy, that it is “ the determination of long-term goals and objectives of business and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.

Kim and Mauborgne (1999:197) provide two differing strategic planning logics. They call these “conventional” and “value innovation.” The distinguishing presumption of value innovation is that the industry’s conditions are not given but can be shaped. A business therefore pursues a quantum leap in value to dominate the market and does not view competitors as a benchmark. These same approaches, outlined by Miller (1998) under the terms "rational" and "incremental", are briefly discussed below.

3.3.1 The incremental approach

According to the incremental approach, strategy is not designed from the start in any comprehensive way and managers know that the environment they operate in is uncertain and ambiguous. Strategy then emerges from interaction between different groupings of the people in the business (Quinn 2003:16).

The incremental approach to planning assumes that the future is unknown and unpredictable. External forces are assumed to be too powerful to be controlled by businesses and therefore managers find it difficult to control plans. The assumption is therefore that managers should constantly adjust strategies as plans are overtaken by developments outside their ability to predict and control. The incrementalists stress the flexibility to react to unpredictable opportunities and accidents and to "muddle through" without a defined or sustained sense of direction.

3.3.2 The rational approach

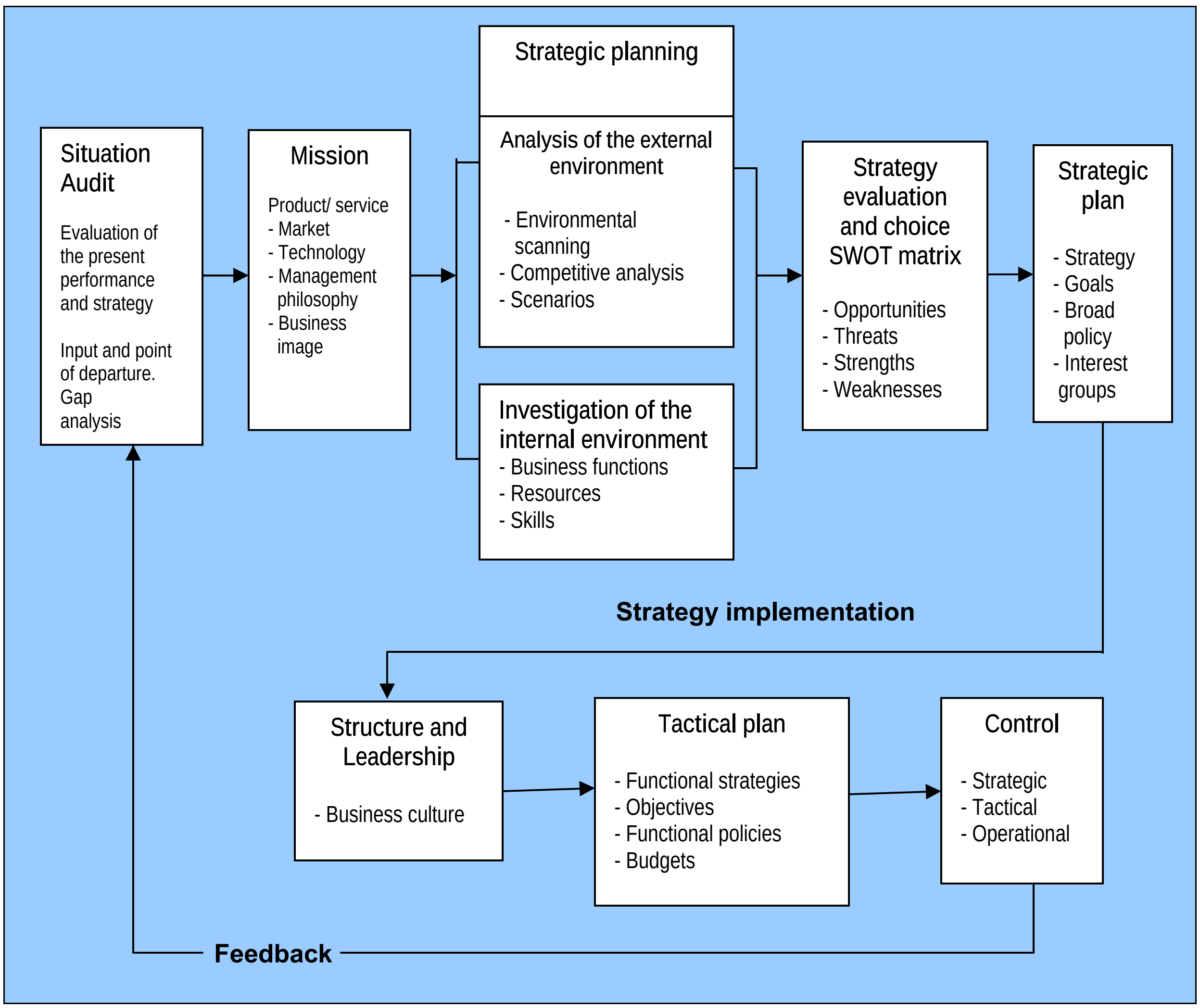
In contrast, "rational planning", also referred to as formal planning, is a process of logically approaching the task of identifying the ends a business pursues and determining the means by which those ends can be reached. This is a process designed to translate strategic intentions into manageable agendas for action (Miller 1998:39).

According to Szulansky and Amin (2001:541), the problem to be solved and all the alternatives available for its solution are known in advance. The strategist's main role is to collect information diligently, develop alternatives and choose the one that maximises value. Strategic planning instils discipline in strategy-making with its formal process that allows planners to consider issues consistently and systematically, using such tools as the planning cycle, capital budgeting procedures and integrated decision making at different levels.

A deliberate (rational) approach to strategy creation is where the entrepreneur sets out to define a strategic policy for the venture in which the future goals and competitive approach of the business are clearly defined and translated into specific objectives. This is then attained through an explicit process of implementation in which instructions as to objectives and budgets are passed down the business (Wickham 2001:166).

The rational approach to strategic planning will be discussed in detail, stage by stage. These stages are reflected in Figure: 3.1.

Figure 3.1 A model for strategic planning



Kroon 2004:141

Mintzberg *et al.* (2003:5) present the “5Ps” definition of strategy: plan, ploy, pattern, position and perspective. When strategy is presented as a position, this means locating the business in an external environment, while the perspective approach looks inside the business, inside the heads of the collective strategists. Strategy as a perspective is what personality is to the individual.

These five different aspects complement one another, adding an important element to the understanding of strategy.

According to Graetz (2002:456), the 5Ps rational planning approach views strategic decision-making as a step-by-step process, in which the strategic management process is always “deliberate” and the strategies are realised as intended. The reality is that the successful or realised strategies are often “emergent” and emerge from the preconceived plan.

3.3.3 The emergent approach

This is an approach to strategy creation in which the entrepreneur sets out to define a strategic policy for the venture in which future goals and competitive approaches of the business are not clearly defined and translated into specific objectives but are left more ambiguous. The entrepreneur concentrates on managing the venture’s short-term capabilities and exploiting the opportunities that present themselves as the business moves forward (Wickham 2001:166). He adds that in practice the deliberate and emergent debate has developed into a broader perspective in which both perspectives are integrated, because it is difficult to separate the “formulators“from the “implementers”.

Wickham also cites research by Jenkins and Johnson (1977), who found that many entrepreneurs adopt the emergent approach to strategy creation and are adept at using it.

According to Rowe (2001:83), the strategic leader understands the emergent strategy process as more important than the intended strategic planning process for business performance. This is because it assumes a shared vision of what a business is to be, so that the day-to-day decision or “emergent strategy” is consistent with this vision.

Porter (2003:99) notes the following about strategic planning;

- Strategies need to be deliberate, but they can also emerge, more or less
- Effective strategies develop in all kinds of ways
- Strategic reorientation happens in brief quantum leaps
- To manage a strategy is to craft thought and action, control and learning stability and change.

This means that strategy is both “planned” and “emergent” and that it is difficult to separate the two aspects. It also shows that it is impossible to separate thought and action and not to stabilise the effects of change while promoting change.
The stages reflected in Figure 3:1 will form the basis of the following discussion, starting with the situation audit.

3.4 Situation audit

The author claims that the starting point in any strategic planning process would be a situation audit. This simply becomes the point of departure to a destination. This is a “stop-start” stage that identifies whether planning is for a new business / business with no previous plans or if some plans are in existence and whether these have to be thrown away or built on. This is also the phase that points out whether the planning is taking place at a crisis point or a comfort point. At this point of review, the business is either on its toes, its feet or its knees. The present performance and strategy are evaluated in order to establish a strategic gap. It is the filling of this gap (new plan) that will take the business forward.

Strategy development rarely starts with a blank piece of paper. Often the aim is not to create a new strategy, but to examine the suitability of the existing strategy with the help of external scenarios. Strategy evaluation processes can discover problems and inconsistencies in the current strategies as well as new market opportunities. Both could lead to a revision or abandonment of the current strategic direction. This is why the traditional scenario planning process starts with an analysis of the impact of external scenarios on the business or business unit in question (Fink *et al.* 2005:363).

According to Thompson and Strickland (2001:116), the audit should ask how well the present strategy is working; what the business’s resource strengths and weaknesses are; current opportunities and threats; the business's competitive position and what the business's strategic position is.

As a result of the audit, a strategic intent is established.

3.4.1 Strategic intention

According to Hamel and Prahalad (2003:88) strategic intention is more than simply unfettered ambition. The concept encompasses an active management process that includes: focusing the business's attention on the essence of winning; motivating people by communicating the value of the target; leaving room for individual and team contributions; sustaining enthusiasm by providing new operational definitions as circumstances change and using intent consistently to guide resource allocation. Businesses that set corporate challenges to create new competitive advantages quickly discover that engaging the entire business requires top management to do the following;

- Create a sense of urgency
- Develop competitor focus at every level through widespread use of competitive intelligence
- Provide employees with the skills they need to work effectively
- Give the business the time to digest one challenge before launching another
- Establish clear milestones and review mechanisms.

Hitt *et al.* (2003:22) note that a strategic intent is the leveraging of a business's resources, capabilities and core competencies to accomplish the business's goals in the competitive environment. This exists when all employees and levels of the business are committed to the pursuit of a specific and significant performance criterion. For employees, this should be understood to provide the only goal worthy of personal effort and commitment: to unseat the best or remain the best in the world.

According to Grattan (2004:66) the process of collective strategy making cannot truly begin until an explicit, collective aim has been achieved. The leaders' approach should be through questioning, which enables learning from others and exposes muddled thinking.

In addition, when the situation is at its most unclear and uncertain, understanding and consensus have to be allowed within the dominant coalition, and this process is best led by a facilitator, rather than an authoritarian. Positioning is ineffective without adequate resources, but resources do not, of themselves, produce strategic advantage.

Entrepreneurial actions and the corporate entrepreneurship strategy result from intentional decisions. Experience shows that forming an entrepreneurial vision, using new venture teams and relying on a compensation system that encourages and supports creative and innovative behaviours are products of careful and deliberate planning (Kuratko, Ireland & Hornsby 2001:68).

It is this background that forms the foundation of the planning process. The background establishes where the business is. The next step would be to establish the business's "new" identity and its new strategic direction.

3.5 Mission and vision statement

3.5.1 Strategic mission

Every business, irrespective of industry or nature of products or services, exists to meet certain needs. It has to continue to meet and satisfy these needs for its continued existence. Thompson and Strickland (2001:32) note that the starting point in direction setting is a clear concept of "What is our business, what will it be and what should it be?" Additional and related questions would be, "Who are we?", "Who do we want to be?" and "Where are we headed?"

According to Thompson and Strickland (2001:36), the answers to the above questions will be in terms of the following:

- The products and services to be provided
- The technology or methods to be used
- The broad customer groups to be served
- Specific products / services and specific segments to be served
- The customer needs and wants to be met

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- The scope of activities in an industry, either to specialise a niche or diversify into related or unrelated business, anywhere where the money is.

These stop-start points are long term. The terms should not be cast in stone, but be determined by environmental conditions.

Strategic mission flows from strategic intent. A strategic mission is the statement of a business's unique purpose and the scope of its operations in product and market terms. It provides a description of the products a business intends to produce (needs), the markets it will serve (customers), using its core competencies (technologies). An effective strategic mission establishes a business's individuality and is inspiring and relevant to all stakeholders. Together strategic intent and strategic mission yield the insights required to formulate and implement strategies (Hitt *et al.* 2003:23).

Lissack and Roos (2001:55) posit that a mission statement provides a current focus and defines what a business does to accomplish its vision and keep it focused on its key customers, products and services. It also helps when evaluating new business opportunities to make sure they fit in with the scope of the business's mission.

A business's purpose is the reason that it exists and why it will continue to exist. A business serves a need in society and will continue to exist as long as it continues to serve that need (Reading 2002:17).

3.5.1.1 Business definition

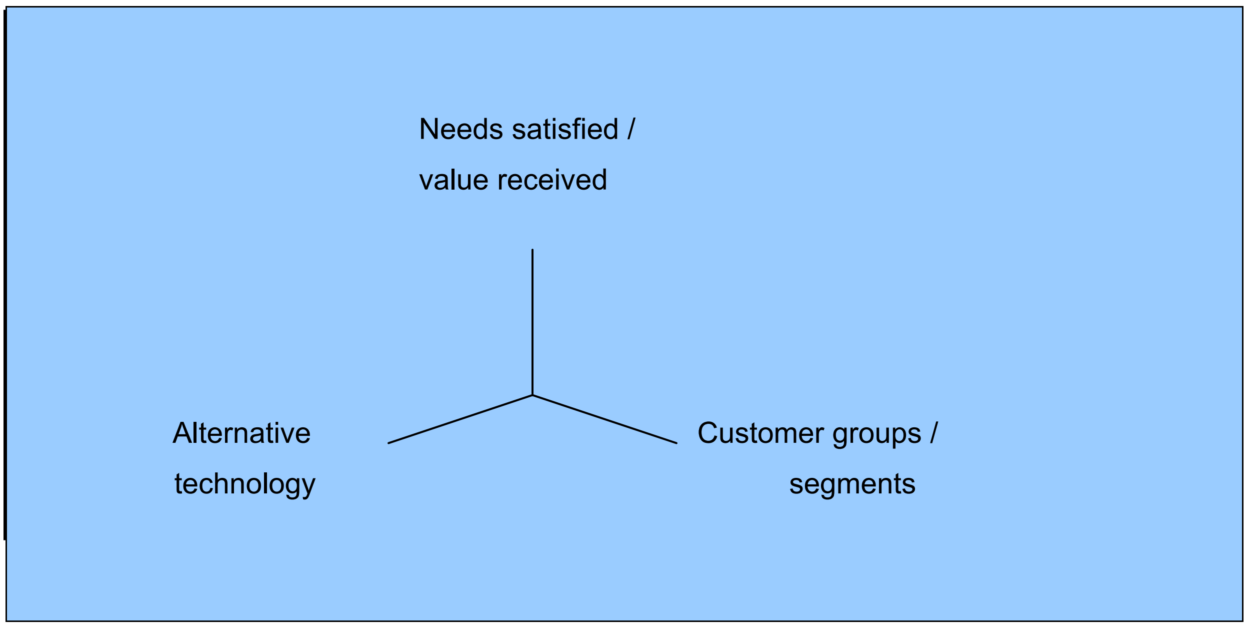
Drucker (1974:79) points out that a business is not defined by the business's name, statutes, or articles of incorporation but by the want the customer satisfies when he buys the product or service. To satisfy the customer is the purpose of every business.

The primary work of defining "what is our business" by Abell (1980:69) outlines three dimensions, (1) the needs satisfied / value received (the core of what is being satisfied), (2) customer groups (who has the particular need) and (3) technologies (the methods, "the how to" satisfy the needs). Markides (2001:460) adds that with strategic choices, a business has to ask the following questions:

- Who are the business' targeted customers?
- What products and services should the business offer?
- How should the business efficiently conduct activities?

This is illustrated in the three-axis diagram, Figure 3.2.

Figure 3.2 Business definition



Abell 1980:30

The three-axis diagram is an encompassing definition of a business, in that it justifies the reason why a business exists. The approach has both an internal and external environmental focus. The internal aspect includes technology / methods and products / services. The external aspects are the needs and values, and the market groups and segments. The three facets are a key to any strategic mission.

The question of "What will our business be?" in essence answers the question "Where do we go from here?" (Thompson & Strickland 2001:7). This definition should not be viewed too narrowly or it will constrict the development of the business into other business areas (Strydom, Jooste, Cant 2000:477).

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The future is unknown and uncertain. Uncertainty brings risk. Strategic planning attempts to predict the unknown. In attempting to determine direction, the process of trying to predict begins.

Mullane (2002:448), quoting a study of 500 American businesses by Rigby (1994) says that managers were satisfied mission statement users. The satisfaction rested on the mission statement's efficacy at creating business integration, getting everyone focused on common objectives and working together to pull in the same direction.

3.5.1.2 Mission content and positioning

The mission statement of a business is the unique purpose that sets it apart from other businesses of its type and describes the business's products, its market and its technological area of emphasis in a way that reflects the values and priorities of the decision makers (Pearce & Robson 2000:12).

Wickham (2001:163) points out that strategy content relates to three things; the financial product range, the customer scope it serves, and the competitive advantage it seeks in the market place. The strategy content which the business aspires to achieve must be consistent with the entrepreneur's vision and mission defined for the venture.

The essence of strategy is selecting one position that a business can claim as its own. A strategic position is simply the sum of a business's answers to the three questions raised above. Strategy entails choosing, and a business will be successful if it chooses a distinctive strategic position that differs from those of its competitors. The most common source of strategic failure is the inability to make clear and explicit choices of these three dimensions (Markides 2001:458).

3.5.1.3 Strategic mission and culture

Creating and using a mission statement can foster a shared value system, a focus on common objectives, teamwork, behavioural guidelines and an emotional commitment to the business. Proper processes must be used to develop a useful mission statement, specifically one that the top management must be committed to and value.

A business's members must be involved in producing a mission that will evoke positive emotional response (Mullane 2002:449). The evoking of a positive emotional response becomes an inherent part of the business's technology.

3.5.2 Vision

3.5.2.1 Vision and strategy

Vision and mission are widely accepted as key variables in the formation of strategic and operational plans and construction of cohesive business structures (French, Kelly & Harrison 2004:765).

The vision is the starting point for giving shape and direction to the venture. Some sense of vision must exist before strategy development and planning can start for it to lead the business in the right direction. The vision must be properly examined, refined and evaluated, according to (Wickham 2004:269).

The vision is not a mission. Unlike the mission, which tends to justify the reason for existence, the vision is a larger, never-quite-to-be-achieved super ordinate goal. It is the long-term dream of a desired outcome which the business wishes to achieve. Since the desired end state of the business is embodied in the vision, all the strategic actions of the members should be directed towards eventually achieving the vision. It should be communicated to both the internal and external publics (Van Veirejen 1994:52).

In addition, Van Veirejen (1994:52) points out that a vision should be like a dream, that dream / vision should be "real" and be largely "achievable", but still remain a dream for it to drive the business and should provide direction for further planning and continuous re-alignment. If the dream comes to an end, there will not be anything to drive the business forward. The dream should never be realised though it can be reshaped and reconfigured.
Research by Collins and Porras (1998) show that businesses with a strong sense of purpose or vision outperformed the general stock market. In addition, a vision that is shared throughout the business fosters commitment rather than compliance and creates a sense of commonality that permeates the whole business. It inspires people's imagination and

provides a focus that allows individuals to contribute in ways that make the most of their expertise and talents. At senior level, a common vision helps to provide meaning and gives a sense of direction in the decision-making process (Bonn 2005:339).

As noted by Lissack and Roos (2001:56), missions are cast in visions: first to see a future that is virtually inevitable, and then to adopt a mission to participate in that future. A meaningful vision is sensible in employees eyes if it is easily understood, suggests a higher calling and creates a cultural glue that binds people together in ways that help them share knowledge competitively (Kuratko & Welsh 2004:368).

3.5.2.2 Vision and performance

High-performance businesses have a simple, compelling vision of the future, one that resonates with employees, is easy for everyone to understand, and is a picture of what the business can become that goes beyond just making money, that is, an emotionally packed vision. Everyone believes in the vision of the business and that it will bring certain success. People believe that they are involved in something bigger than simply their own interests and have a strong sense of identity with the business and act as if they were owners (Osborne & Cowen 2002:227).

The larger number of businesses citing vision / mission statements and business objectives as part of their strategic plans might be viewed as indicative of an emergent or learning approach to strategy allowing the flexibility of responding to rapidly changing conditions. The greater use of these strategic planning tools for the analysis of the business environment as well as for the internal analysis facilitates improved business learning, enhances strategic thinking and helps reduce failure among businesses (Stonehouse & Pemberton 2002:853).

Kuratko and Welsh (2004:355) maintain that corporate entrepreneurship results from the creative talents of people in the business and so the people need to know and understand the vision. Developing this shared vision requires identification of specific objectives for corporate entrepreneurial strategies.

3.5.3 Mission, vision and strategic intent

A mission is a central leadership task, a vitally important way of gaining commitment to, loyalty for, and consensus around the nature and purpose of the existing business. A vision is usually taken to mean a picture of a state for a business, a mental image of a possible and desirable future that is realistic, credible and attractive. Mission differs in that it refers not to the future but to the present, a way of behaving, the way a business is managed today and its purpose or reason of being. Strategic intent is a desired leadership position; it is also a desired future state, a goal to do with winning (Stacey 2003:76).

According to Wickham (2001:175) vision, mission, and strategies are intertwined aspects of the entrepreneurial perspective, each of which represents a different aspect of the world the entrepreneur seeks to create and the means with which he or she will create it. The vision is reconciled with actual possibilities and capabilities and it is articulated so that it can be communicated to others by defining the actions necessary to progress the venture.

Bonn (2001:63) supports the view that visions are pictures or images people carry in their heads and hearts and that these should represent fundamental intrinsic values and a sense of purpose that matters deeply to the people in the business.

Nonaka and Takeuchi (1995:74) view strategic intent as knowledge creation where the essence of strategy lies in developing the business capability to acquire, create accumulate and exploit knowledge. The most critical element of corporate strategy is to conceptualise it into a management system for implementation.

3.6 Environmental analysis

A business's environment can be split broadly into two parts, the external and the internal (micro) environment. The external environment can further be divided into market and macro-environments. The micro-environment, which is composed of factors such as consumers, suppliers, threats, opportunities and competitors, has a direct effect on the business. Factors which make up the macro environment include political, economic, social and technological factors. These normally have an indirect effect on the business. External factors that have a direct effect on the business are market factors, which like the micro environment include customers, competitors, suppliers, threats and opportunities (Cronje, Du Toit, Mo, Van Reenen & Motlala 2000:46).

3.6.1 External environment

In strategic planning, there is a need to match the internal capacities of the business with its environment. There is a need for a continuous environmental scanning in order to maintain a fit that ensures the survival of the business. Though at strategic planning level the interface has more to do with the macro-environment, it is the market environment that has a direct impact on the business. It is for this reason that the market environment (industry analysis) is discussed next.

3.6.1.1 Industry analysis

In industry analysis, the purpose is to identify opportunities and threats in the industry in which a business operates. The more opportunities there are in an industry the more attractive the industry.

The assessment of the industry and competitive environment has many facets. These include analysing, predicting or attempting to change the environment, deciding how best to adapt to it, or choosing to get in or out of some products / customer groups, customer needs and/or technologies.

This means looking at all industry aspects such as size, trends, direction, industry economics, competitive structure, competitive forces, competitor strategies, technologies, government policies and regulations, buyer demographics and profiles, competition and general economic trends and conditions (Thompson & Strickland 2001:75). All these factors will impinge on the strategic plan.

3.6.1.2 Porter's five forces framework

A number of approaches are used in carrying out an industry analysis. Porters' five forces framework is one such common method. It is used to determine the underlying structural changes of an industry. Adapting timeously to these structural changes is a key aspect of strategic planning.

According to Porter (2003:94), the state of competition in an industry depends on five basic forces; suppliers, substitutes, new entrants, buyers, and industry competitors.

There are six major barriers to entry into an industry, namely;

- economies of scale (large scale or cost advantage)
- product differentiation (need to overcome customer loyalty)
- large capital requirements
- cost disadvantages independent of size (learning and experience curves)
- access to distribution channels
- government policies (regulations)

The barriers to entry have an effect on the competitive climate in an industry. This climate is also dependent on the power of supplier and buyer groups. The conditions in which buyers and suppliers are powerful are summarised below. A supplier group is powerful if:

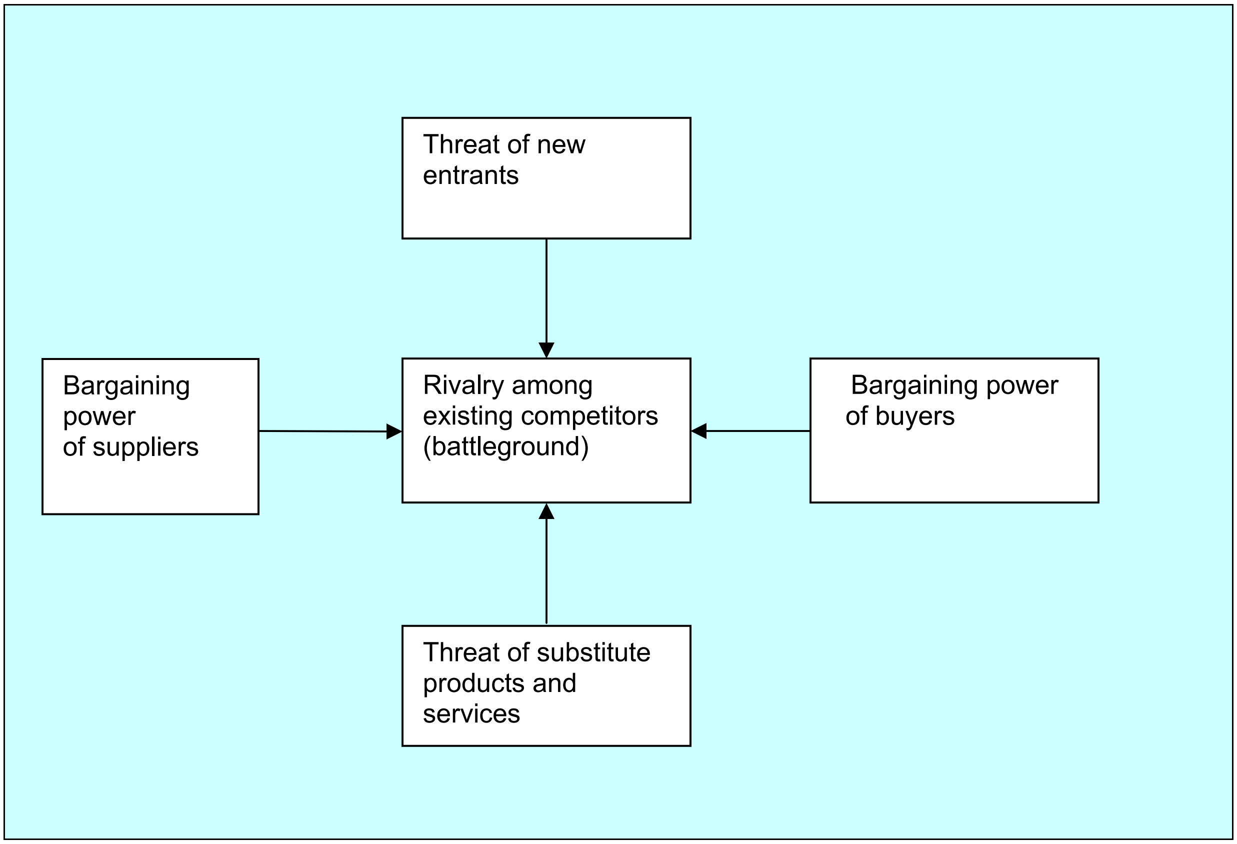
- it is dominated by a few businesses and is more concentrated than the buyer group
- its product is unique or differentiated
- it poses a credible threat of forward integration
- Industry is not an important customer of the supplier group

A buyer group is powerful if:

- It is concentrated or purchases in large volumes
- products purchased from industry are standard or undifferentiated
- products purchased form a component of its product and represent a significant fraction of its cost
- It earns low profits
- the industry's product is unimportant to quality of buyers' product, does not save the buyer money and
- the buyer poses a credible threat of backward integration to make the industry product.

Porter's framework is diagrammatically shown as Figure: 3.3:

Figure 3.3 Porters' five forces framework



Pearce and Robinson 2000:86

According to this model, the greater the threat from new entrants into the industry or the greater the threats of substitute products, the more the rivalry on the competitive market (battleground). Increases in the bargaining power of buyers or suppliers increases the threat on the competitive market or competitive rivalry.

Porter's factors should be analysed, well understood and taken into account in the strategic planning process. The entry of new competitors is often a response to high profits earned by established businesses and/or rapid growth in an industry. The difficulties that new competitors face depend mainly on the barriers to entry and the reactions of established competitors. Examples of such barriers are economies of scale and large capital requirements.

The bargaining power of suppliers increases when they (suppliers) can increase or protect market share, raise prices, and eliminate certain features of their goods or services with little fear of losing customers. The situations that make suppliers powerful tend to be the same as those that make customers powerful. This is when they can play off one business against another in order to force down prices, obtain higher quality or buy more goods or services for the same price. The threat of substitute goods and services depends on the ability and willingness of customers to change their buying habits. Substitutes limit the price that businesses in a particular industry can charge for their products without risking loss in sales (Pearce & Robinson 2000:90).

The rivalry among existing businesses in an industry varies with top management's view of threats or opportunities, the strategy the business pursues, and competitors' reactions to those strategies. The extent of rivalry depends on the movement in any of the factors (Hellriegel *et al.* 2004:79).

The factors of Porter's framework are more market environment-related and therefore at the business level of planning, they are of strategic importance. This is because they form the basis on which strategies are formulated. Porter's framework should be read in conjunction with the summary of industry and competitive analysis in Figure: 3.4.

3.6.1.3 Industry and competitive analysis

Thinking strategically about a business's external situation involves probing for answers to the factors noted in Figure:3.4. Answers to the question of what the industry's dominant economic characteristics is will be found in factors such as market size and growth rate, geographical scope, number and size of buyers and sellers, pace of technological change and innovation, scale economics, experience curve effects and capital requirements.

Answers about competitive analysis will be found in factors such as rivalry among competing sellers, weapons that rivalries are relying upon in their efforts to out-compete one another, and factors such as threats of potential entry, competition from substitutes, power of suppliers and power of customers. One will have to ascertain whether the competitive position is strong, moderate or weak, and why.

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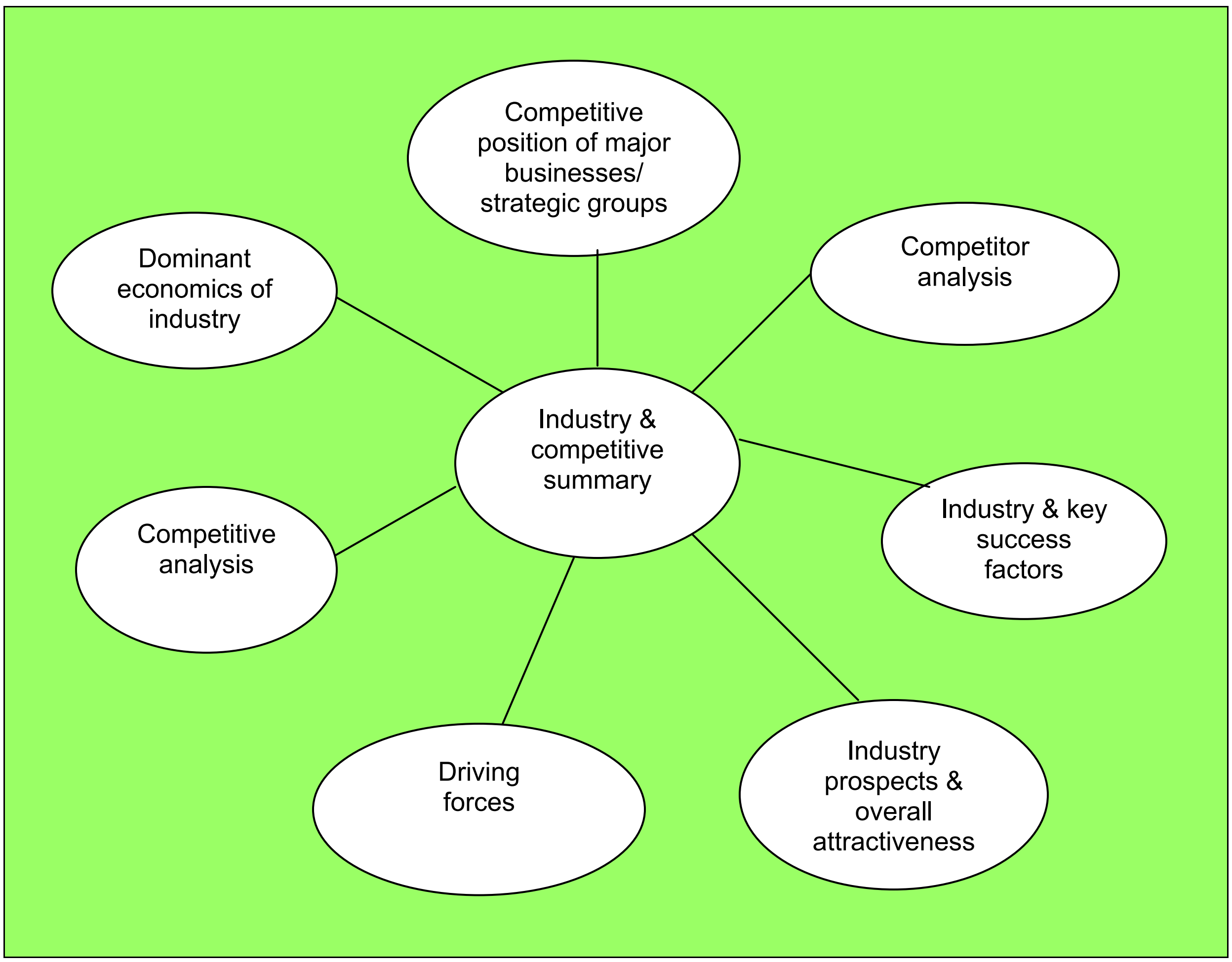
Driving forces are those factors that are forcing the industry's competitive structure and business environment to change. This could be a result of a host of factors ranging from political, social and institutional to technological, according to Thompson and Strickland (2001:110).

In competitive analysis, attempts are made to try to predict the strategic approaches or moves of key competitors. This will enable one to know who to watch and why.

Figure 3.4 Summary of industry and competitive analysis



Thompson and Strickland 2001:110

3.6.1.4 Key success factors

An industry's key success factors (KSFs) are those particular strategy elements, product-competitive attributes and business outcomes that spell the difference between profit and loss, or success and failure. Key success factors by their nature are so important that all businesses in the industry must pay attention to them because they are prerequisites for industry success. They are the rules that shape a business's financial or competitive success (Thompson & Strickland 2001:110).

The author contends that, in ascertaining the industry's prospects and overall attractiveness, one looks at the factors that contribute to that attractiveness or unattractiveness. There may be special industry issues or problems to take into account. These "issues" are the "rules and regulations", written or unwritten, or the "politics" that a business needs to understand in order to survive or succeed. In short, all will point to whether industry profitability is favourable or not.

3.6.2 Internal environmental analysis

A business's internal environment depicts who the business is, what it represents, its resources and its competencies. These aspects will be discussed next.

3.6.2.1 Business analysis

Business analysis starts from questioning, "Where are we now?", "Where do we want to be?" It includes the questions, "Who are we?", and "Who do we want to be?" These questions are asked at the "cut off" point, which was earlier referred to as the stop-start points, or as gap analysis.

This entails analysis of the business's skills competencies and resources. No matter how appealing or abundant a business's opportunities are, in planning one should always validate each "opportunity" by analysing whether the business has the means to capitalise on it, given the opposing forces of competition and business circumstance. Opportunity without resources and competence to capture it is an illusion. A business's potential strengths may enable it to seize some opportunities and its weaknesses may make the pursuit of others extremely risky or disqualify it entirely (Thompson & Strickland 2001:120).

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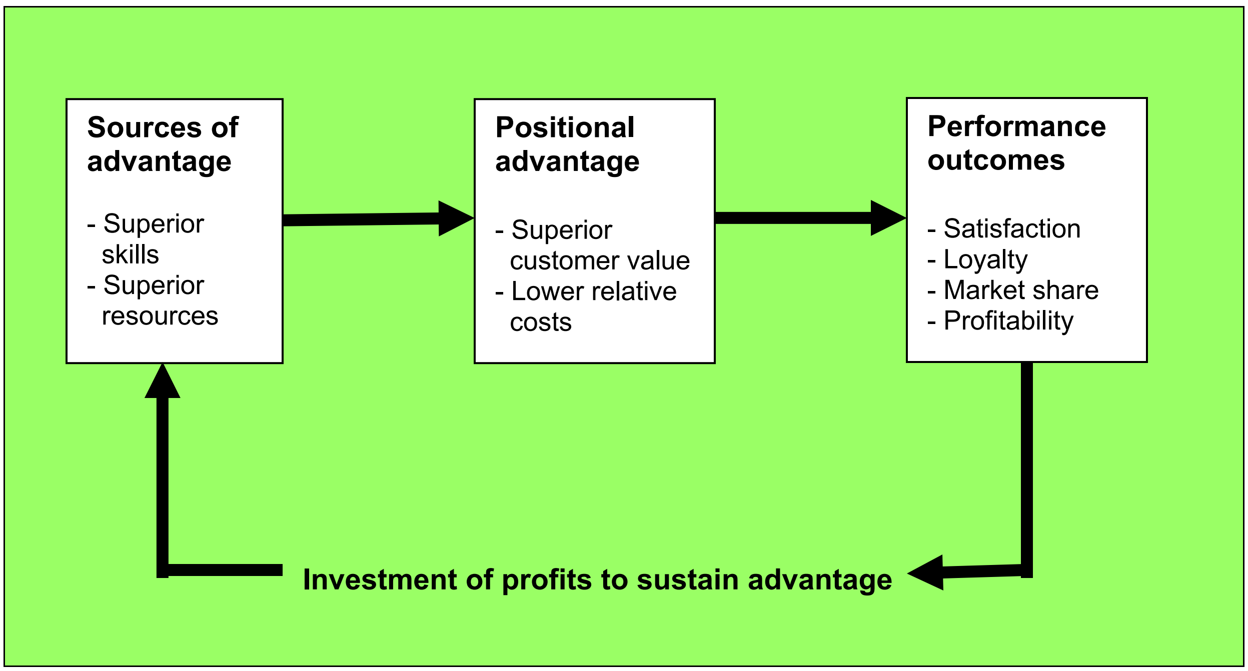
3.6.2.2 Distinctive competency

A distinctive competency is a distinct resource that differentiates a business from its competitors (Rigwema & Venter 2004:180).

Some elements of competitive advantage are shown in Figure: 3.5.

Figure 3.5 Elements of competitive advantage.



Day and Wensley 1988:3

A superior or rare resource can be in the form of an entrepreneur (Rwigema & Venter 2004:180). If the superior skills are entrepreneurial this puts a business apart from its competitors because it will be possessing intangible skills which are difficult to copy and therefore allow for a sustained advantage that results in high profits for a prolonged time.

In strategic planning, the business should consider what distinctive skills and capabilities it has that can give it a competitive advantage or give it a unique capability to pursue an attractive opportunity. Distinctive competencies include quality products, creative marketing approaches, technological innovation, new product development, customer support and production efficiency. Distinctive competency should be viewed relative to competitors and successful business strategies are usually built around a competitive approach that will set a business apart from its rivals and give it a strategic advantage (Thompson & Strickland 2001:122).

Resources are normally categorised as physical, financial, human and technological. A business should always analyse these for it to be able to know its capability. Its capacity measures its capability. Strategies should be based on what the business can do (Rwigema & Venter 2004:186).

3.6.2.3 The resource-based view

The resources-based view (RBV) groups the business's resources into tangible, intangible and business capabilities. Unlike the tangible and intangible assets, business capabilities are not specific "input" assets, but are the skills, the ability and ways of combining assets, people and processes that a business uses to transform inputs into outputs (Pearce & Robinson 2000:194).

The RBV views a business as a blend of resources that enable certain capabilities, options and accomplishments. These internal capabilities are what enable a business to exploit external opportunities. Competitiveness is a function of the exploitation and leveraging of these internal resources. Strategies are then designed to capitalise on core competencies, and distinctive assets form a basis for creating a sustainable competitive advantage. To prevent imitation, attention is focused on the intellectual capital, business-specific practices, relationships with customers and other intangible ways of working together (Stacey 2003:73).
Pearce and Robinson (2000) and Rwigema and Venter (2004:184) provide facts and questions (given below) which enable one to assess whether a resource is valuable or not:

- ***Competitive superiority:*** Does the resource help fulfil customers' needs better than those of the business's competitors? Only resources that contribute to competitive superiority are valuable.
- ***Resource scarcity:*** Is the resource in short supply? Possession of a scarce resource can become a business's distinctive competence.

- ***Inimitability:*** Is the resource easily copied or acquired? A resource that competitors can easily copy can generate only temporary value. Forms of inimitability would include:
  - Physically unique resources, which are virtually impossible to imitate, such as mineral rights and patents.
  - Path-dependant resources are difficult to follow because of the path the other business has to follow to create the resource.
  - Casual ambiguity is a third-way resource which needs competitors to understand exactly how the resource was created.
  - Economic deterrence, which involves large capital investments.
- ***Appropriability:*** Who actually gets the profit created by a resource? Bottom-line resources that one develops and controls are more valuable than resources that can easily be bought or sold.
- ***Durability:*** How rapidly will the resource depreciate? The slower a resource depreciates the more valuable it is.
- ***Substitutability:*** Are other alternatives available? Resources easily substitutable are less valuable.

De Toni and Tonchia (2003:953) state that core competencies are the business's roots which supply food, support and stability. For a factor to be a core competency, it should:

- permit potential access to a high number of markets
- be seen by the end customer as the principal source of value added to the product and
- be difficult to imitate by the competitors.

As a result of the above, a business is able to assess its strengths and weaknesses. Christensen (2004:306) notes the reason for focusing on internal resources in relation to corporate entrepreneurship as that businesses possess a bundle of unexploited resources, mainly intangible knowledge resources especially held by employees that cannot be easily articulated or imitated by others.

To achieve a sustainable competitive advantage every business should utilise its dominant logic (Bettis & Prahalad 1995) that captures the prevailing mindset and drives the overall focus of the systems and routines of the business. This filters and interprets information from its environment, attenuates complexity and guides its strategies, systems and behaviour (Morris & Kuratko 2001:152).

3.6.3 The SWOT analysis (strengths / weaknesses / opportunities / threats)

The business analysis (internal / micro environment) culminates in identifying the business's weaknesses and strengths.

Opportunities and threats in the external environment (macro-environment) are also identified. The whole point of carrying out an environmental analysis is for the business to be able to come up with appropriate strategies.
As pointed out by Stacey (2003:60), strategic logic requires that future actions to be taken should match strengths with opportunities, ward off threats and seek to overcome weaknesses.

Good strategies are based on the business's strengths (capabilities and competencies) and take advantage of the opportunities in the external market. Crafting strategy is partly an exercise in entrepreneurship which involves actively searching for opportunities to do new things in new ways. The faster the environment is changing, the more critical it becomes for its managers to be good entrepreneurs in making both predictions and timely adjustments (Thompson & Strickland 2001:13).

The SWOT analysis is a well-known process which, if used correctly, is a powerful information and analytical tool. However, it is more often used as a means by itself and as an end result of all the processes preceding it. When it is used as an end in itself its whole essence is lost and work experience and observations have shown that this is normally the case. The SWOT analysis is a basis of strategy formulation, a basis of action. Strategic planning is action planning. The SWOT analysis should further be developed into a *Quad chart* as it is a strategy formulation tool (Argenti 1989:99). This is reflected in Figure 3.6.

3.7. Developing strategies

A strategy is a pattern or plan that integrates major objectives, plans, policies and action sequences into a cohesive whole (Quinn 1980:84).

3.7.1 The traditional approach

The way the Quad works is that opportunities and threats are identified, evaluated, distilled, ranked and the most important ones selected. This is done in most cases through group consensus from brainstorming sessions. The same selection process is taken with regard to strengths and weaknesses. When looking at the four Quad factors, the definition of the particular industry and the relevancy to it should always be borne in mind.

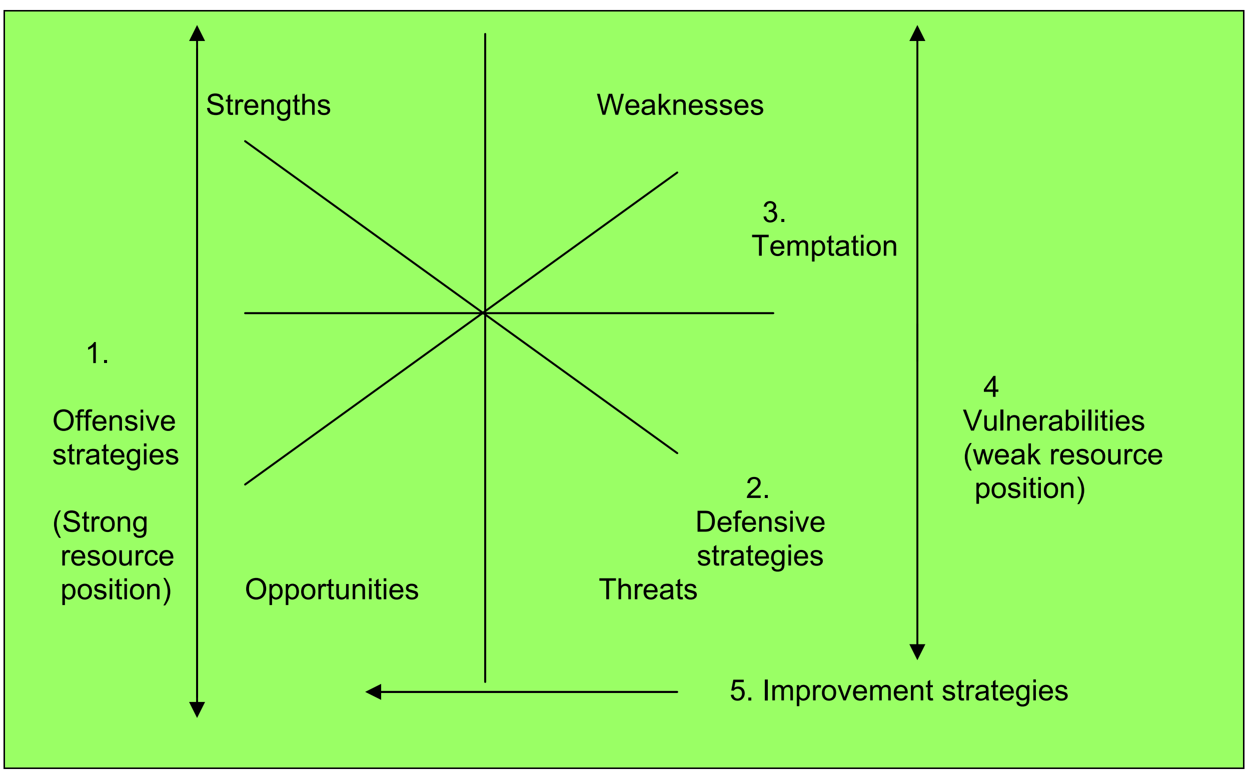
Traditionally strategies were developed by:

- capitalising on opportunities and avoiding threats
- building on strengths and
- improving on weaknesses

(Thompson 2001:393; Van Veijeren 1994:72;McNeilly 1996:21).

These concepts are reflected in the Quad diagram in Figure: 3.6.

Figure 3.6. The Quad chart and core strategies



Van Veijeren 1994:7

The strategic options available using the Quad chart are as follows:

- ***Offensive strategies*** (opportunities and strong) should combine the business's strongest competencies with the best opportunities available. Should adopt attack strategies.
- ***Defensive strategies*** (threats and strong). If left unattended certain threats may become significant. Resources applied to defensive strategies should be enough to ensure that threats do not become significant in the long term. The normal tendency is to use strengths for offensive strategies.
- ***Temptations*** (opportunities but weak); trying to exploit an opportunity but without the capacity. These should be best avoided.
- ***Vulnerabilities*** (threats and weaknesses). A vulnerable position. Should attempt to improve the weakness then deal with the threat as a defensive strategy.
- ***Improvement Strategies*** (weaknesses and threats). There is need to improve weaknesses to strengths. It may take time to change weakness to strengths.

The left side of the Quad chart in Figure 3.6 represents the strong or positive resources; the right side, the weak or negative factors. Movements to the left of any of the factors that are listed on the right represent improvement to the system. The movement of a factor from left to right represents deterioration (Labuschagne 2001:54).

As rightly stated by Sun Tzu, "invincibility lies in the defence, the possibility of victory in the attack. One defends when his strength is inadequate. He attacks when it is abundant" (McNeilly 1996:36).

3.7.2 Strategy-making modes

Brown (2005:213) identifies five strategy-making modes, namely;

- The ***command mode,*** where a strong individual leader is supported by a few top managers
- The ***symbolic mode,*** where the leader creates a clear and compelling vision which gives meaning to the business's activities and provides a sense of identity (prospector or analyser strategy)

- The ***rational mode*** indicates the existence of a comprehensive strategic planning system (defender strategic posture likely)
- *The* ***transactive mode*** is based on interaction and learning rather than execution of a predetermined plan (analyser strategy)
- The ***generative mode,*** in which new ideas emerge upwardly from entrepreneurship. Top managers encourage experimentation and new innovations are germinated by separating innovative activity from the day-to-day work of the operating business. Strategy is continuously adjusted to reflect a pattern of high potential innovations. This mode best suits turbulent environments and prospector strategies.

3.7.3 Grand strategies

Grand strategies fall into three general categories, namely growth, stability and retrenchment. ***Growth*** can be promoted internally by investing in expansion or externally by acquisitions or diversification. ***Stability*** or pause strategy maintains current strategies or grows slowly in a controlled fashion. ***Retrenchment*** implies liquidating some units / assets, divestiture or downsizing (Daft 2003:241).

This approach of grand strategies does not differ from the strategies discussed in the Quad or traditional approach. Growth strategies can be equated with offensive strategies, retrenchment with defensive, while stability is represented by improvement / hold strategies.

Pearce and Robinson (2000:241) define grand strategies as comprehensive general approaches that guide the business's major actions and provide the basic direction for strategic actions. The authors provide the following as examples of such strategies: concentrated growth, market development, product development, innovation, integration, diversification turn-around, divesture liquidation / bankruptcy, joint ventures and strategic alliances.

These could still be grouped under the three basic grand approaches. From the Quad chart, a possible suitable strategy is then adopted. This can be offensive, defensive or improvement.

3.7.4 Other strategic options

There are a number of other strategic methods, most of which can be related to the ones already discussed. Some of these are as follows,

1. The Boston Consulting Group (BCG) matrix.
2. The product life cycle (PLC).
3. Porter's three generic strategies (focus, differentiation, cost leadership).
4. Ansoff's strategic matrix.

A corporate-level (strategy) plan pertains to the business as a whole and the combination of business units and product lines that make up the corporate entity. Strategic actions at this level usually relate to the acquisition of new business, additions or divestments of business units, product lines and joint ventures with other corporations (Daft 2003:245).

The BCG "portfolio" matrix and the product life-cycle approach relate more to business-level planning. The BCG deals with the strategic options and management of a portfolio of strategic business units (SBU) or products portfolio. The product life cycle relates products, technologies or industries to developments relative to time. Ansoff's matrix relates products and markets to past and currency. These approaches are reviewed further.

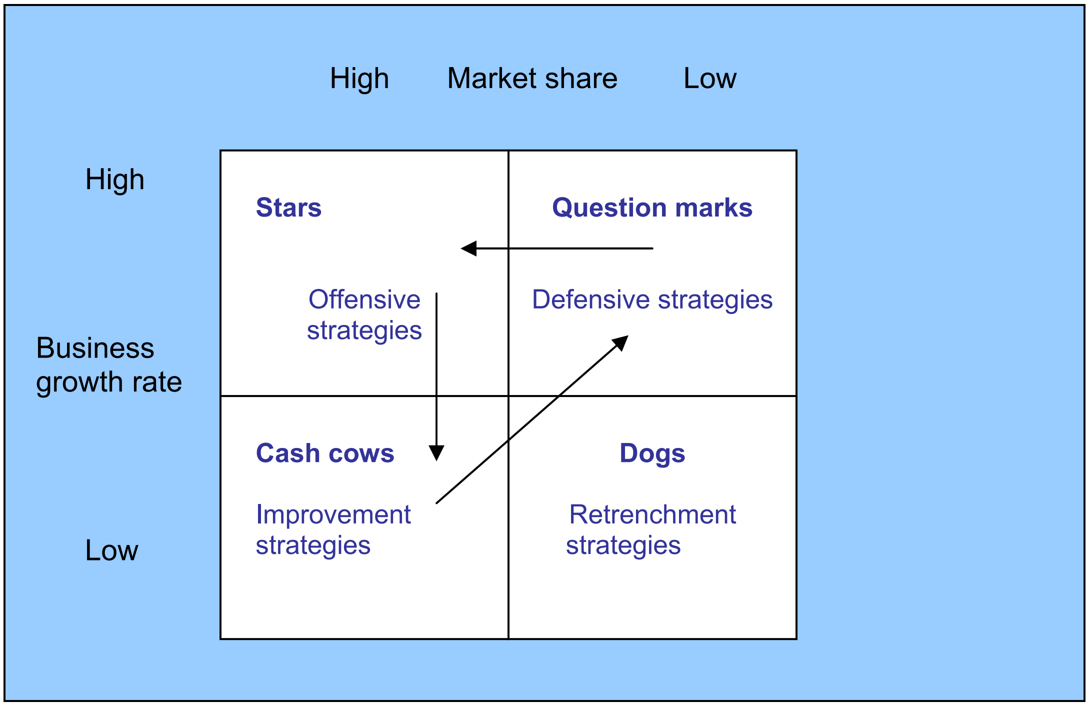
3.7.4.1 The Boston Consulting Group matrix (BCG)

Taking cognisance of the fact that business, functional and operational level strategies feed in or feed from the corporate strategies, a combination of the grand (core) strategies and BCG matrix is reflected in Figure: 3.7 and the PLC in Figure: 3.8., the combinations are the author's own developments.

Fink *et al.* (2005:364) note that traditionally businesses obtain sustained competitive advantage by implementing strategies that exploit their internal strengths through responding to environmental opportunities, while neutralising threats and avoiding internal weaknesses.

Fink *et al.* (2005) add that strategy is about building long-term defensive positions or sustainable competitive advantages and that these strategies must be based on continuous adaptation and improvement and be "constantly shifting and evolving in ways that surprise and confound competition".

Figure 3.7 The BCG Matrix (and core strategies)



Henderson 1984:3

Based on the understanding presented by Fink *et al.* (2005:364) and analysis by Thompson (2001:417), the following deductions can be made:

- Stars should be grown/ expanded.
- Question marks are risky. Though there are opportunities to build market share and become a star, it may be best to defend what one already has by applying available resources. Resources may be wasted by trying to pursue opportunities which may be elusive.
- Cash cows should be maintained (stability strategy). The cash cows should be milked to finance question marks and stars. If cash cows face problems they should be improved and recycled (improvement strategy) to question marks and should not be left to fall and become dogs.
- Dogs should be divested / harvested.

3.7.4.1.1 Product portfolio (BCG) and product life-cycle (plc)

Stacey (2003:59) notes that rapid rates of growth indicate the entrepreneurial and growth stages of evolution. Different combinations of market share and growth rates yield the following possibilities;

- Question marks are products, market segments or business units that are growing rapidly and the business has a relatively low share. The product life-cycle indicates that question marks will require heavy investment, are unlikely to yield profit for some time and may face strong competitors.
- Stars are products, market segments or business units that are growing rapidly and have a business or high relative share. Product life-cycle indicates that these products will require heavy investment but must produce high levels of profit. The strategy indicated is one of concentrating effort and money on the stars.
- Cash cows are products in mature, slow growth markets in which a business has a relatively high market share. The prescription is to cut down on investment in the products and harvest the cash.
- Dogs are products in slowly growing markets in which the business has a low share. Both cash flow and profit could be negative. It is in a weak position and the business should withdraw.

The feasible options will be those that have some balance between the different possibilities.

The same strategy principles are applicable in the product life cycle (PLC) approach as reflected in Figure 3.8 and next discussion.

3.7.4.2 The product life-cycle (plc) and strategy

According to Stacey (2003:59), the generic strategy is appropriate and is said to be dependent upon the stage of evolution of the product's market and the competitive strength of the business producing it. A business with a strong capability should invest heavily in the embryonic stage and establish a position before others arrive. During the growth phase it should continue investing, push for rapid growth and defend its strong position against new arrivals. By the time the mature phase is reached, it should have established a market leadership and as it reaches the saturation level, the dominant business should defend its

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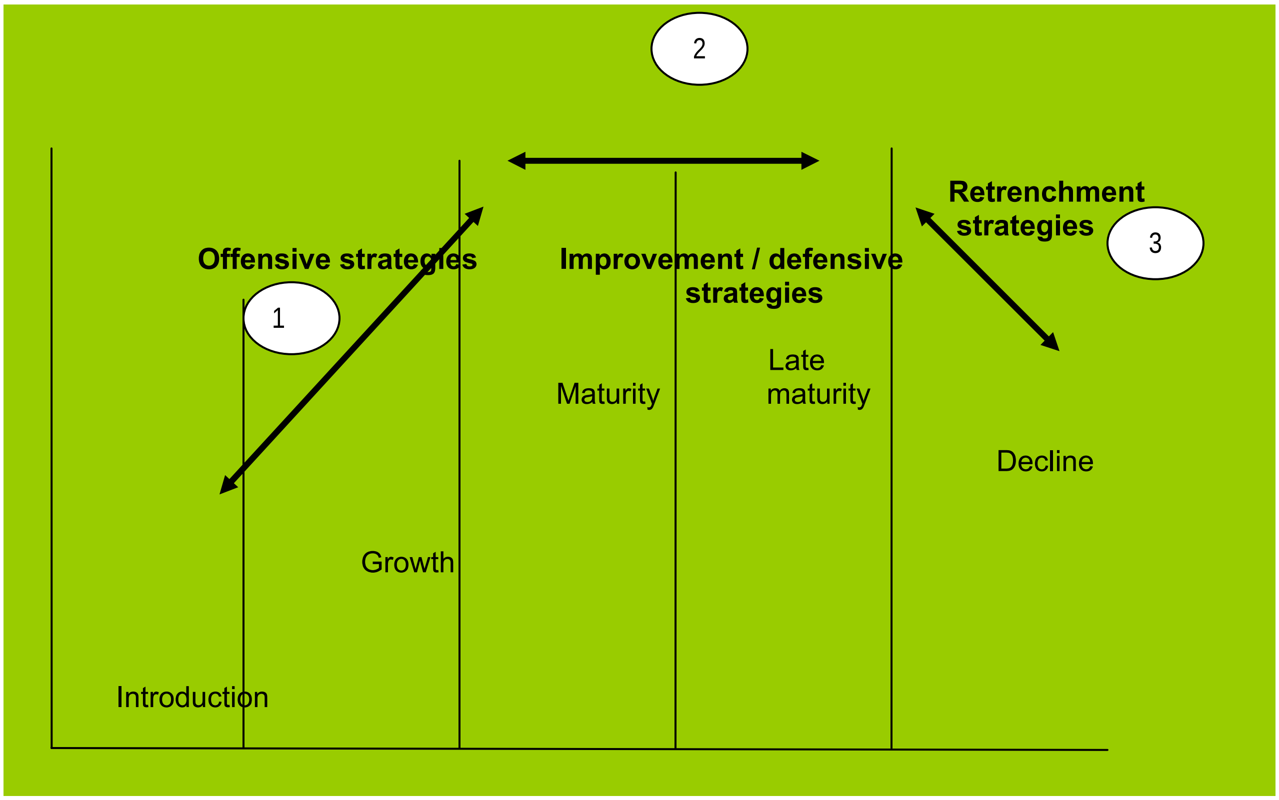
position and in a declining market, withdraw cash and be able to continue harvesting cash while weaker competitors withdraw.

Figure 3.8.The product life cycle (and core strategies)



Strydom, Jooste & Cant 2005:244

Early in the product life cycle (PLC), customers go for new features. As customers learn competitors imitate, and as the competences improve, customers get used to features that excited them and start to look for new attributes. Innovation and creativity are greatly called for to enable the continued competitiveness of the product of a business as it moves through the phases, for differentiation lurks at every step the customers take, from the time they are first aware of their need for a product / service to the time they finally dispose of the remnants of the used-up product (McGrath and Macmillan 2000:45).

3.7.4.2.1 Corporate entrepreneurship and the product life cycle (plc)

The life-cycle approach as a strategic approach is linked to entrepreneurship in a number of ways. As Thornberry (2003:330) points out, corporate entrepreneurship includes corporate venturing (new ventures) and business transformation (corporate renewal).

This is related to the life cycle in that the more a business introduces new products / services / processes (Morris & Kuratko 2001), the more entrepreneurial it is. When these new introductions are made, the business reinvents itself and gets into a growth stage and a better competitive position. This is related to what Hitt et al. (2002:7) and Kreiser, Marino and Weaver (2002:20) refer to as proactive ness. New product introduction goes hand in hand with first-mover advantage, such as patents, thereby providing competitive advantage.

The characteristics of this state include new business venturing, product / service innovation, process innovation, self-renewal, risk-taking, proactive ness and competitive aggressiveness (Antoncic & Hisrich 2003:9).

Entrepreneurship by definition means creating something new, engaging in product and market innovation, being proactive and, according to Wickland and Shepherd (2005:75), beating competitors to the “punch”. This relates to the offensive strategy.

The processes that go into new venture creation in a corporate through the birth of new businesses is more or less the same as that of the introduction of new products and services in that it puts the business on a growth stage, which requires an offensive mindset. A business that is not entrepreneurial can be equated with being at a maturing stage of its life cycle and struggling to avoid decline and death.

When products are maturing or the business is in a maturing industry, they resign to defensive postures. Only an entrepreneurial orientation can revitalise the business. This can be through product improvements, self-renewal, competitive aggressiveness, all characteristics of entrepreneurship, as noted by Antoncic and Hisrich (2003:9).

This is supported by Wright, Hoskisson and Busenith (2001:3), who claim that there are few opportunities for strategic innovation in mature industries because the “managerial mindset” as opposed to an "entrepreneurial mindset" normally found at this stage fails to exploit brief windows of opportunities that close too quickly before all relevant information can be gathered and processed. Instead the entrepreneurial management may enable the business to identify radically new competitive spaces in their industries through innovative learning and thinking out of the box.

Srivastava and Lee (2005:461), quoting Charney *et al.* (1991), Eddy and Saunders (1980), and Lee *et al.* (2000) show that a number of empirical studies link the introduction of new products to wealth creation.

As stated by Kelly *et al.* (2002:1), the creation of new businesses in existing businesses is appealing in that it can re-invent mature entities. They add that radical innovations change the face of the competitive landscape critical to long-term competitiveness.

3.7.4.3 Porter's three generic strategies

Jennings and Hindle (2004:150) argue that businesses set out to be low-cost producers, through achieving a cost advantage by efficiency in operations, economies of scale, technology or preferential access to raw materials.

Businesses that seek to be unique to buyers (through differentiation) in an industry do so through emphasising high quality, extraordinary service, innovative designs, technological capability or an unusually positive brand image. The key is that the attribute chosen must be different from those of rivals and be significant enough to justify a price premium.

- The focus strategy aims at either a cost advantage or a differentiation advantage in a narrow segment.
- The focus strategy may be the most potent for a small business that normally does not have economies of scale.

Rigwema and Venter (2004:210) point out that low costs should be emphasised without compromising quality and that differentiation works best on distinct products with inelastic demand, such as luxury goods.

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3.7.4.4 Ansoff's strategic matrix

In addition to Porter's three generic strategies of cost leadership, focus and differentiation, a business can develop its market via new segments, new channels or new geographical areas, or can push the same products more vigorously through the same markets (Mintzberg 2003:122). This is what is normally termed Ansoff's strategic matrix, as reflected in Figure 3.9, covering penetration strategies, market development strategies, geographical expansion strategies, and product development strategies.

Figure .3.9. .Ansoff's strategic matrix

	Existing products	**New products**
Existing market	**Penetration Strategies** ▪ Increase market share ▪ Increase product usage (frequency / quantities used / new applications)	**Product development Strategies** ▪ Improvements ▪ Line extensions ▪ New products for same markets
New markets	**Market development Strategies** ▪ Market expansion (geographic & new segments)	**Diversification Strategies** ▪ Vertical integration (forward / backward) ▪ Diversification (concentric / conglomerate)

Mintzberg 2003: 126

Mintzberg (2003:142) discusses formulation of strategy instead in terms of crafting strategy, where the resultant product encompasses the crafters, past traditions, new directions and that past projects itself into the future.

As Kirby (2003:148) points out, it is possible to establish a successful business by bringing a new product to a current market or a current product to a new market. It is also possible to bring a current product to a current market provided it is better or cheaper than the previous product or that of the competitors.

3.8 Goal formulation

3.8.1 Strategic goals

Strategic goals are broad statements of where the business wants to be in future and pertain to the business as a whole rather than to specific divisions or departments. This differs from tactical (functional) middle-management goals and operational (lower-level) goals which are specific, measurable results expected from departments, work groups and individuals within the business (Daft 2003:216).

It is the functional goals that are supposed to be SMARTER, an acronym for specific, measurable; acceptable; realistic; time bound; extending (challenging) the capabilities of those working to achieve goals; and rewarding (MacNamara 2005:1).

3.8.1.1 Smarter goals

The strategic goals are encapsulated in the vision, mission and the strategic intent. Long-term objectives tend to form in terms of the following:

- Profitability
- Productivity
- Competitive position
- Employee development / relationships
- Technological leadership
- Public responsibilities.

Objectives at acceptable levels for the above factors are set to enable the long-term survival of the business. Profitability would be expressed in terms of earnings per share or return on equity, productivity in terms of costs, quality and quantities, competitive position by relative market dominance and employee development through employee growth and career opportunities (Pearce & Robinson 2000:244).

On the qualities of long-term objectives, the author adds that objectives should be acceptable (to all stakeholders), flexible and adaptable to unforeseen changes in the environment. Objectives should be measurable, clear and concretely say what will be achieved and when it will be achieved. As the adage goes, "what's measured gets done".

Objectives should be motivating, in order to get the best productivity out of people and they should be suitable (congruent) to the mission and vision of the business. Objectives should be simple to understand at all levels in the business and must also be achievable and challenging.

Kaplan and Norton (2001:77) developed the balanced scorecard, which provides a framework for translating a strategy into operational terms. The scorecard allows a business to link its long-term strategy with tangible goals and actions.

3.8.2 The balanced scorecard

The architecture of the balanced scorecard defines the objectives and activities that will differentiate a business from its competitors and create a desired outcome, long-term shareholders and customer value. It begins by clearly defining strategy from the perspective of shareholder and customers: "What are the financial objectives for growth and productivity?" When the financial objectives have been satisfied, the process asks who the target customers are who will generate revenue growth and a more profitable mix of products and services. It also asks what the customers' objectives are and how success with them will be measured. The internal business process defines the activities needed to create the desired customer value, differentiation and the desired financial outcomes. The learning and growth factors recognise the business's ability to execute internal business processes, and how to achieve the desired customer and shareholder outcomes (Kaplan & Norton 2001:77).

The scorecard contains a definition of the business's vision and strategy, which is balanced by four different aspects, namely financial, customer, internal business process and learning and growth. Each of these has objectives, measures, targets and initiatives.

For each of the four perspectives, the following questions are asked:

- ***Customers:*** "To achieve our vision how should we appear to our customers?"
- ***Financial:*** "To succeed financially, how should we appear to our shareholders?"
- ***Internal business process*****:** "To satisfy our shareholders and customers, what business processes must we excel in?"
- ***Learning and growth:*** "To achieve our vision, how will we sustain our ability to change and improve?"

According to Kaplan and Norton (2001:8), research on successful balanced scorecard businesses showed a consistent pattern of achieving a strategic focus and alignment.

However, for years businesses felt a need to add a fifth component which they saw as lacking. This is the specific assessment of management training, slack time and issues relating to the business's global employee population (Maltz, Shenhar & Reilly 2003:191).

There is little research on how to connect the balanced scorecard with other management tools, reinforcing the impression that the method is far from being fully developed. More effort is needed to create coherence between the method and other additional management systems (Ahn 2001:459).

3.8.3 Entrepreneurial strategic choice positioning (attributes mapping)

McGrath and Macmillan (2000:35) provide insight into building what they term blockbuster products and services as mapping attributes, checking assumptions, prioritising action and keeping an eye on dynamics.

They note that a product / service's attributes can be categorised as follows:

- non-negotiable
- differentiation
- exciters
- tolerables

- dissatisfiers
- enragers
- neutrals
- parallels

Attributes are only assumptions, so they need to be rechecked in order to establish which attitudes require attention. Top priority should be given to attributes that represent lurking enragers.

The neutral features should be included for all customers and since non negotiables no longer give competitive advantage the challenge is to reduce the cost of delivering them.
The purpose of keeping an eye on the dynamics is to enable the business to focus on the next generation differentiators and exciters and diminish current dissatisfiers through distinctive skills and competencies. This is shown in Table 3.1below.

Table 3.1 The attributes map

CUSTOMER ATTITUDE	ATTRIBUTE OF PRODUCT OR SERVICE, RELATIVE TO COMPETING OFFERINGS		
	Basic	**Differentiator**	**Energizer**
POSITIVE	**NONNEGOTIATIABLE** Performs at least as well as competition	**DIFFERENTIATOR** Performs better than competition where it counts	**EXCITER** Performs better than competitors
NEGATIVE	**TOLERABLE** Performs no worse than competitors	**DISSATISFIER** Performs below the level of competitors	**ENRAGER** Must be corrected at any cost (to capitalise on competitors' negatives)
NEUTRAL	**SO WHAT?** Does not affect the purchasing decision in a meaningful way	**PARALLEL** Influences segment attitudes but is not directly related to product or service performance	

McGrath and MacMillan 2000:25

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Ghemawat and Pisano (2003:105) point out that a superior product position is likely to yield sustained superior performance to the extent that it satisfies the two conditions of *scarcity* and *appropriability.* Scarcity value is the actual or potential for imitation and / or substitution. *Appropriation* is described by the concepts of *hold up* and *slack.* Hold up is a problem in negotiation rather than competition and it is a threat whenever perpetuation of a superior competitive position depends on continued cooperation or complementation.

According to McGrath and MacMillan (2000:48), entrepreneurial opportunities are present in current product and service offerings and they present themselves in changes in customer needs, which translate into obsolescence for particular attributes, growth rates of major markets segments, and external trends in the marketplace, technology, demographics, regulation environments and competitors.

3.9 Strategy implementation and control

When the strategy is broken down to the lower levels the issues at hand in the strategic planning process become the following:

- Who will execute which part of the strategy and when (who will do what and when?)
- What resources will be needed to execute the plans?

These would include human resources, physical resources, financial, information (knowledge) and technological resources.

Kaplan and Norton (2001:292) assert that strategy is not about managing initiatives. According to their balanced scorecard, the planning process is about strategy, objectives, measures, targets and initiatives. While the functional / operational budget reflects incremental improvement to existing operations, the strategic budget (plan) authorises the initiatives required to close the planning gap between desired breakthrough performance achievable by continuous improvement and that of business as usual. The strategic budget identifies which new operations are required, which new capabilities are to be created, which new products / services are to be launched, which new markets are to be served and which new alliances and joint ventures are to be established.

Fink *et al.* (2005:364) mention that within businesses there are different perspectives on current problems, unresolved conflicts, inconsistent compromises, different priorities on resources allocation and interests which should be taken into consideration. Not doing so in the strategic formulation stage can turn the strategy implementation into "a suicide mission" right from the beginning. The above challenges should be dealt with during the alternative strategy scenario analysis.

3.9.1 Strategy implementation

The principal strategy implementation tasks which should be built into the plans are outlined by Thompson and Strickland (2001:347) as follows:

- Building a business with the competencies, capabilities, resources, and strengths to carry out the strategy successfully
- Developing budgets to steer ample resources into value-chain activities critical to strategic success
- Establishing strategy supportive policies and procedures
- Instituting best practices and pushing for continuous improvement of the performance of value-chain activities
- Installing information, communication, e-commerce and operating systems that enable the business personnel to carry out their strategic roles successfully day in, day out
- Tying rewards and incentives to the achievement of performance objectives and good strategy execution
- Creating a strategy supportive work environment and corporate culture
- Exerting the executive leadership needed to drive implementation forward and to keep improving the way the strategy is executed.

These aspects are presented in Figure 3.10.

Kaplan and Norton (2001:9) provide the following principles of a strategy-focused business.

- To mobilise change through an executive leadership
- Translate the strategy into operational terms
- Make strategy a continual process
- Align the business to the strategy and
- Make strategy everyone's everyday job.

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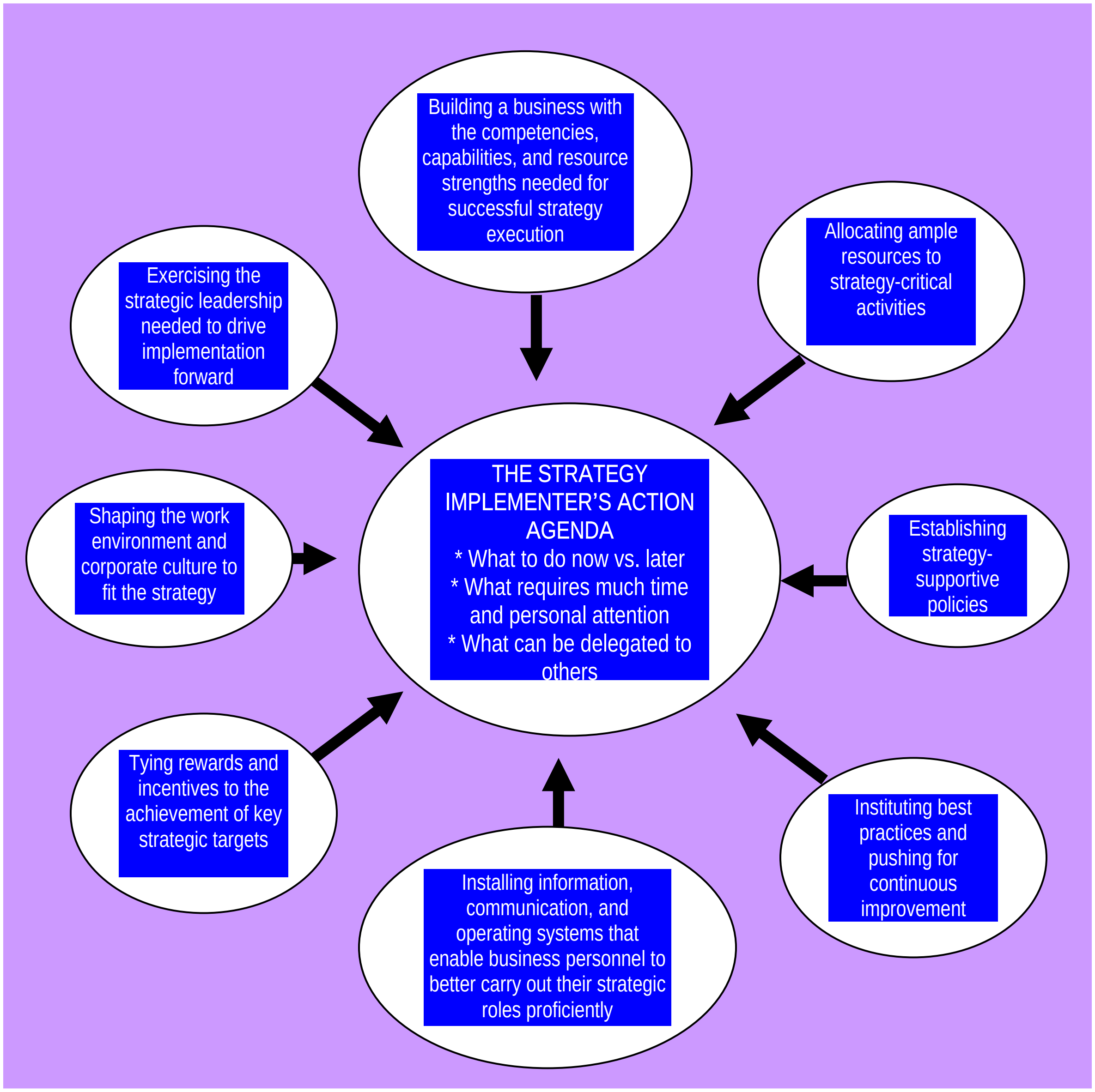
Figure 3.10 The managerial components of strategy implementation



Thompson and Strickland 2001:348

Continuous improvement (of products, services, processes) and making it everyone's job are key elements of strategic entrepreneurship. The author argues that involving everyone in the business in strategy making enhances "ownership", a total buy in and successful implementation.

3.9.1.1 Strategic fit (strategic entrepreneurship)

A strategy tends to yield a superior performance when it “fits” the business’s environment. Without strategic flexibility a business cannot adapt to a changing environment and even if a business’s strategy and its environment are in concert, an environment shift may necessitate strategy change to maintain alignment (Parnell 2005:150).

Bowman and Helfat (2001:1) in answering what corporate strategy is, identify the following as its components:

- Composition / scope of the business
- Resource allocation
- Formulation of business unit strategies
- Control of business unit performance
- Co-ordination of business units
- Creation of business cohesiveness and direction.

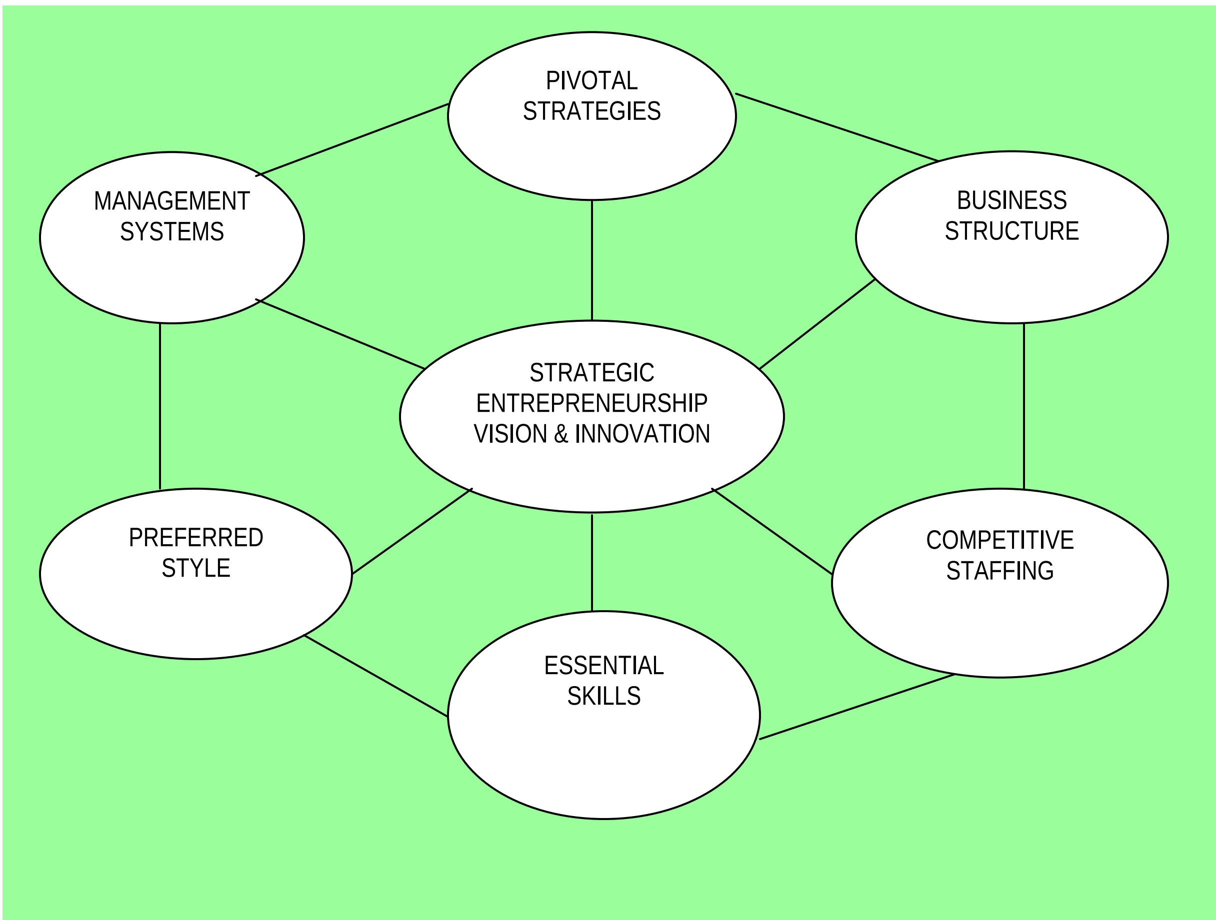
Zhao (2005:35) puts forward what he terms the five S’s model of entrepreneurship and creation. The five S’s are strategy, system, staff, skills and style. If one adds structure, then a congruency is created between this model and McKinsey seven S’s model of strategic fit, presented by Peters and Waterman (1982:10).

The Zhao / McKinsey 5 / 7 S’s model can be used to assess the state of the business in terms of the staff, its skills, management style, belief systems, culture, structures, and current strategies and assess if there is a strategic fit with the shared vision. This is illustrated in Figure 3.11.

The framework highlights the interactions and interconnections and how the fitted parts bond together. It is a simple way to illustrate that the real job of planning and implementation is one of bringing all 7 S’s into harmony. When they are in good alignment, the business is poised and energised to execute strategy to the best of its ability. The framework provides a convenient checklist for judging whether and when a business’s internal climate is ripe for accomplishing the strategy. This is a checklist of how good the strategy is before implementation.

Strategic planning attempts to establish a strategic fit between the market opportunities available to a business and its goals. It constitutes a process that simultaneously looks outwards towards the ever-changing external environment and inwards at its resources to maintain congruence through a cycle of adjustments (Herremans & Isaac 2004:145).

Figure 3.11. Organisational effectiveness model for strategic entrepreneurship



Zhou 2005:36

Strategic planning should take into account all the factors illustrated above with the aim of striking an operational fit. The core mission / vision of the business should be driven by entrepreneurship and innovation (as the dominant logic) and all the other factors should rally around this.

3.9.1.2 Strategic implementation

Research has shown that it is easier to formulate a strategic plan than to implement it, and it is at the implementation stage that strategies often fail. The ability to implement strategy is considerably more important than the quality of the strategy itself. When looking at the problems of implementation, one should be mindful of the difference between formulation (an intellectual thinking phase) and implementation (operational). Formulation requires good intuitive and analytical skills while implementation requires motivation and leadership skills. In addition, implementation is not a well-structured, rational and controlled process like strategy formation (Ehlers & Lazenby 2004:177).

3.9.1.2.1 Skills and participation

The unstructured nature of implementation calls for the full participation of the implementers in the formulation of the plans. The limited skills of intuition and analysis can be imported. If the “well-structured” and controlled strategy (activities) is put together by the implementers, then these will be put together in a way that is practical and easy to implement. Therefore, it is important to understand and appreciate the architecture of the implementation plan (as a component plan) as separate from the actual implementation process (Burns 2005:1).
According to Markides (2001:466), *strategy* is a learning process which seeks to challenge assumptions and beliefs, shift paradigms and create visions of the future. As an action process, it should be a dynamic yet responsive, behavioural process.

3.9.1.2.2 Competitive advantage

Incentives, motivation and leadership skills should be built into the plan itself. There are several viable positions that businesses can occupy, and the essence of strategy is selecting one position that a business can claim as its own. Strategy involves tough choices on three dimensions, namely which customers to focus on, which products to offer and which activities with which to best meet these offers. Strategy entails choosing, and a business will be successful if it chooses a distinctive strategic position that differs from those of its competitors (Markides 2001:458).
In dealing with the issue of how a business achieves sustainable advantage, Morris and Kuratko (2001:152) look at the concept of dominant logic that was introduced by Bettis and

Prahad in 1995. This is a way in which managers conceptualise the business and make critical resource allocation decisions. One way of creating a dominant logic is to make entrepreneurship the basis upon which the business is conceptualised and resources are allocated. Entrepreneurship as a dominant logic promotes strategic agility, flexibility, creativity and continuous innovation throughout the business.

An emphasis on entrepreneurial activities should be translated into objectives, strategies, reward systems, control systems, planning approaches and appropriate structures. Strategic planning should be a way of thinking, which implies a continuous search for new sources of competitive advantage.

According to O'regon and Ghobadian (2004:292), the literature suggests that one of the most effective means of achieving competitive advantage is by using the business's "competencies" or "capabilities". Ability refers to a business's performance of a co-ordinated task utilising resources for the purpose of achieving a particular end result. Strategy consists of five separate but interdependent phases, namely establishment of business intent, strategic analysis, strategy formulation, strategy deployment and monitoring and evaluation.

The best way of achieving an end result is through what Wickham (2001:167) calls"making a good strategy happen". This is done through leadership. Leadership entails listening to people, learning from them, taking their ideas on board, giving them the latitude to make their own decisions and putting the decisions into practice.

Influencing employees to make decisions that enhance the business is the most important part of strategic leadership (Rowe 2001:83).

Individuals who seek entrepreneurial opportunities usually generate lots of ideas. However entrepreneurs cannot rely on first inventing or anticipating a trend but must also execute well, especially if their concepts can be easily copied (Bhide 2003:327).

3.9.2 Control

Cronje and Smit (2002:391) maintain that *control* is a continuous process and is interwoven with planning, organising and leading. It is probably the most important link in the management cycle because it evaluates the management effort. The knowledge, experience, information and facts acquired and collected during the implementation process become the most important inputs in the next round of the "continuous" strategic planning process.

The authors add that because of this importance implementation and control should be a solid component of the strategic plan. In the control process, management endeavours to make planning and performance coincide and this bridges the gap between formulating goals and attaining them.

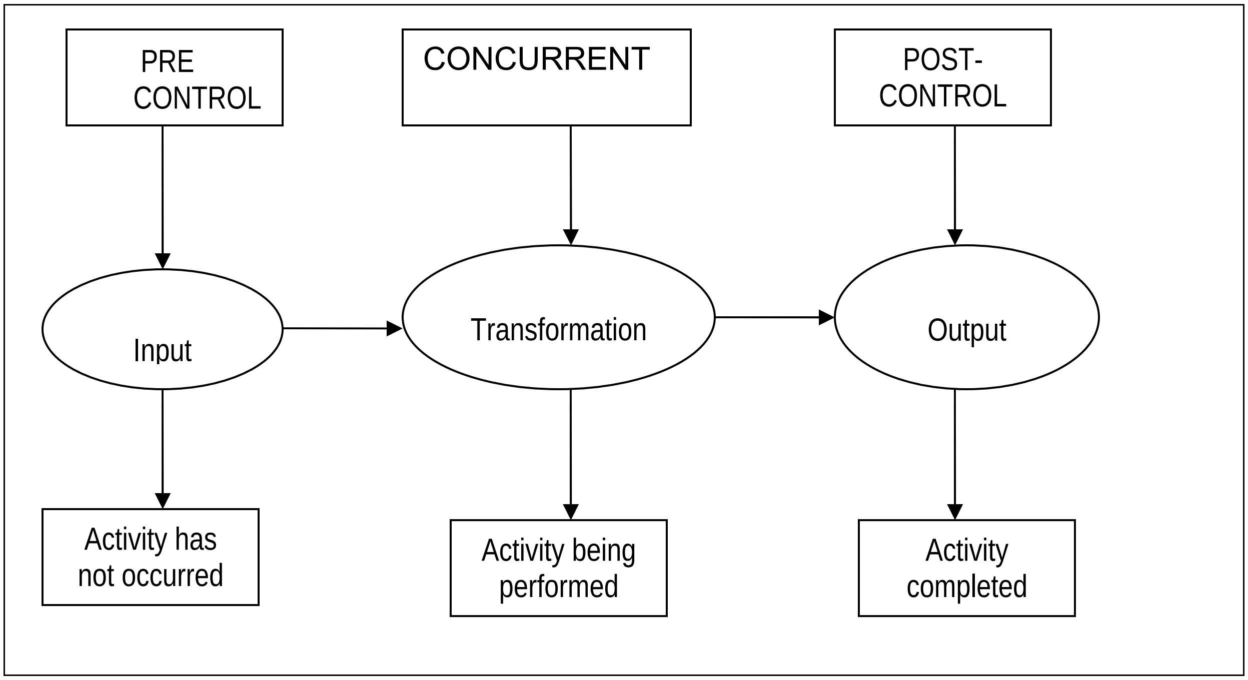
Controls are intended to guard against the possibility that people will do something the business does not want them to do or fail to do something they should. Without control it will be almost impossible to determine what goes on, distinguish high and low performance, satisfy customers on a continuous basis, be cost-competitive and find ways to continuously improve (Morris & Kuratko 2001:216).

Control usually occurs at three stages, pre process (input), concurrently during transformation and post process, as shown in Figure 3.12. As noted by Hellriegel *et al.* (2004:409), preventive control (pre-process) is intended to reduce errors proactively and therefore minimise the need for corrective action. Concurrent control is usually continuous in nature, while post control focuses on rectifying problems that have already occurred.

The author is of the opinion that preventive control, which include rules and regulations, standards and procedures, is administrative (mechanistic) in nature and not entrepreneurial. Entrepreneurial control is achieved if each individual at his or her work station at all levels is empowered through decision making to quality inspect his or her output. They become creative and innovative with the productivity dynamics. This becomes important if that output contributes significantly to the whole and they are aware of it. This motivates employees to be more entrepreneurial.

Rwigema and Venter (2004:217) note that strategic control helps to determine the degree to which strategies fulfil goals and objectives, but only the broad environmental trends (macro, micro, and industry) are monitored. Quantitative standards such as return on investment, return on assets, market share based on benchmarked competitive industry leaders are considered. In addition quantitative standards involving product quality and innovation are also considered.

Figure 3:12 Types of control



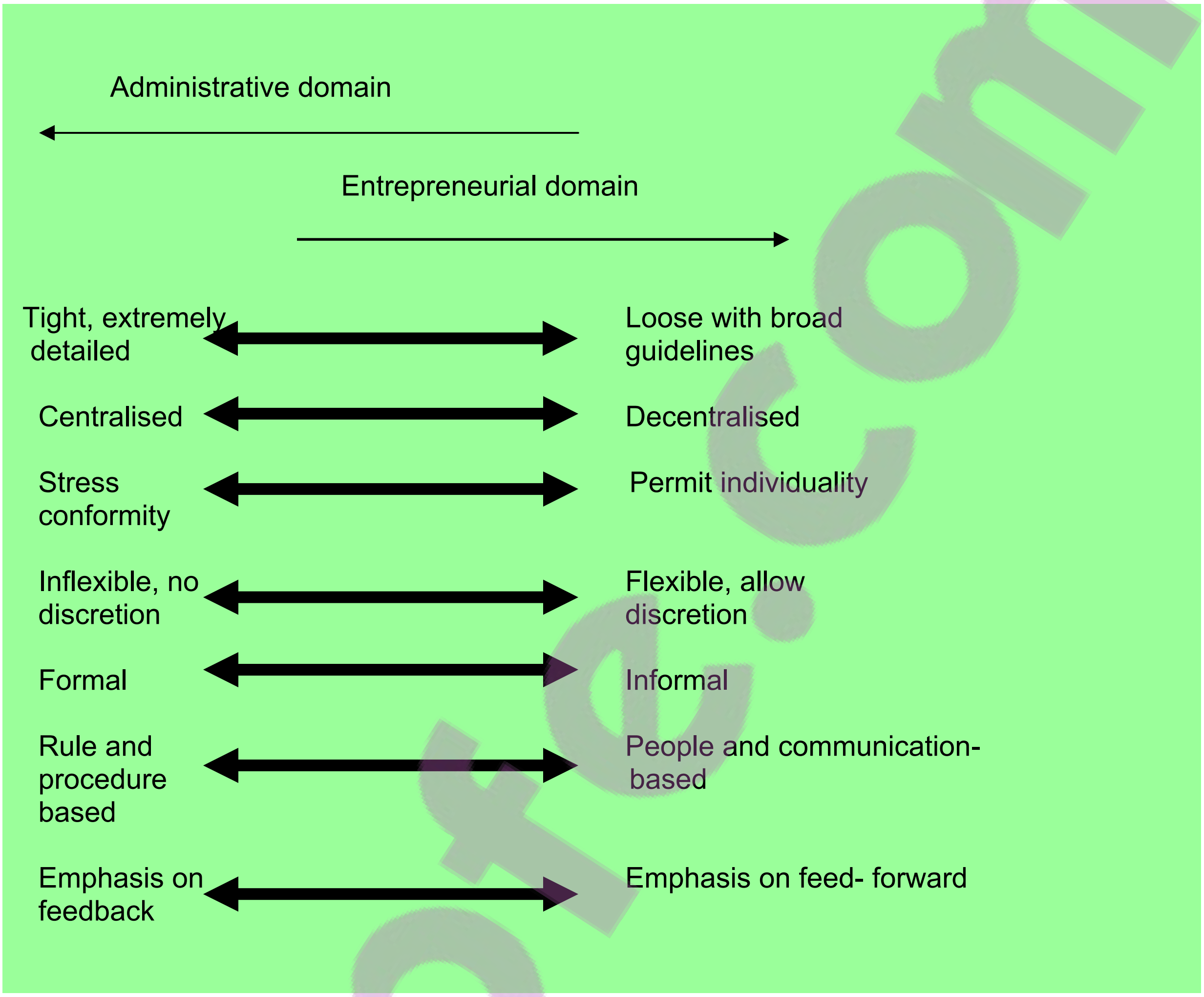
Hellriegel et al. 2004:410

3.9.2.1 Control and entrepreneurship

The development of control systems has implications for the levels of entrepreneurship exhibited in a business. Control systems that attempt to influence the way in which resources are used and monitor how efficiently they are being used undermine employee motivation and creativity (Morris & Kuratko 2001:215). This is summarised in Figure 3:13.

A control system is characterised by the following attributes: degree of formality and prescriptiveness, desire before conformance and compliance, degree of rigidity, desire for consistency, use of coercive power, distribution of authority and responsibility, desire for individual initiative, levels of freedom and discretion, degree of horizontal interaction and communication, and level of detail (Morris & Kuratko 2001:220).
Morris and Kuratko (2001:221) state that, unlike the normal perception that control is inconsistent with entrepreneurship, it actually facilitates it, as reflected in Figure 3:13.

Figure 3.13 Characteristics of a business's control system



Morris and Kuratko 2001:220

Morris and Kuratko (2001:221) show that entrepreneurship appears to be more consistent with risk tolerance rather than risk reduction, because in a risk-tolerant environment there is less rigidity in the structure, there is a greater degree of empowerment and autonomy, conduct is less prescribed and administrative consistency is expected. The entrepreneurial philosophy of control is built on the premise of "giving up control to gain control".

Simler (2003:479) points out that, great businesses can be built without fixed plans, rules and control. Creativity can be unbuttoned without sacrificing profit, led without wielding power and all it takes is faith in people.

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3.9.2.2 Management without control (empowerment)

In order to create an adaptive, creative business, Simler (2003:477) points out that the business should adopt the following:

- Forget about the top line; it is fine if the business's top line remains the same or shrinks, as long as the bottom line is healthy. Size is not a measure of success.
- Every business should continuously justify its continued existence.
- Don't be a nanny, with the "boarding school syndrome" where employees are treated as children, told for instance what to do at what time according to what dress code.
- Let talent find its place; don't box people into jobs or career tracks.
- Make decisions quickly and openly.
- Partner promiscuously; to explore and launch new businesses quickly and efficiently you need "many partners" and these should be as part of the family as the employees.

According to Mintzberg (2003:480) businesses that have real empowerment don't talk about it. Those that make a lot of noise about it generally lack it; they have been spending too much time of their past disempowering others. Then suddenly, empowerment appears as a gift from the gods. To "turn around" is to end up facing the same way. Maybe this turning around is the problem.

As noted by Wenger (1998:77), in real life, mutual relations among participants are complex mixtures of power and dependence, pleasure and pain, expertise and helplessness, success and failure, failure and hatred, and communities of practice have it all.

3.10 Strategic planning and performance

3.10.1 The mission and performance

The relationship between formal planning and performance has been the subject of numerous statistical studies and no clear picture has emerged because these two concepts have faced the issue of causation, that is: when two things seem to correlate, how can we be sure which is the cause and which is the effect? (Wickham 2004:320).

Despite the above, literature abounds with the apparent benefits of planning. Collins and Porras (2001:442) note that businesses that enjoy enduring success have values and a core purpose (mission) that remains fixed while their business strategies and practices endlessly adapt to the changing world.

Brown (2005:213) found that business performance was highest when levels of both commitment to the strategic planning process and the frequency of strategic planning training were high.

Since strategic planning is concerned with vision, mission, long-term goals and strategies, it integrates all management functions and focuses on the exploitation of opportunities through the business's resources (Cronje & Smit 2002:111).

Mullane (2002:448) quotes Bart *et al.* (2001), who claim that mission statements could positively affect employee behaviour when the business displayed commitment and established internal policies and programmes that supported the statement, and that positive changes in employee behaviour had a direct effect on the business's financial performance.

Bonn (2005:346) notes that one aspect of organisational culture is that participation by lower-level employees in the strategy development process has been linked to higher job satisfaction by employees and to improved decision-making by senior managers.

3.10.2 Planning and performance

Every business, regardless of size, needs an effective comprehensive strategic plan. This is because the process of developing the strategic plan forces the entrepreneur to think about the "harsh reality" of the business world (French *et al.* 2004:765).

Fayol (1949 in Wren 2001:483) argues that planning is useful and that "the best plans cannot anticipate all unexpected occurrences which may rise, but they do include a place for these events, and prepare the weapons which may be needed at the moment of being surprised".

Businesses that employ structured planning procedures outperform all other businesses that do not. The most important aspect of planning is the level of sophistication applied to the planning process and the quality of planning, not the time spent on the planning.

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Sophistication is the most important determinant of financial performance (French *et al.* 2004:768).
The culture of high-performing businesses is that they hire people who are competitive and their incentive systems, which foster competition, are built into business strategies (Osborne & Cowen 2002:227).

Joyce and Woods (2003:145) show that the use of strategic planning in businesses to bring about change and innovation is correlated with business growth. Research indicates that businesses that engage in strategic planning are more effective than those that do not.

3.10.3 Sustaining superior performance

Bonn (2000:39) points out those businesses that used a formalised strategic planning system were more likely to survive than those which operated without such a system. This research also indicated that there was a positive relationship between survival and the existence of an explicit corporate direction. Taking into account that planning system and corporate direction are core-related to each other, it could be argued that an important benefit of the strategic planning process is its provision of a long-term corporate direction. Bonn (2000) further notes that the strategic plan in survivors is the "living, breathing thing" integrated completely into the business's life.

Strategic planning can enhance the strategy environment fit of any business and it can open new dimensions of competitive advantage previously untapped by competitors and can also improve a business's ability to adapt by forcing healthy changes within the business (Karger and Parnell 1996:44).

Businesses that continuously focus on finding better solutions maintain their competitive advantage and they manage to do so through effective strategic planning (Lewis *et al.* 2001:149).

Planning is associated with profitability when the business is large, operates in an unstable industry and pursues cost leadership strategy. Planning helps identify future threats and opportunities, enables a more effective allocation of time and resources, provides a framework for integration, co-ordination and communication and a symbolic value of reassuring stakeholders that the business has a proactive course for the future (Bonn 2000:33).

3.10.4 The importance of strategic planning

According to the *navigational risk approach,* Desai (2000:686) strategic planning is important because it takes into account the following pivotal factors:

- Successful implementation hinges on the ability to foresee changes in the larger system
- Determining where a business is going and knowing how it will get there, is a basic concept of strategic planning
- Planning provides alternative answers to important but nebulous questions that are critical to developing a plan
- Plans are based on careful environmental analysis, knowledge of business goals and objectives and the salient characteristics of management that reduce perceived uncertainty
- Strategic planning includes a review of known risk, though all risk cannot be foreseen
- Planning is associated with higher performance in presence of environmental uncertainty
- Strategic planning processes afford managers a holistic approach to evaluating business strengths and weaknesses and environmental opportunities and threats in today's uncertain times.

In addition Wickham (2001:173) notes that a well-defined strategy can help the venture in the following ways. Strategy,

- encourages entrepreneurs to assess and articulate their vision
- ensures auditing of the business and its environment
- illuminates new possibilities and latitudes
- provides business focus
- guides the structuring of the business
- acts as a guide to decision making
- provides the starting point for the setting of objectives
- acts as a common language for stakeholders.

In summary, the author notes that planning identifies who the business is, for whom it exists, and how it is going to ensure continued survival. Without planning (formal or informal), there is no business or its life cannot be secured by itself.

3.10.5 Threats to strategy and entrepreneurship

Simler (2003:479) notes with concern that the traditional ways of doing business are reasserting their hegemony. Young start ups are being forced into the moulds of the past, and CEO's from old-line businesses are being brought in to establish "discipline" and "focus", while the truly creative types are being caged up in service units and kept further from decision makers.

As earlier pointed out in Chapter one, Drejer (2004:513) noted that large established businesses are disassociating themselves with the entrepreneurial "heroes" and "visionary" managers to hire more quiet "bookkeeper" types of manager in an apparent attempt to assure shareholders that nothing unexpected is about to happen.

3.11 Chapter summary

The chapter delved into the strategic planning process, starting from the establishment of strategic intent right through to strategy implementation. The different planning approaches such as traditional and emergent were discussed in detail. Different strategic approaches such as Ansoff's matrix, Porter's generic strategies and Five Forces model, among others, were discussed in relation to entrepreneurship. The discussion showed how strategic planning, strategic control and implementation can be carried out entrepreneurially (with entrepreneurial strategic fit) in order to realise maximum benefits.

Although this chapter's focus was on strategic planning it also shows how this construct (strategic planning) interfaces / relates to entrepreneurship. The presence of the different strategic planning approaches, rational, incremental and emergent bears testimony to the inseperation of the two constructs. All the approaches encompass entrepreneurship in that they have the entrepreneur as the main actor and they trace how best the same entrepreneur interacts with the external environment to realise the business mission. As noted by Wickham

(2001) the core mission / vision of the business should be driven by entrepreneurship and innovation (as the dominant logic) and all the other factors should rally around this.
Control, a major aspect of strategic planning is normally associated with rigidity and therefore perceived as unentrepreneurial. How ever an example of entrepreneurial control is *preventative control* in which as stated by Morris and Kuratko (2001) control is given up in order to gain control.

Every business, regardless of size, needs an effective comprehensive entrepreneurial strategic plan. This ensures the articulation of the vision, auditing of the competitive environment and illuminates new possibilities and latitudes.

The process of developing the strategic plan forces the entrepreneur to think about the “harsh reality” of the business world in an entrepreneurial way.

Chapter 4

Corporate entrepreneurship

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

Smith and Gregorio 2002:129

4.1 Introduction

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

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

The key elements of entrepreneurship that are analysed include the entrepreneurial mindset strategic thinking, proactiveness, competitive aggressiveness and innovation.
The methods of creating a sustainable entrepreneurial environment the chapter presents are structural factors, entrepreneurial politics and strategic leadership. An entrepreneurial climate ensures the cultivation and sustenance of a business' entrepreneurial thrust.

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

4.2 The evolution of corporate entrepreneurship (CE)

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

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

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

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

Table 4.1 Evolution of intrapreneurship

The evolution of intrapreneurship

The individual entrepreneur: with main emphasis being on

- Individual characteristics
- Recognition and support of the entrepreneur in the business

(Souder 1981; Pinchot 1985; Luchsinger & Bagby 1987; Ross 1987; Knight 1989; Jennings *et al.* 1994; Lessen 1988; McKinney & McKinney 1989; Jones & Butler 1992)

Formation of corporate ventures: main emphasis being on:

- Differentiation of types of new ventures
- Their fit with the corporation
- The enabling internal corporate environment

(Hisrich & Peters 1984; MacMillan *et al.* 1984; Vesper 1984; Hlavacek & Thompson 1973; Cooper 1981; Fast & Pratt 1981; Szypersky & Klandt 1984; Krueger & Brazeal 1994)

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

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

Antoncic and Hisrich 2003:7

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

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

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

Table 4.2 Entrepreneurial dimension

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

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

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

Antoncic and Hisrich 2003:19

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

Wickham (2001:389), and Hisrich and Peters (2002:46) support the multidimensional view of entrepreneurship. A distinction between entrepreneurial and non-entrepreneurial businesses is a distinction between conservative (risk-averse, non-innovative and reactive) businesses and entrepreneurial (innovative, proactive and risk-taking) businesses (Antoncic & Hisrich 2004:520).

4.3 Aspects of entrepreneurship

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

4.3.1 Entrepreneuring

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

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

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

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The reproduction process deliberately creates offspring to compete in specific different niches where it provides new genetic material for the family. Synergies are created, expanded and adaptation becomes more likely when conditions change.
This is supported by Michalski (2004:11), who claims that corporate ventures typically operate in emerging market environments where totally new resources and competencies are necessary and decisive for business success. Being independent of established corporate routines enables them to acquire and to build up new resources and competencies much faster in such environments.

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

4.3.2 The entrepreneurial mindset

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

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

An intrapreneurial mindset enables the championing of new initiatives in established businesses to make some material difference by coming up with new valuable ideas which are resourced and developed in an encouraging, enabling culture (Thompson 2004:245).
One should focus on the entrepreneurial mindset when reviewing strategy. This is a way of thinking about the business that captures the benefits of uncertainty (McGrath & MacMillan 2000:1).

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

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

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

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

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

4.3.2.1 Strategic thinking

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

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

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

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

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

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

4.3.2.2 Strategic entrepreneurial mindset

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

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

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

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

4.3.3 Proactive ness and competitive aggressiveness

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

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

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

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

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

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

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

4.3.4 Innovation

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

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

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

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

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

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

The innovativeness dimension of entrepreneurship in a business reflects a tendency to engage in and support new ideas, novelty, experimentation and creative processes thereby departing from established practices and technologies. Technological and / or product innovation can be used to pursue new opportunities (Wickland & Shepherd 2005:75).

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

4.3.4.1 Disequilibrium and innovation

Hitt *et al.* (2002:2) note that disequilibrating actions can produce competitive advantages because they are complex and will be difficult for competitors to identify and imitate.
The aspect of disequilibrium is supported by Morris, Pitt and Berthou (1996:60), who claim that businesses that are more change oriented, dynamic, formal, professional and strategic are opportunity-driven and will do whatever is necessary to capitalise on a perceived opportunity while creating more of an external and strategic focus. This focus also produces continual turbulence inside the business. This is what Kazanjian *et al* (2002:189) identify as:

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

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

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

4.3.4.2 Business environment and innovation

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

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

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

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

4.3.4.3 Stimulants and obstacles to creativity

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

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

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

She also cites obstacles to creativity as the following**:**

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

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

4.4. Fostering an entrepreneurial climate

4.4.1 Climatic complexity

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

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

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

4.4.2. Entrepreneurial climate and business structure

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

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

Jennings (1994:188) reports that businesses with a low level of venturing activity tend to have what he terms “a defender strategy” and a mechanistic structure, while those with a high venturing activity tend to have a “prospector” strategy and an organic structure.
Hisrich and Peters (2002:49) note that researchers have characterised the image of an entrepreneurial venture as having features similar to Burns and Stalker’s organic structure, which is characterised by decentralisation, flexibility and the absence of rules and regulations.

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

A more network-oriented structure as opposed to a hierarchical management structure encourages entrepreneurial initiatives. The multiple, informal networks in an entrepreneurial business are designed to access resources from within and through collaborative network relationships and are flexible thereby creating an atmosphere where employees are free to create and seek new opportunities (Eliason, Wickland & Davison 2002:2).
A mechanistic structure may be necessary for the effective application of a competitive aggressive process by focusing business members on business-wide competitive tactics such as controlling costs. However proactive ness may require an organic structure, which allows for flexibility and idea sharing to anticipate market opportunities (Zahra & Bogner 2000:135).

In the most advanced business forms, not only is there mechanism for rotation and shifting resources for more and quicker utilisation, but there are also mechanisms to simultaneously grow new resources, termed the cellular form, by Matthew, Miles and Coleman (1997). In cellular organism, each cell has the essential properties of the large organism, and when cells are combined, there is something far richer than an individual cell which enables the business to do new things because it is able to use all that it new before as well as all the know how that it is generating, through self governing self- coordinating and self initiating units (Miles, Heppard, Miles & Snow, 2000:105). Such cellular structures enable the business to regenerate itself, enabling it to be competitive.

4.4.3 Entrepreneurship and the competitive environment

Morris and Kuratko (2002:150) state that today's businesses find themselves operating in a newly competitive landscape which can be described in terms of four powerful forces, namely change, complexity, chaos and contradiction. The playing field is no more level, the rules not obvious and hierarchy no more provides context and orientation.
Chaos or confusion best describes the new business landscape. This is the "chaos theory" which says that a system's outcomes are governed by nonlinear differential equations or that random events can cause extreme consequences in business. The principle of the theory is that small changes or shocks to the system can have a major impact.
Stacey (1996:265) posits that "under conditions of nonlinearity and non randomness, incremental changes that may themselves seem insignificant can precipitate major discontinuous or qualitative changes because of the emergent properties triggered by marginal adjustments"

In looking at the aspect of "contradiction", Morris and Kuratko (2002:150) quote Collins and Porras (1994), who explain that the tyranny of the "or" pushes people to think that things should be "A" or "B" but not both. They argue that this exclusionary thinking is wrong and should replace the "or" with "and". The dominant logic (prevailing mindset of the time) needs to be unlearned to adapt to changes in the environment.
New product introductions are positively related to growth. High-growth businesses grow by building on existing strengths and by emphasising corporate relatedness. This is related to the population ecology growth theory of environmental selection. The selection becomes crucial in the business growth potential and the choice of the environment is more critical to growth than any strategic choices (O'Gorman 2001:64).

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

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

4.5 Entrepreneurship and leadership

4.5.1 Entrepreneurial politics

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

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

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

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

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

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

Strategy 1: Use reason and appeal

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

Strategy 2: Avoid or delay opposition

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

Strategy 3: Overcome opposition with political power

- Use political power to overcome opposition.

Sathe 2003:183

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

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

Table: 4.4 Building corporate support for new business creation

Changing mindset and behaviour for new business creation	Assessing, repositioning, motivating and supporting people
▪ Get people to buy in one at a time ▪ Involve people in creating the vision ▪ Communicate the vision over and over again ▪ Reassure people when results are bad or are not early ▪ Educate, train, coach and mentor people	▪ Via a sense of destiny ▪ Via external benchmarks ▪ By giving people freedom ▪ By supporting people

Sathe 2003:197

4.5.2 Entrepreneurial strategic leadership

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

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

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

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

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

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

4.5.2.1 Factors in entrepreneurial leadership

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

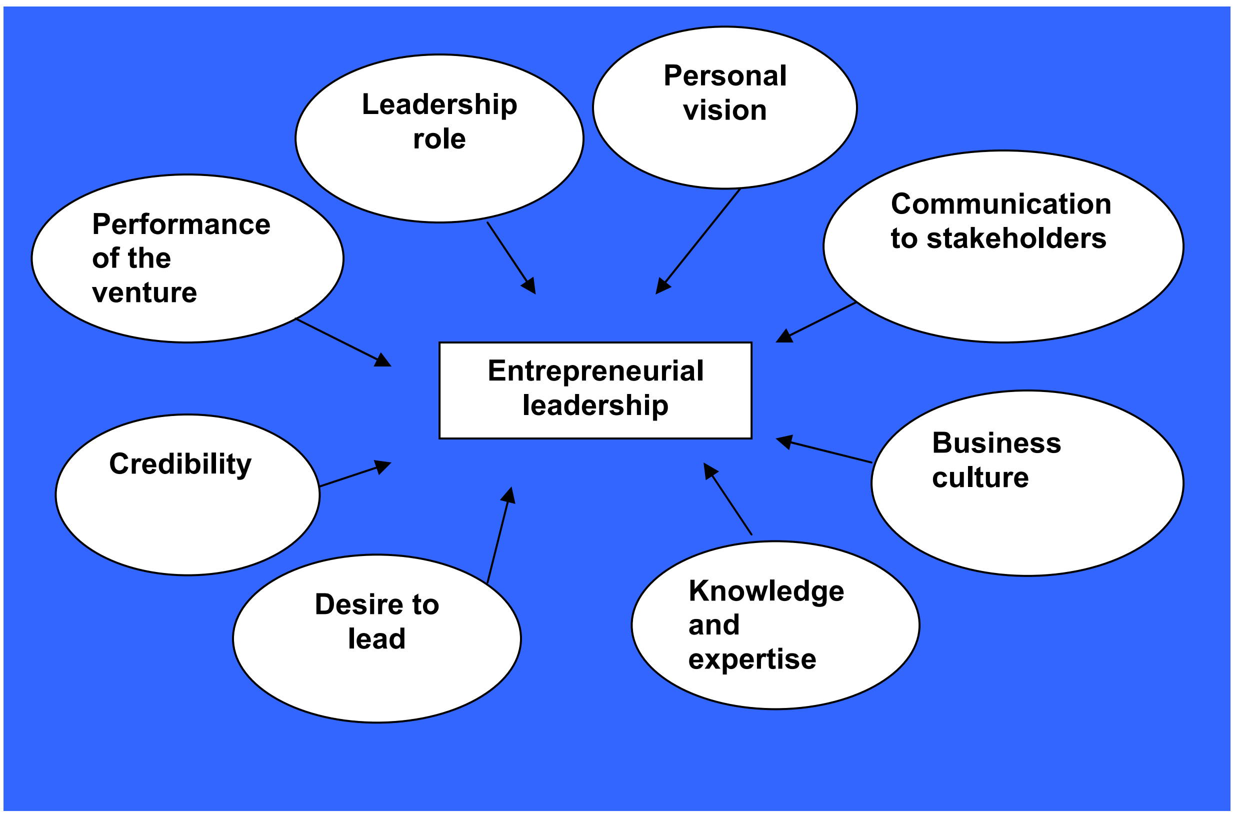
Entrepreneurial leadership is about being both transformational and transactional and these are distilled and integrated as shown in Figure 4.1.

As a result, the strategic leadership of the business must not only support radical innovation, but also inculcate a radical innovation and a corporate entrepreneurship mindset into the culture of the business. Without strategic and cultural support, there is little reason for the traditional business units to “buy in” and support existing and future entrepreneurship systems (Kelly *et al* 2002:7).

4.6 Entrepreneurial culture

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

Figure 4: 1 Factors in entrepreneurial leadership

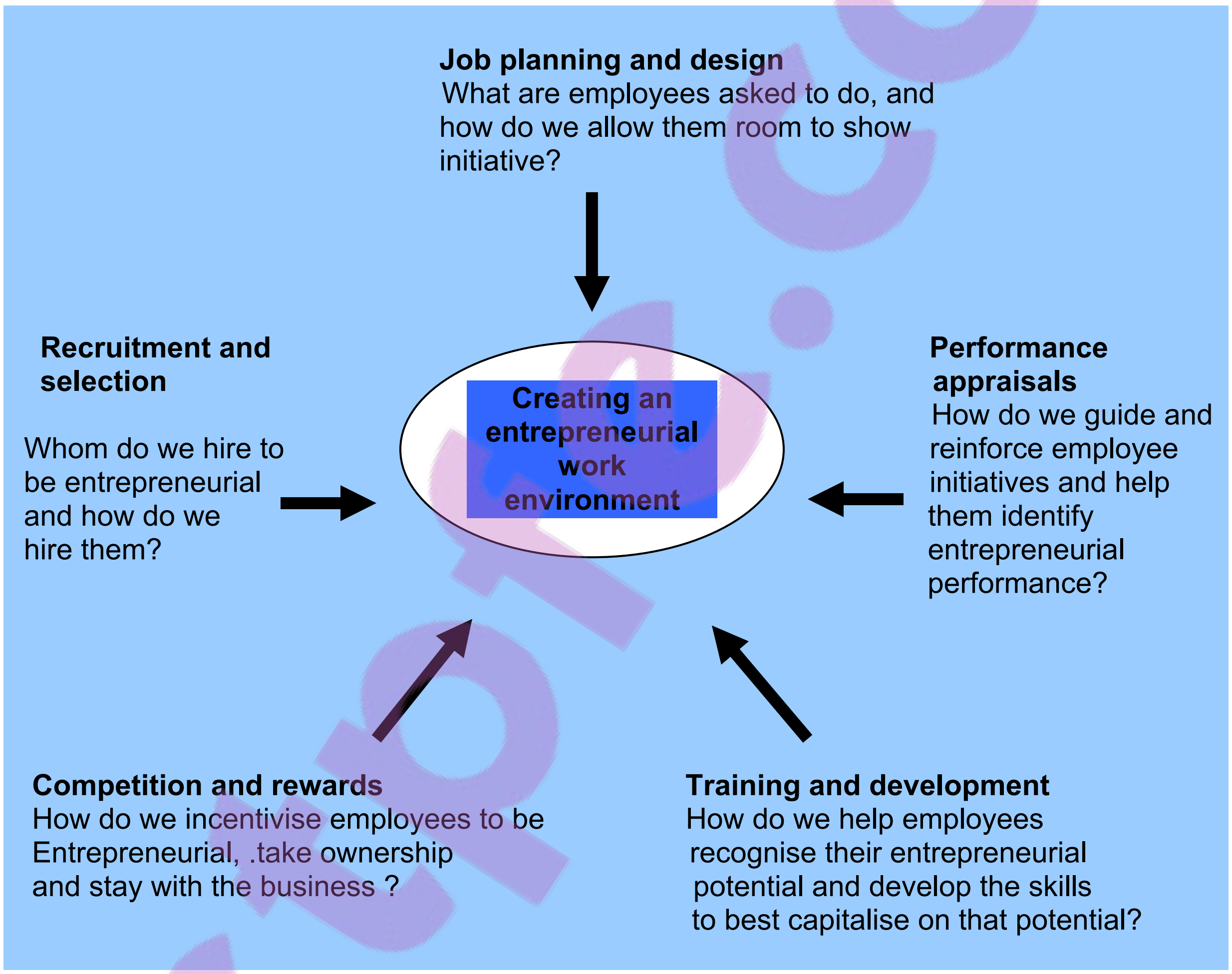


Wickham 2001:370

4.6.1 Entrepreneurial culture and the human resources function

The importance of the human resources function is that it processes the recruitment/ selection, development and rewards of employees among many other duties. An entrepreneurial business should ensure that the function is highly sensitive to its entrepreneurial endeavour. As argued by Morris and Kuratkto (2002:238), the function should ensure that it recruits the right people (entrepreneurs / potential entrepreneurs) rewards entrepreneurship and sees to it that a conducive entrepreneurial work environment is created. This is shown is Figure 4.2.

Figure 4: 2 Human resources system and the entrepreneurial environment



Morris and Kuratko 2002:238

4.6.2 Innovation culture

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

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

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

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

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

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

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

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

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

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

4.6.3 Culture as a driver

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

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

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

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

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

Table 4.5 Categories of organizational constrains on corporate entrepreneurship

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

Morris 1998:97

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

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

4.7 Corporate entrepreneurship (CE) and performance

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

4.7.1 Growth performance

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

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

According to Simler (2003:475), the biggest myth in the minds of the corporate world is that every business needs to keep growing to be successful. The ultimate measure of a business's success is not how big it gets but how long it survives. Some businesses are meant to be big, but others are meant to be medium and others small. A business should be let to find its own size, a size at which it can maintain profitability and keep its customers happy. There is nothing wrong with a business staying the same or even shrinking as long as the bottom line stays healthy.

4.7.2 The population ecology

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

4.7.3 Innovation

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

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

4.7.4 Wealth creation

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

4.8 Importance of corporate entrepreneurship

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

4.8.1 The entrepreneurial (opportunity seeking) mindset

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

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

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

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

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

4.8.2 Innovation core competency

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

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

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

4.8.3. Entrepreneurial management style

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

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

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

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

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

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

4.9 Public sector entrepreneurship

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

4.9.1. Social entrepreneurship

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

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

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

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

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

4.9.2 Public sector entrepreneurship

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

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

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

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

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4.9.2.1 Unique public sector entrepreneurship characteristics

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

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

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

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

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

Table 4.6 Factors that foster or inhibit public sector corporate entrepreneurship

Factors that foster public sector corporate entrepreneurship	Factors that inhibit public sector corporate entrepreneurship
▪ Participative or decentralised decision making ▪ Decisions made by people with specialised training ▪ Decision making relying on few integrating devices ▪ Performance objectives developed from shared participation ▪ Managers tend not to be penalised if risky projects fail and risk taking is encouraged ▪ Business autonomy ▪ Hostile operating environment ▪ Organic business structure ▪ Availability of resources for innovation and project size ▪ Cohesive work groups ▪ Moderate personnel turnover ▪ Smaller, flexible businesses	▪ Bureaucratic process ▪ Exposure to the media on projects which fail ▪ Lack of competition ▪ Lack of resource control ▪ Massive regulation and accountability requirements (red tape) ▪ Measurement of inputs rather than outputs ▪ Multiplicity and ambiguity of goals ▪ Ongoing government financial backing ▪ Ongoing need for consultation with stakeholders before decision making ▪ Political intrusion into management ▪ Restrictive employee policies and rigid salary scales ▪ Risk aversion tendencies ▪ Soft budget constraints ▪ Skewed and ineffective reward / punishment systems ▪ Weak financial discipline

Sadler 2000:32

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

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

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

4.9.2.2 Importance of public sector entrepreneurship

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

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

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

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

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

4.9.2.3 Entrepreneurship in South Africa

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

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

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

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

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

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

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

4.9.3 Global entrepreneurship

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

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

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

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

4.9.3.1 Dimensions of international entrepreneurship

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

- Extent / degree of entrepreneurship
- Speed
- Scope.

The extent / degree of internationalisation is measured by the percentage of sales generated from foreign markets. Speed is defined as the length of time that lapsed between the year the venture is created and the year of its first foreign sales, while scope is measured by the number of countries (other than country of origin) in which the venture generated sales.

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

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

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

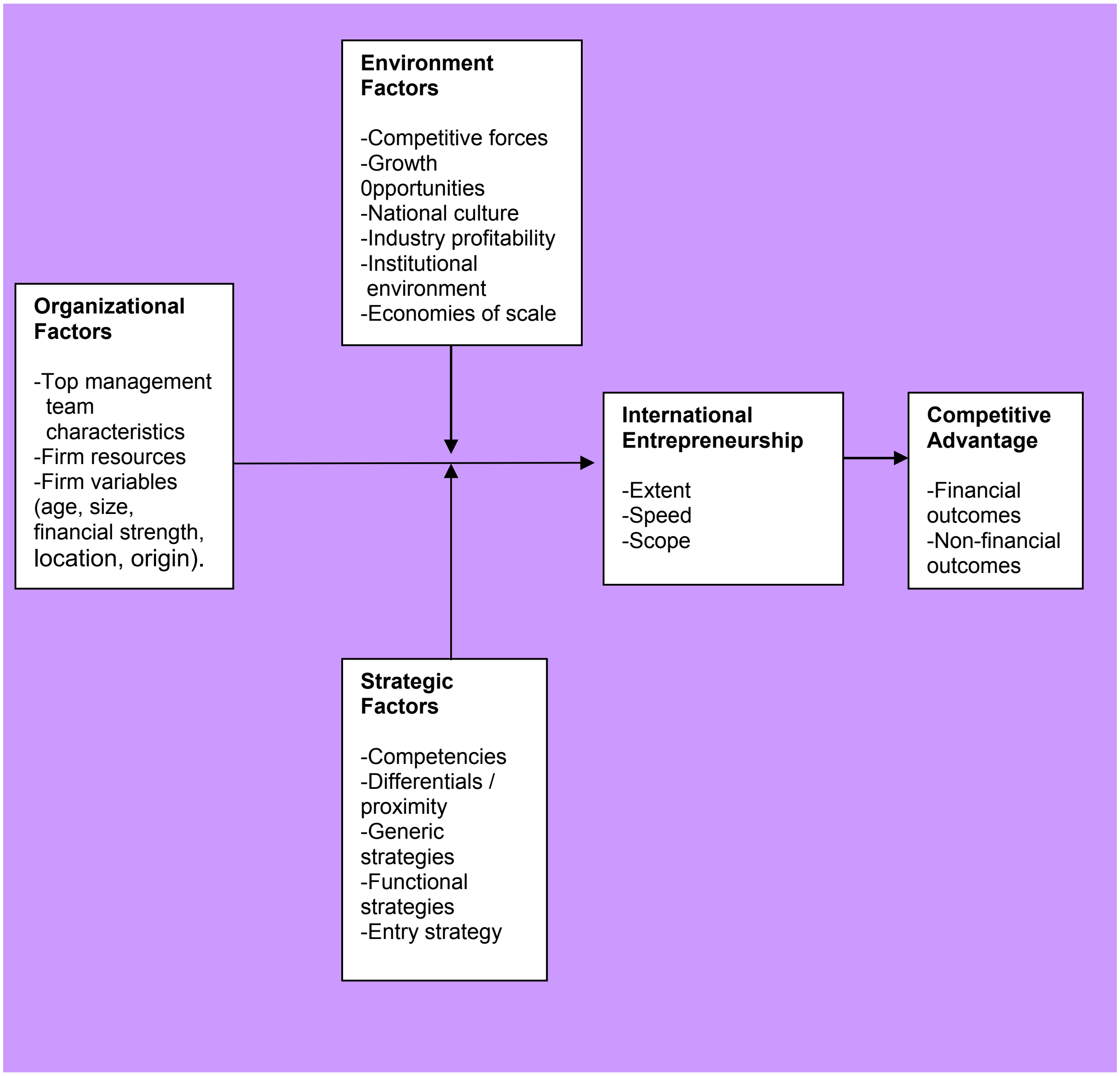
Zahra and George identify the other factors that positively influence the speed and degree of internationalisation as the following;

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

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

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

Figure 4.3 An integrated model of international entrepreneurship



Zahra & George 2002: 277

4.9.3.2 International corporate entrepreneurship and implications for business learning

Competition in today's dynamic markets is knowledge based and therefore knowledge creation and exploitation are important in global success. Knowledge advances are no longer limited to a few countries and internalisation is motivated by a need to gain access to knowledge that resides in other parts of the world. This knowledge is in the form of differences in resource endowments, national cultures, systems of innovation, and district innovation clusters and networks. The different markets also develop and shape certain skills and competencies and the institutional arrangements help to culture, transmit and protect sources of comparative advantage (Zahra & George 2002:157).

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

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

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

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

4.10 Problems faced by intrapreneurs

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

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

Entrepreneurial management, though a powerful management style, has limitations. These include the fact that it focuses on the integration of the whole business, but this may lead to the underestimation of the value of some specific specialist functions.
The entrepreneur may also still be pushing for change while investors and employees seek consolidation and stability, resulting in conflict (Wickham 2001:399).

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

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

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4.10.1 Overcoming obstacles and limitations

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

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

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

4.10.2 Gauging entrepreneurial position

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

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

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

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

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

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

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4.10.3 Sustaining entrepreneurship

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

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

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

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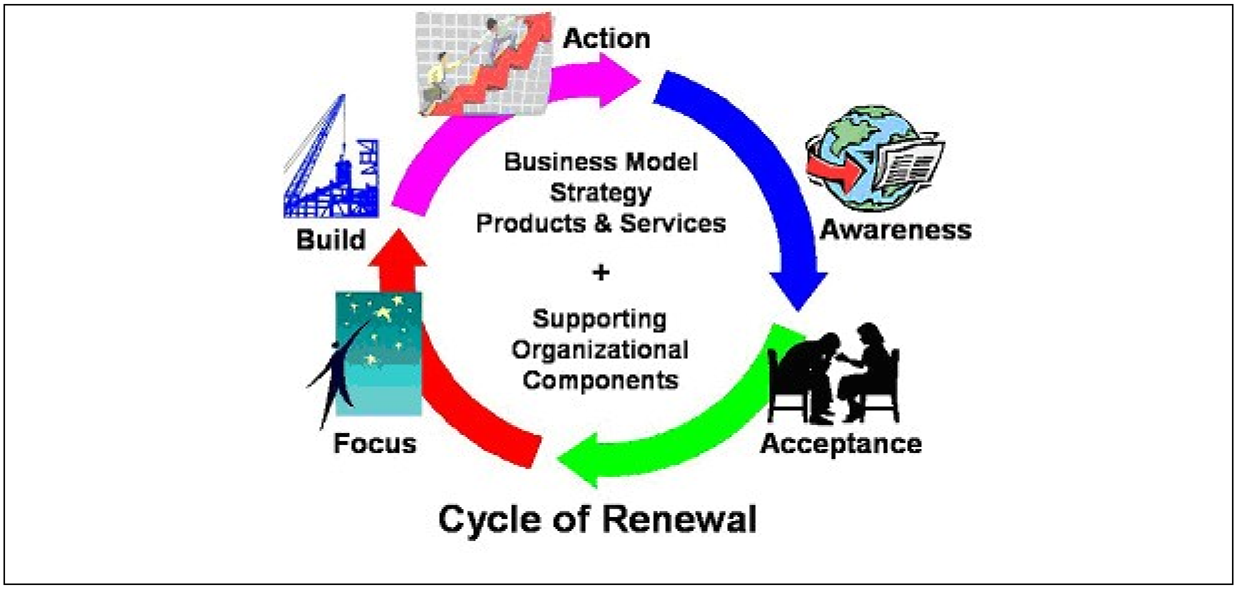
A relationship must be established and be carefully nurtured. It is a two-way relationship predicated on trust and mutual investment. The willingness of a sponsor to protect the champion / entrepreneur and project, to be associated with a project requires a significant investment, which needs to be protected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

4.10.4 Renewal of corporate entrepreneurship (institutionalisation)

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

Figure 4:4 Cycle of entrepreneurial renewal



Robb 2005:2

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

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

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

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

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

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

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

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

4.11 Chapter summary

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

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

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

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

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

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

Entrepreneurship should be institutionalized.

Chapter 5

Corporate Entrepreneurship and Strategic Planning: The Relationship

Change alone is unchanging.
The same road goes both up and down.
The beginning of a circle is also its end.
Not I, but the world say it.
All is one. And yet everything comes in season.
Chaharbaghi et al 2005:6.

5.1 Introduction

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

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

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

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

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

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

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

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

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

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

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

When analysing the relationship between the two concepts Kirby (2003:215) cites Mintzberg's (1983) classification of businesses in terms of structure. He relates corporate entrepreneurship and strategic planning in terms of structures ranging from a simple business to bureaucratic, divisionalised and adhocracy (organic). Corporate entrepreneurship is associated with adhocracy, while strategic planning is associated with the bureaucratic business. Entrepreneurship is typified with chaos, and planning with order. Each approach has its own advantages and disadvantages and what is needed is an entrepreneurial mindset, which is able to narrow the continuum between chaos and order. This means harnessing the advantages, such as innovation brought about by corporate entrepreneurship, and risk aversion, by strategic planning.

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

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

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

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

The author argues that this balance is the "middle ground" that fuses the extremes by making both relate and work. Emphasising the positives minimises the negative effects of the inherent disadvantages. Situations can and should always be created to develop, direct and manage behaviour towards end desirables.

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

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

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

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

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

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

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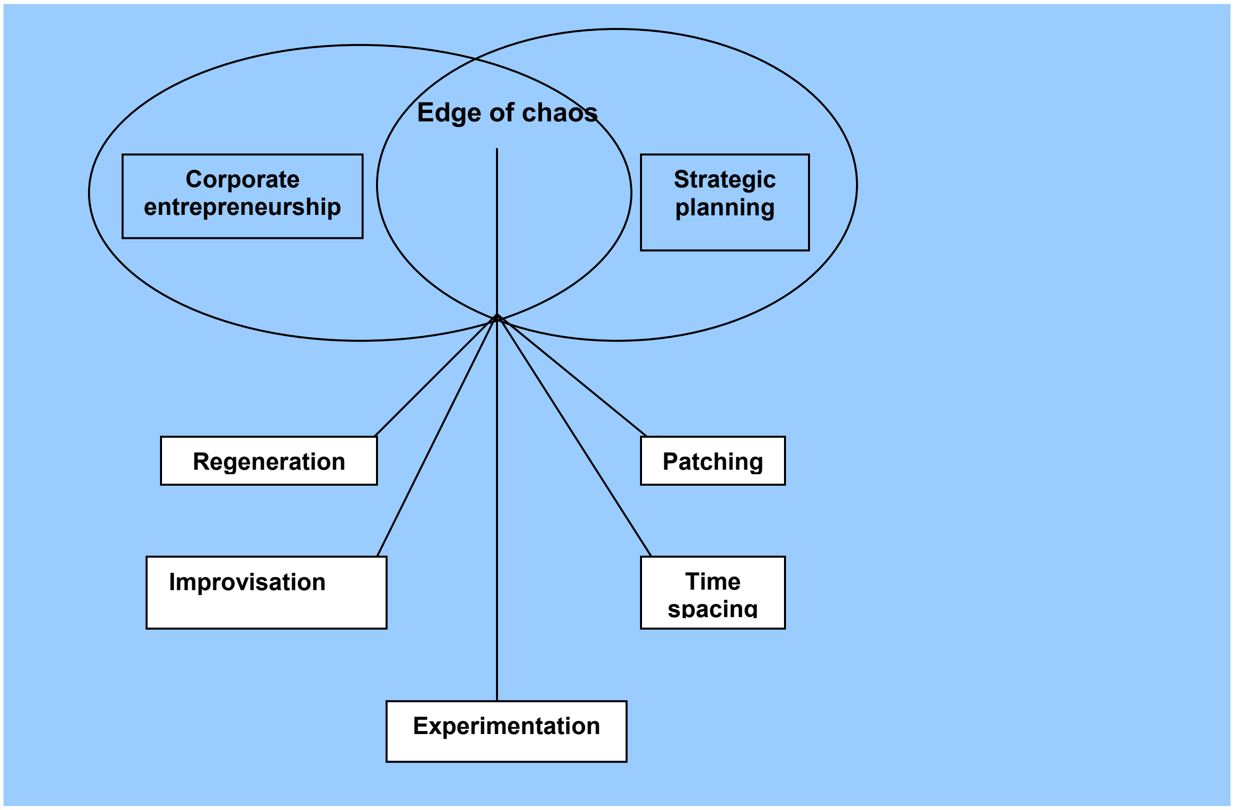
- ***Improvisation*** involves operating flexibly within the constraints of rigid rules and regulations.
- ***Patching*** means being aware of weaknesses (internal) and threats (external) and being able to align the business with its markets and being able to close, "patch" these over.
- ***Regeneration***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

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

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

Fig. 5.1 The relationship between corporate entrepreneurship and strategic planning



Eisenhardt, Brown & Neck 2000:56

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 5:1 Characteristics of traditional management and entrepreneurial strategy

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

Cooper, Markman and Niss 2000:123

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

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

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

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

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

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

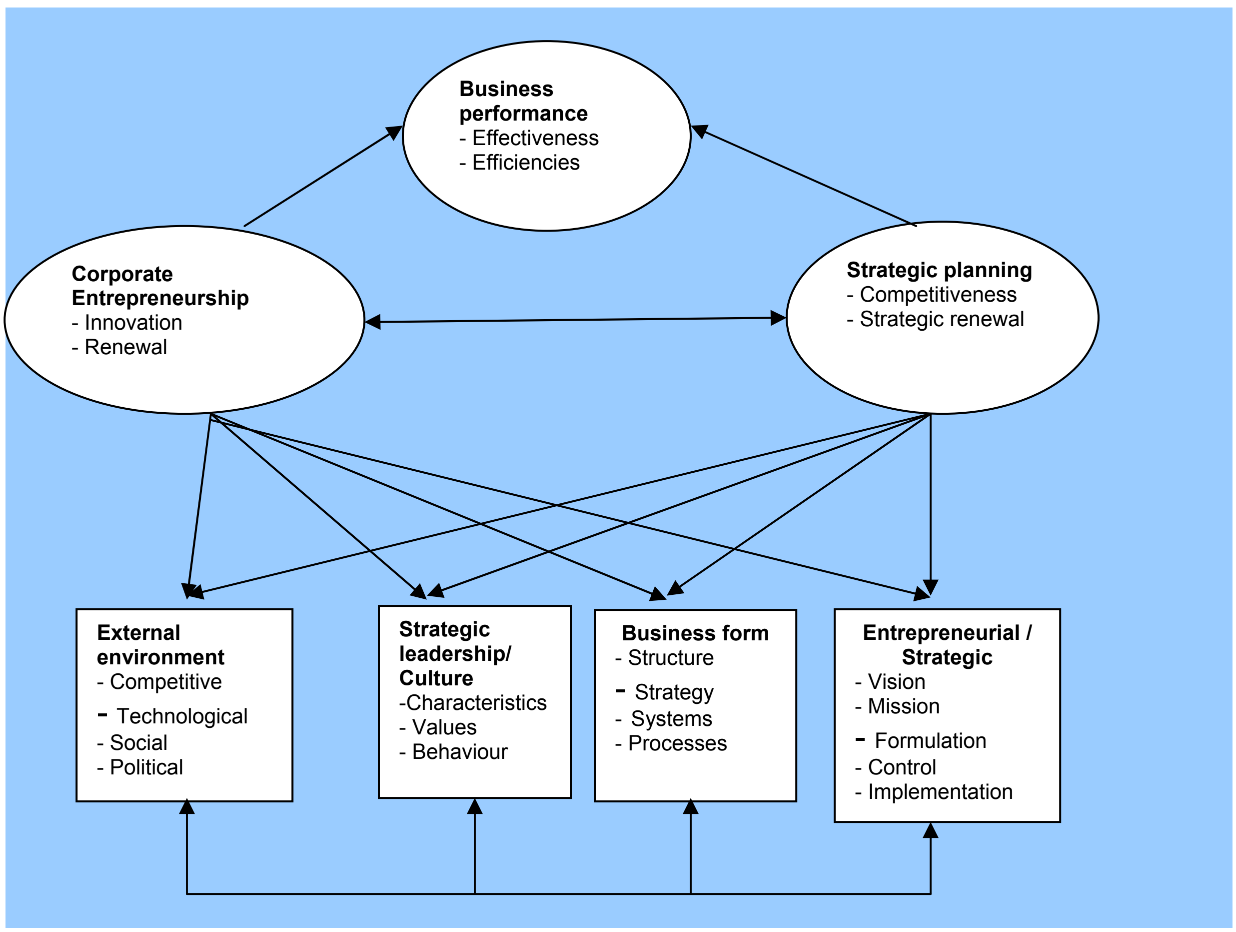
Research by Kreiser *et al*. (2002:8) show that entrepreneurial businesses maximise overall performance by matching levels of innovative, proactive and risk-taking behaviours with characteristics of strategic planning. Effective strategic planning, not only the process, is also associated with performance.

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

According to Elliason and Davidson (2003:2), entrepreneurial management facilitates corporate venturing that in turn can enhance financial performance, while administrative management is geared towards holding things in place to ensure continuation of already developed activities.

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

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



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

5.3 Entrepreneurial strategic thinking

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

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

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

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

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

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

5.4 Strategic Leadership

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

Table 5.2 The entrepreneurial imperatives of strategic leadership

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

Covin and Slevin. 2002:312

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

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

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

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

Not associating strategic management and entrepreneurship is a very short-sighted view of entrepreneurship and planning a new venture. Everything that an entrepreneur does in starting a venture or running a successful one such as mission statements, internal / external environmental analysis, strategy identification, implementation and evaluation is a link between corporate entrepreneurship and strategic planning (Van Aardt, Van Aardt & Bezuidenhout 2005:113).

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

5.5 Chapter summary

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

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

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

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

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

Chapter 6

Research Methodology

We are not alone in creating meaning of our lives, for our lives are created in the spaces between others, and us as well as in our relationships to physical reality.
Pinchot and Pinchot 2000:2

6.1 Introduction

The chapter describes the research methodology, which comprises data collection, the sampling method and the measurement instrument. The instrument is discussed in detail, showing what was measured and how it was measured (the scales used). The instrument comprises three sections, namely, strategic planning; entrepreneurial orientation; and performance.

The hypotheses that were advanced earlier on in the first chapter are now being tested to assess and confirm or disapprove the relationships proposed among the constructs.
Details of how the research was carried out are presented stage by stage. The problems encountered in the research are also stated.

6.2 Methodology

This is a scientific study which is grounded in the inference process. The process is used in the development and testing of various propositions largely through the double movement of reflective thinking (Cooper and Schindler 2001:53). While concepts and constructs have been used in the theoretical presentation, variables will be used at the empirical stage of the study because according to Cooper and Schindler (2001:53) they accept numerals and values for the purpose of testing and measurement. They may be classified as exploratory (independent, dependant or moderating) extraneous and intervening.

A total of 14 propositions were advanced for testing. A hypothesis describes the relationship between or among variables. The advanced hypothesis are believed to be good in that they meet the criteria noted by Cooper and Schindler (2001:53), in that they explain what they

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claim to explain, are testable, have greater range, probability and simplicity than its rivals where thinking and methods are based on concepts and constructs.

This "proposition" method was considered the most appropriate method given the task at hand. Alternative methods such as the laboratory / experimental approach.in which subjects are studied under controlled conditions were not considered suitable.

This is an empirical research study in which primary data is sourced. The research aims to establish a relationship between the practice of strategic planning and the practice of entrepreneurship in large businesses in South Africa. It intends to establish the following:

- Presence or absence of strategic planning and corporate entrepreneurship, and the extent to which businesses practise planning and entrepreneurship.
- Whether businesses that practise strategic planning also practice corporate entrepreneurship
- Whether businesses that practise either strategic planning or entrepreneurship or both are of the opinion that the practise leads to improved performance.

This is an ex-post-facto design in which the researcher has no control or influence over the variables. The researcher is limited to holding factors constant by a judicious selection of subjects according to strict sampling procedures and by manipulation of findings (Cooper & Schindler 2001:136).

Additional characteristics of the methods used are as follows:

- Data collection method: Interrogation (interviews).
- Time dimension: Cross-sectional.
- Research environment: Field setting.
- Topical scope: A descriptive statistical study in which the population's characteristics are captured from a sample's characteristics and the hypothesis tested quantitatively.

6.2.1 Data collection

6.2.1.1 Instrument and measurement

A questionnaire is the main tool which was used to collect primary data. The questionnaire is constructed in a user-friendly way. It is expressed in simple business language which managers of large businesses are able to relate to. Though there are two different constructs, a single questionnaire with two sections was used for easy completion.

The questionnaire is designed to comprise (3) three sections and generates the following data:

First section **(strategic planning)**

- Internal capability
- Past performance
- External orientation
- Departmental cooperation
- Management time involvement
- Employee time involvement
- Use of planning techniques
- Staff creativity in planning
- Focus on control

Second section **(entrepreneurial orientation)**

- Business orientation
- New product / service introduction
- New process introduction
- Key business behavioural dimensions
- Performance measurement

Third section **(financial performance)**

- Return on investments (ROI),
- Return on equity (ROE)
- Sales turnover ratio (STO)
- Net profit after tax (NPAT)
- The present value (PV)

In addition to these sections there is also a section which consists of the characteristics of the businesses in terms of (a) turnover (b) number of employees (c) gross asset value (d) age of business (e) business listing (f) age of listing. These are the **independent** variables

The full sub-sectors of section 1 and section 2 are supplied below as Tables 6.1 and 6.2 respectively. A sample questionnaire is attached as Annexure 1. The questionnaire was developed from elements of both Tables 6.1 and Table 6.2 and the third section (financial perfomance). The research / instrument uses two constructs, namely strategic planning and corporate entrepreneurship and these are discussed below in detail.

Table 6.1 Planning system characteristics

Internal orientation
- Customer service
- Efficiency of operating process
- Attracting and training of high quality employees
- Analysis of financial weaknesses and strengths
- Past performance
External orientation
- Analysis of new business opportunities
- Analysis of demand opportunities
- Analysis of competition
- Performing market research
Functional coverage
- Marketing function
- Finance function
- Personnel function
- Operations function
Involvement of key personnel
- Time spent by the CEO in strategic planning
- Involvement of line managers in strategic planning
- Involvement of board members in strategic planning
Use of planning techniques
- Financial models
- Forecasting and trend analysis
- Portfolio analysis techniques
Creativity in planning
- Ability to anticipate surprises, threats and crises
- Flexibility to adapt to unanticipated changes
- Value of mechanism for identifying new business opportunities
- Role of identifying key problems
- Value as a basis for enhancing innovation

- Capacity to generate new ideas
- Formulating goals to be achieved in the competitive environment
- Capacity to generate and evaluate a number of strategic alternatives
- Anticipating, avoiding and removing barriers to strategic implementation

Focus on control

- Ability to communicate top management's expectations down the line
- Capacity to foster organisational learning
- Ability to communicate line management's concern to top management
- Value as a mechanism for integrating diverse functions and operations
- Monitoring and controlling the implementation of strategy
- Using multiple financial and non-financial control measures
- Using control techniques for monitoring performance
- Having control system to revise current plans

Parnell and Karger 1996:48

6.2.1.1.1 Strategic planning

The research adopts some constructs developed by Javad Kargar and John A. Parnell in the empirical study *Strategic planning emphasis and planning satisfaction in small firms: an empirical investigation*. The characteristics of a strategic planning system (Table 6.1 above) form the first section of the research instrument. A few additions and adaptations are made in the construction of the instruments.

The strategic planning characteristics of Javad Kargar and John A. Parnell are analysed using a 4-point Lickert scale, ranging from "not important" (1) to "very important" (4). The aim was to test the presence and prevalence of strategic planning. Each of the planning characteristics is discussed below.

Internal orientation is measured through the perceived degree of importance attached to customer service, efficiency of operation process, rewarding and training of employees, and analysis of financial strengths and weaknesses. Past performance looks at previous performance relative to current product strengths and weaknesses. **External orientation** is measured by four items relating to the general business and economic opportunities, competition and market analysis. **Departmental / functional co-operation** is measured through functional understanding by employees, degree of cross functional support and co-ordination and integration in planning. **Management time and involvement** is measured by the degree of CEO, board member, and line manager involvement in the strategic planning process. **Staff creativity in planning** is assessed by a four-point scale measuring, among other things, a business's ability to anticipate surprises and crises, and to adapt to unanticipated changes. The **control** aspect is measured by an eight-item scale as reflected in Table 6.1. **The use of planning techniques** is measured by the degree of emphasis devoted to the application of financial models, portfolio analysis, and forecasting analysis techniques. Respondents' opinions of the benefits to be derived from strategic planning, namely effectiveness and improved performance, are measured by a respective single scale.

6.2.1.1.2 Corporate entrepreneurship

The measurement of business entrepreneurial activity uses the entrepreneurial performance index (EPI). This is adopted from Morris and Kuratko (2003:292). The EPI forms the second component of the measuring instrument. It is used to support Morris and Kuratko's EPI, in terms of dimensions, definitions and literature (questionnaire).

Elliason and Davidson (2003:7) note that instruments used to assess a business's entrepreneurial orientation indicate only a business's disposition towards, rather than involvement in, actual entrepreneurial activities. Morris and Kuratko's EPI instrument is adopted because it gauges more direct and tangible aspects of corporate entrepreneurial activities.

Table 6.2 Entrepreneurial performance dimensions

Company Orientation.

Our company is charecterised by:

- A high rate of new product / service introductions compared with our competitors (including new features and improvements)
- An emphasis on continuous improvement in methods of production and / or service delivery
- Risk taking by key excecutives in seizing and exploring chancy growth opportunities
- A "live and let live" philosophy in dealing with competitors
- Seeking of unusual, novel solutions by senior executives to problems via the use of "idea people", brainstorming
- A top management philosophy that emphasises proven products and services, and the avoidance of heavy new product development costs
- A charismatic leader at the top

In our company top-level decision making is charecterised by:

- Cautious, pragmatic, step-at-a-time adjustments to problems
- Active search for big opportunities
- Rapid growth as the dominant goal
- Large, bold decisions despite uncertainities of the outcome
- Compromises among the conflicting demands of owners,government,management, customers,employees,suppliers
- Steady growth and stability as primary concerns

New product introduction

- How many new products did your business introduce during the past two years?
- How would you rate the number of product improvements during the past two years compared with those of the previous years?
- How does the number of your product introductions compare with those of your major competitors?
- To what extent did these new product introductions include products that did not previously exist in your markets (new to the market)?

New service introduction (for those who sell services)

- How would you rate the number of services your business introduced during the past two years compared with previous years?
- How many existing services did you significantly revise or improve during the past two years compared with the previous years?

Table 6.2 continued

- How does the number of service introductions your company made compare with those of competitors?
- To what extent did these new service introductions include services that did not previously exist in your markets?

New Process Introduction

- Please rate the increase in the number of new methods or operational processes your organisation implemented during the past two years compared with the previous years. Examples of process innovations include: new systems for managing customer service or inventories, an improved process for collecting receivables, a major new sales or distribution approach

Key Business Behavioural Dimensions

- Our organisation's current strategic orientation is influenced primarily by:
  The resources we currently control (1) vs
  The perception of untapped opportunity (5)
- With regard to new opportunities, our organisation tends to:
  Commit fairly quickly, capitalise and move to the next opportunity (1) vs
  Approach with an evolutionary commitment that tends to be of long duration.
- Our organisation's approach to investing resources in new opportunities tends to involve:
  Multiple stages with minimal commitment at each stage (1) vs
  A single stage with complete commitment upon decision (5)
- When managing or controlling resources, we tend to:
  Be episodic in use, renting, leasing, contracting and outsourcing of resources (1)
  vs Ownership, purchase, control and employment of resources we use (5)
- Our organisation's management structure can be characterised as:
  A flat structure with multiple informal networks (1) vs
  A hierarchical structure with clearly defined authority and responsibility (5)
- Our organisation's compensation and reward system is:
  Value based and team based with unlimited earnings potential for employees (1)
  Vs Resource based, driven by short term perfomance data, with unlimited
  earning potential for employees (5)

Morris and Kuratko (2002:292)

A business's entrepreneurial activity, measured by the entrepreneurial performance index (EPI) developed by Morris and Kuratko (2002:292) as represented by the elements outlined in Table 6.2 , is measured using the Lickert 4-point scale.

Business orientation:

Measures rate of product introduction, emphasis on continuous improvement, risk taking by executives, competitive aggressiveness, consultative management and charismatic leadership. The measure is a 5-point Lickert scale which ranges from "strongly agree" (1) to "strongly disagree" (5), with "unsure" as the medium measure.

New process introduction:

This assesses the number of new products / services introduced, compared with previous years, and compared with that of competitors. The presence or absence of each of those factors is rated using a 5-point scale ranging from "strongly agree" to "strongly disagree" for the business-orientation aspect, and "significantly less" to "significantly more" for new product / service introduction**.** It also assesses whether these new products are completely new or are improvements.

Key business behavioural dimension

This is measured in terms of a 5-point scale criterion, where 1 indicates that more emphasis is placed on the first criterion and 5 shows more emphasis is placed on the second aspect.

6.2.1.1.3 Financial performance

The impact of corporate entrepreneurship **on performance** is measured by a 5-point scale ranging from "no impact" to "great impact", using five financial parameters: return on investments (ROI); return on equity (ROE); sales turnover ratio (STO); net profit after tax (NPAT); and the present value (PV).

6.2.1.1.4 Dependent variables

Age of business operations is measured by a 5-point scale ranging from "less than 3 years" to "over 50 years".

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Duration of listing is also measured by a 5-point scale ranging from "less than 5 years" to "over 50 years".

Business listing only determined whether a business had a single or double listing, the primary listing being the Johannesburg Securities Exchange.

Number of employees levels were measured by a 5-point scale ranging from "0-200" to "over 5000" employees.

Gross income is measured by a 7-point scale ranging from "0-50 000 rands" to "over 10 billion rands" and **Gross asset** value by an 8-point scale ranging from "0-20 000 rands" to "over 10 billion rands".

6.2.2 Sampling design

The study used the census or population of the businesses that were registered on the JSE Securities Stock Exchange South Africa as at 1 September to 30 November 2005, the period of data collection. The population consists of 340 businesses.

Selection criteria: Businesses selected were Public Companies as defined in the Companies Act 61 of 1973 (Gibson 1988:303). These are businesses that are basically profit seeking and trade their shares publicly. through listing on the JSE Securities Stock Exchange South Africa. The data list of all the companies listed at the JSE Securities Stock Exchange South Africa was sourced from the internet, http://www.profile.co.za. A profile of each company is provided in terms its biographical information, name, registration number, when founded, nature of business, sector, chairman, company secretary, contact details and financial information. The financial information includes, turn over, liabilities, capital employed and earnings. The list of companies was then crossed checked with the JSE Securities Stock Exchange South Africa membership list.

Sample size: 232 respondents (businesses) were secured from a total population of 340 businesses. The total population of 340 include the main bourse as well as the alternate bourse, composed of mainly small companies. The response rate is very good at 68%. Responses were received across all business sectors and geographical locations.

6.2.3 Data collection and sampling method

Method: The primary method of data collection was through personal interviews. All the subjects were contacted telephonically to inform them about the research as well as to agree on the method in which they would receive the data collection instrument (questionnaire). The questionnaire was then e-mailed, faxed or administered physically according to the agreed arrangement. Since the whole census was contacted telephonically, the “sample” was therefore normal and randomised.
Telephonic, electronic and physical follow-ups were done to ensure a maximum response rate as well as to respond to questions, clarifications and any other secondary communication between researcher and respondents.

The contact details (initially telephone) were then used to arrange the method they would receive the questionnaire. The target respondent was initially the Chief Executive Officer (CEO) of the business. However in many instances the CEO’s were not able to complete the questionnaires and the assignment was delegated to other members of the senior management team. Questionnaires were in the end completed by a range of company personnel ranging from CEO’s, company secretaries, chief accountants and senior management of different functional directorships. The key requirement which the researcher / author needed complied with most was that the respondent / s be a senior member of management and be directly involved in the strategic direction of the business. The requirement was met.

In a number of cases the questionnaires were completed by management teams.

The completed questionnaires were electronically mailed, faxed back or physically collected by the research team members.

A pilot study to test the research instrument was done in order to provide an exploratory approach to aid in operationalising constructs that needed further development. Cooper and Schindler (2001:359) note that a pre-test (pilot study) is not only an established practice for discovering errors but also useful for training the research team.

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A total of 22 companies were approached for the pilot study. Appointments were set telephonically and respondents were visited at their place of work. In all cases the research instrument was electronically mailed to respondent before date of interview. The researcher (author) conducted all the pilot study interviews together with the research team.
Typing errors picked up were corrected and the content of the instrument was further improved.

Problems encountered:

Though the response rate was very good the financial resources to physically administer questionnaires were hardly adequate.

Sector specific information was left out of the questionnaires as well as the names of the companies so as to assure respondents of the confidentiality of the whole exercise. This concern was emphasised by respondances during the pilot study as well as during the main research. The absence of sector specific information could have improved the quality of the study. A complete list of the names of the businesses that responded could therefore not be provided as the researcher made an undertaking that names would not be disclosed in order to assure anonymity. Sector specific information would have provided an extra and very important variable in the analysis.

Secondary data source: This includes textbooks, journals and conference papers, mainly in the field of management and entrepreneurship. Newspaper articles and the internet were also consulted extensively.

6.3 Chapter summary

The chapter discussed the research methodology in detail. The discussion outlined the data collection method used and described how the measurement instrument was constructed and the type of data it generated. Primary data was collected from a total of 232 South African public businesses from a total population of 340 businesses. This will be supplemented by secondary sources.

Chapter 7

Presentation and Interpretation of Data

Reality is not something that can be correctly or incorrectly apprehended. Rather, reality is defined through a process of social interchange in which perceptions are affirmed, modified, or replaced according to their apparent congruence with the perceptions of others.

Chaffee 1985:93

7.1 Introduction

This section presents the data analysis and interpretation of the results. Descriptive statistical analysis is discussed first. Factor analysis, correlation and analysis of variance (ANOVA) are discussed next, and inferences drawn on how each affect management.

Descriptive statistical techniques are used to analyse data characteristics in terms of shape, skewness and spread. Factor analysis is done to check validity and reliability of data. Correlation analysis is used to test the strength of the relationship between two variables when a linear difference between variables is assumed. Analysis of variance (ANOVA) is also used to measure the differences between variables. In order to find out the sources of differences within the different aspects of a factor, more detailed tests are done using the Scheffe's multiple comparison procedure. The factorial, correlation and ANOVA analyses are carried out on five factors, namely, strategic planning; strategic control; entrepreneurial orientation; new product introduction; and performance.

7.2 Descriptive statistics

In order to have a broader appreciation of the data collected, **Descriptive statistical techniques** are used to analyse the data and obtain research results. Descriptive statistics are characteristics of the sample (Salkind 2000:150). The descriptive method was carried out first in order to reduce data sets and allow for easier interpretation, (Wimmer & Dominic

1983:165). It is also important to carryout this analysis because it provides a broad biography of the data under study. This will enable the contextualising of results.
This statistical method provides information that helps in deciding whether the central location value can be regarded as a reliable, representative value of all observations in data. Calculating the standard deviation of the theoretical distribution of the sample means, at a 95% confidence level, reflects how far the sample means can be derived from the population mean.

Descriptive statistics provide measures of location (mean, frequency), shape (skewness) and measures of spread (variance, standard deviation).

Numerical statistical summaries were created. The process provides valuable insights into the effectiveness of the coding and entering (Cooper & Schindler 2001:440). Data cleaning was done. Missing data, miscoded, out-of-range data and extreme values were rectified after a preliminary look at the data set.

These descriptive statistics are discussed in detail, covering the age of the business, age of listing, nature of listing, number of employees, sales turnover and asset value.

7.2.1 Age of business

Table 7.1 Age of business (V2)

Age in years	Frequency	Cumulative Percent	Cumulative Frequency	Percent
0-3	16	7.96	16	7.96
4-10	51	25.37	67	33.33
11-20	35	17.41	102	50.75
21-50	51	25.37	153	76.12
+ 50	48	23.88	201	100.00

As shown in Table 7.1, a quarter of the businesses (25.37%) have been operating for periods of 4 to 10 years; 17.41% for periods of 21 to 50 years, and another quarter (25.37%) for over 50 years. Only 7.96% are less than 3 years old.

7.2.2 Duration of listing

Table 7.2 Duration of listing (V3)

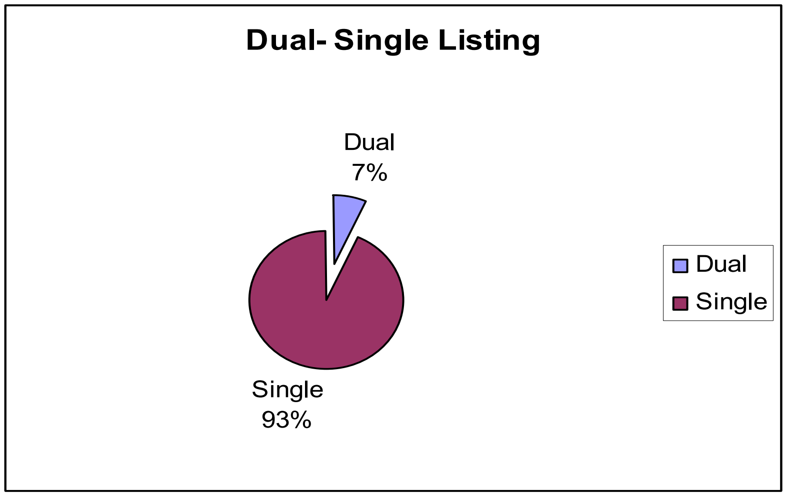
Duration of Listing in years	Frequency	Cumulative Percent	Cumulative Frequency	Percent
0-5 0yrs	57	28.36	57	28.36
1-10 yrs	61	30.35	118	58.71
11-20 yrs	34	16.92	152	75.62
21-50 yrs	35	17.41	187	93.03
Over 50 yrs	14	6.97	201	100.00

Table 7.2 above show that the majority of businesses, 30.35% (n =61), have been listed for less than 10 years. An almost equal number of businesses, 28.36 % (n=57), have been listed for 5 years or less. A lower percentage, 16.9% (n=34), have been listed for 11-20 years and a similar percentage of 17.41% (n=35) for 21-50 years. Only 6.97% of the businesses have been listed for over 50 years.

7.2.3 Number of listings

As reflected in Figure 7.1 below, only 6.97 % (n=14) have a dual listing. The majority of the businesses (n=187) are listed only at the Johannesburg Stock Market.

Figure 7.1 Number of listings (V4)



7.2.4 Number of full-time employees

Table 7.3 below shows that the category with the highest frequency is that with 1 to 200 employees, with a frequency of (n=56) or 28%. Businesses with employee numbers in the 2000 to 5000 category are almost equal in frequency to those with large employee pools of over 5000, with 17.50% (n=35) and 16.50% (n=33) respectively.

Table 7.3 Number of full-time employees (V74)

Fulltime employees	Frequency	Cumulative Percent	Cumulative Frequency	Percent
0-200	56	28.00	56	28.00
201-500	27	13.50	83	41.50
501-1000	30	15.00	113	56.50
1001-2000	19	9.50	132	66.00
2001-5000	35	17.50	167	83.50
Over 5000	33	16.50	200	100.00

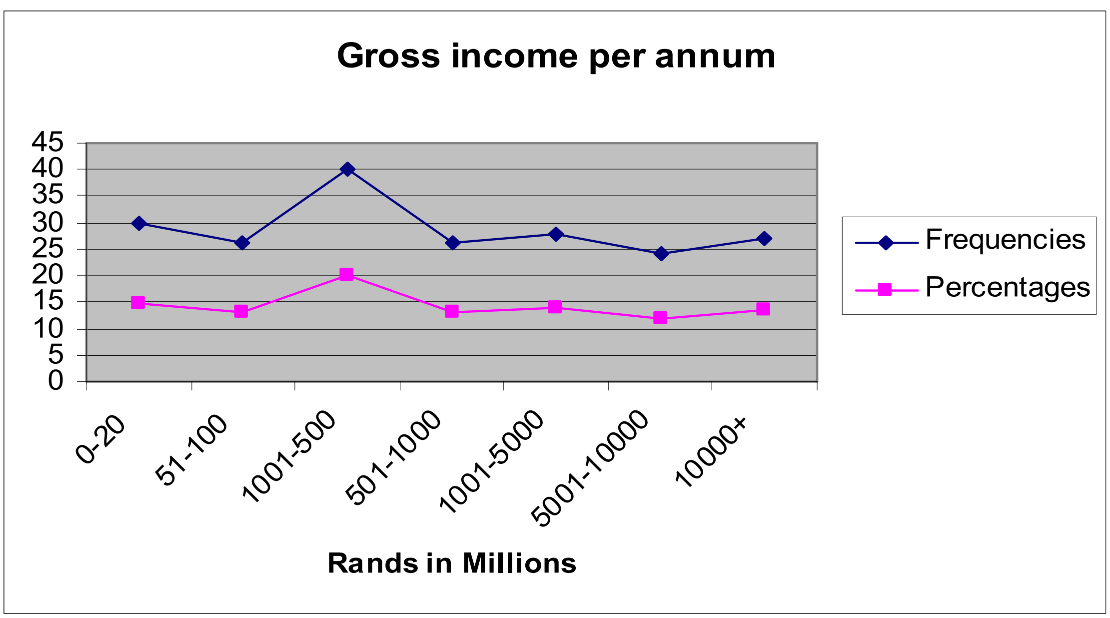
7.2.5 Gross income per annum

As shown in Table 7.4 and Figure 7.2, below, the income levels of most businesses are relatively the same. Percentages range from a minimum of 14.93% (n=30) of those earning less than R50 million rands to a maximum of 13.43% (n=27) of businesses earning between R1 billion and R10 billion rands. There is a relatively smooth spread of businesses from the least earning to the highest earning.

Table 7.4 Gross income per annum (V75)

Gross income per annum in R mill	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0-50	30	14.93	30	14.93
51-100	26	12.94	56	27.86
101-500	40	19.90	96	47.76
501-1000	26	12.94	122	60.70
1001-2000	28	13.93	150	74.63
2001-5000	24	11.94	174	86.57
Over 5000	27	13.43	201	100.00

Figure 7.2 Gross incomes per annum (V75)



7.2.6 Gross asset value

The gross asset data is shown in Table 7.5 below and discussed thereafter.

Table 7.5 Gross asset value (V76)

Gross asset value in R mill	Frequency	Cumulative Percent	Cumulative Frequency	Percent
0-20	21	10.50	21	10.50
21-50	19	9.50	40	20.00
51-100	29	14.50	69	34.50
101-500	40	20.00	109	54.50
501-1 bill	30	15.00	139	69.50
1.1-5 bill	15	7.50	154	77.00
5.1-10 bill	19	9.50	173	86.50
Over 10 bill	27	13.50	200	100.00

As shown in Table 7.5, the category with the highest number of businesses (20% (n=40)) is the R100 million to R500 million gross asset value category. This compares with 10% (n=19) for the least asset value of up to R20 million, and 13.50% (n=27) for those with assets of over R10 billion.

7.2.7 Descriptive statistical structure

The descriptive statistical analysis findings show that the shape and spread of the data is normal and therefore acceptable. This finding is consistent across the data set. Data reliability and validity are further tested through factorial designs.

7.3 Factorial design

Factor analysis is carried out to further understand the data, whose characteristics were found to be normal through descriptive analysis. In addition to being tested for normality the data is tested for reliability and validity using factorial design. According to Wimmer and Dominic (1983:234), factor analysis, which is a multivariate statistical procedure, is used primarily for data reduction, construct development and the investigation of variable relationships. As a narrowing device it allows the selection of salient variables from large groups, providing simplification of dominant variables and replacing them with isolated smaller numbers of hypothetical variants.

Factor analysis is used in this study for the same reasons: for data reduction, for easy usage of data; and structure validation and reliability checks. It also assists in classifying variables and developing / refining research questions, ensuring meaningful results.

Factorial design is used because a number of factors are involved. The method allows for analysis of several independent variables and several dependent variables in a single study. This saves money, time and resources. This study is multidimensional and so it is reasonable to study the several dimensions and their relationships simultaneously, instead of studying one variable at a time. In this study factorial design is used to measure whether there is any significant difference between those businesses that practise strategic planning and those with certain levels of entrepreneurial activity.
The same measurement was used to assess which group of factors or groups of businesses have significant common responses to strategic planning and entrepreneurial activities.

7.3.1 Procedure for determining factor structure

The two component instruments used in the study: strategic planning (Parnell & Karger); and entrepreneurial orientation (Morris and Kuratko) were all re-validated in order to determine structure and reliability using factor analysis.

- Eigenvalues > 1.00 were identified.
- The differentiation of possible factors was identified through clear breaks in the screen tests between eigenvalues >1.00.
- Variables were subjected to Exploratory Data Analysis (EDA) and where variables loaded were found to be < 3.00, they were removed and another round of exploratory analysis carried out.
- The procedure was repeated until five (5) “clean” structures emerged, namely; two factors under strategic planning; one factor under entrepreneurial orientation; another as new product introduction; and one factor under performance.

According to Cooper & Schindler (2001:475) exploratory data analysis (EDA) simplifies the goal of learning about data as much as is possible. It provides a perspective and set of tools for searching for clues and patterns.

An eigenvalue is a measure of the explanation power of a factor (Cooper and Schindler (2001:595). The isolated factors are named, "*strategic planning", "strategic control", "entrepreneurial orientation", "new product" and "performance".*

Rotated, unrotated and sorted rotated factor analysis was carried out for *"strategic planning*", *"strategic control*" and the *"entrepreneurial orientation"* factors. Item analysis was carried out for the *"new product"* and the *"performance"* factors.

Cronbach's alpha tests how well variables measure a single uni-dimensional latent construct. The alpha coefficients range from 0 – 1 and are used to describe the reliability of factors extracted from dichotomous and / or multipoint formatted questionnaires.

According to Wimmer and Dominic (1983:156) and also Nunnally (1978) most published content analyses typically report a minimum reliability coefficient of around 0.7.The higher the alpha, the more reliable the test. Cronbach's alpha is used because it has the most utility for multi-item scales at interval level measurement (Cooper & Schindler 2001:217).

The five identified factors are discussed in detail.

7.3.2 Strategic planning factor analysis

Strategic planning variables assess the importance the business places on the given variables shown in Table 7.6.

Strategic planning variables generated two factors, **strategic planning** and **strategic control**. Loadings for the sorted rotated factors, variance explained percentages and the Cronbach's coefficient alpha for each of these are shown in Table 7.6.
As shown in Table 7.6 , the Cronbach's alpha for strategic planning of 0.85947 and 0.76218 for strategic control are greater than 0.7 (Cronbach's alpha > 0.7), which shows a good factor structure and reliability.

The percentage variance explained, of 21% for strategic planning and 26% for strategic control is favourable in both factors.

The Eigenvalue of 5.8656, for strategic planning and 1.5361 for strategic control are both greater than 1.00, which shows that the factor is relevant. Eigenvalues are used to determine which factors are relevant and should therefore be analysed. Both factors should therefore be analysed.

Each factor structure is therefore good and reliable.

Table 7.6 Factor loadings for strategic planning and strategic control

Variable	Factor loadings	Factor loadings
Description	Strategic planning	Strategic control
Use of marketing opportunities	0.711	0.000
Comparison of product weaknesses, past and present	0.651	0.000
Time spent on market research	0.637	0.000
Control as a management tool	0.592	0.000
Use of control techniques to monitor performance	0.579	0.000
Setting of production targets	0.534	0.000
Importance of sales forecasts in planning	0.529	0.000
Anticipating barriers to strategy implementation	0.000	0.790
Capacity to generate new ideas	0.000	0.607
Participation of senior employees	0.000	0.502
Identifying key business problems	0.000	0.466
Ability to anticipate threats	0.000	0.465
Communication as control tool	0.000	0.449

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Retention of best candidates	0.000	0.386
Rewarding of employees	0.000	0.381
Recruitment of best candidates	0.000	0.341
Market assessment of competitors	0.449	0.291
Training of employees	0.000	0.257
Analysis of potential business threats	0.449	0.000
Comparisons of product margins	0.482	0.000
Comparison of forecast with actual	0.416	0.000
Preparation of periodical financial statements	0.309	0.000
Conducting regular audits	0.494	0.000
Involvement of BOD in strategic planning	0.444	0.000
Strategic planning leads to business effectiveness	0.296	0.000
Use of control systems in revision of plans	0.277	0.000
Use of past performance in projections	0.376	0.000
Importance of bookkeeping in strategic planning	0.409	0.000
Percentage variance	0.21	0.26
Cronbach's alpha	0.85947	0.76218
Eigenvalue	5.8656	1.5361

7.3.3 Entrepreneurial orientation factor analysis

Factor loadings for **entrepreneurial orientation**, its percentage variance explanation and the Cronbach's alpha are shown in Table 7.7.

Table 7.7 Factor loadings for entrepreneurial orientation

Variable	Factor loadings
Description	Entrepreneurial orientation
Search for big opportunities	0.690
New product introduction	0.685
Risk taking by executives	0.553
Rapid growth as dominant goal	0.444
Novel solutions through people.	0.427
Bold decisions despite uncertainties	0.426
Compromises among conflicting demands	0.402
Continuous improvement	0.387
Ruthless competitiveness	0.339
Charismatic leadership	0.295
Percentage	0.23
Cronbach's alpha	0.7317
Eigenvalue	2.3244

Entrepreneurial orientation variables assess a business's entrepreneurial activities. The variables for **entrepreneurial orientation** range from V41 to V53 and their descriptions are shown in Table 7.7 above.

The variance explained is 23% (percentage) which is favourable. The Cronbach's alpha of 0.7317 is good and reliable since it is bigger than 0.7. (Cronbach's alpha > 0.7)

The Eigenvalue for entrepreneurial orientation, 2.3244 is greater than 1.00, which shows that the factor is relevant and should therefore be analysed.

The measure is therefore structurally sound and reliable.

7.3.4 New products; and performance factors

Variables V55 to V61 reflect the **new products** factor and V69 to V73, the **performance** factor. An item analysis of both factors was done and this is reflected in Table 7.8 and the scale statistic in Table 7.9.

Table 7.8 Item statistics for new products and performance

Scale – item	Item mean	Item variance	Item-scale correlation	N per item
Stable growth V55	3.606	0.951	0.88	132
New product introduction V56	3.515	0.962	0.83	132
Product introd. Trend V57	2.667	0.949	0.76	132
Product introd. competitors V58	3.800	0.672	0.78	125
Products new to market V59	3.696	0.848	0.79	125
Service introduction trend V60	3.544	0.520	0.76	125
Service improvement V61	2.637	0.715	0.70	124
Management structure V69	3.736	0.814	0.88	197
Compensation systems V70	3.736	0.874	0.87	197
Return on investment V71	3.690	0.935	0.79	197
Return on equity V72	3.914	0.668	0.77	197

All the item-scale correlations are positive because they are at least 0.7 (V71) or above. This reflects a good factor structure and reliability. Any measure at 0.7 or above shows a good factor structure and therefore a good reliability measure.

Table 7.9 Reliability measure of new products and performance factors

Scale	New products	Performance
N of items	7	5
N of examinees	166	197
Mean	3.267	3.728
Variance	0.557	0.567
Std. Dev.	0.746	0.753
Alpha	0.942	0.879

The Cronbach's values for **new products** (0.942) and **performance** (0.879) are both favourable because they are above 0.7 and therefore the factor structures are good and the measures reliable.

7.3.5 Data Reliability

Reliability and validity are the hallmarks of a good measurement instrument (Salkind 2000:105). Reliability is when a test measures the same aspect a number of times and brings about the same outcome. Validity is when the property of a test actually measures what it purports to measure (Cooper & Schindler 2001:775).

The instrument used is validated for reliability and consistency as reflected by the respective factor Cronbach's alphas, variance percentages and the eigenvalues. The five factors are structurally sound and reliable.

The data is further analysed for internal relationships.

7.4 Correlations

The correlation analysis is carried out to find out the nature of relationships between groups of variables or factors. Factors were isolated through factor analysis, as discussed previously. The relationships between data groups are important since they provide better understanding of the data, such as the nature of the relationship and the extent of the relationship. The study's propositions attempt to establish the extent and degree of the relationships between the different variables / factors. It is the degree and nature of these correlations that result in the acceptance or rejection of the propositions. Owing to the fact that most of the study's propositions theorise on some relationships, the correlation outcomes are important findings of this research.

Pearson's correlation is carried out on five factors: strategic planning (strpl); strategic control (strco); entrepreneurial orientation (entor); new product introduction (newpr); and performance (perfrm).

Pearson's product moment correlation is represented by the r, range from -1.00 to +1.00. A correlation can be positive or negative. A perfect negative correlation would be -1.00 while, + 1.00 would be a perfect positive correlation and 0.00 would be a sign of no correlation.

A correlation coefficient is a pure number, not expressed in any measurement. It is independent of the size and units of measurement of the original data (Wimmer & Dominick 1983:182). The results of the correlation test carried out are shown in Table 7.10 below.

Table 7.10 Pearson's correlation coefficient

Pearson Correlation Coefficients
Prob > |r| under H0: Rho=0
Number of Observations

	1	2	3	4	5
1 strpl	1.00000	0.46929	0.35156	0.23844	0.16419
		<.0001	<.0001	0.0023	0.0232
	195	195	189	161	191
2. strcon	0.46929	1.00000	0.27585	0.20532	0.23761
	<.0001		0.0001	0.0090	0.0009
	195	195	189	161	191
3 entor	0.35156	0.27585	1.00000	0.25632	0.18183
	<.0001	0.0001		0.0010	0.0118
	189	189	194	161	191
4 newpr	0.23844	0.20532	0.25632	1.00000	0.22493
	0.0023	0.0090	0.0010		0.0039
	161	161	161	166	163
5 perfm	0.16419	0.23761	0.18183	0.22493	1.00000
	0.0232	0.0009	0.0118	0.0039	
	191	191	191	163	197

7.4.1. Strategic planning factor

The Pearson's correlation, in Table 7.10 above, shows that there is a relationship between ***strategic planning*** (strpl) and each of the following factors:

- strategic control (strco)
- entrepreneurial orientation (entor)
- new product introduction (newpr) and
- financial performance (perfm)

This is shown by the respective p-values of, < 0.0001 (strcon), < 0.0001 (entor), 0.0023 (newpr) and 0.0232, (perfm) as reflected in Table 7.10. All the p-values are within the range -1 to +1, showing the existence of the correlation.

However, though correlations exist between strategic planning and each of the factors, the relationships are weak, as reflected by the correlation values of 0.46929 for strategic control, 0.35156 for entrepreneurial orientation, 0.23844 for new product introduction and 0.16419 for performance, as shown in Table 7.10 above. Each of the values is far less than 0.6 which is regarded as a minimal level measure of a strong correlation.

Each of these correlations is discussed in detail, starting with the strategic planning factor.

7.4.1.1 Strategic planning and strategic control correlation

Proposition P1 stated that businesses that practise strategic planning do not show significantly higher levels of strategic control.

Though the relationship between strategic planning and strategic control is relatively stronger than all the other factors, it is still weak at 0.46929, and a p-value of < 0.0001, as shown in Table 7.10. The relationship is not significant and ***Proposition P1 is therefore accepted.***

This result does imply that those businesses that practise strategic planning are more closely related to the practice of strategic control than to the other three factors. The finding (close relationship) is expected, considering the fact that strategic control is an integral part of the strategic planning process, while the factors entrepreneurial orientation and new product introduction are more associated with entrepreneurship. However the non-significance of the relationship between strategic planning and strategic control is somewhat surprising, considering that control is part of strategic planning. This may imply that those businesses that practise strategic planning may not be doing so properly. As stated by Drejer (2004:504) it is not the planning that is important, but the quality thereof.

7.4.1.2 Strategic planning and entrepreneurial orientation correlation

Proposition P2 stated that businesses that practise strategic planning do not show significantly higher levels of entrepreneurial orientation.
The results, as discussed in 7.4.1 above, show that the relationship is weak at 0.35156 and a p-value of < 0.0001. It is therefore not significant and ***Proposition P2 is accepted.***

Although the relationship is not significant, the entrepreneurial orientation factor is the one most closely correlated with strategic planning after strategic control, compared with new product introduction and performance factors. The deduction from this result could be that businesses that practise strategic planning do not do so in an entrepreneurial way, what Legge and Hindle (2004:169) term *entrepreneurial strategic planning*. The fact that this relationship is weak and not significant is a reflection of the poor practice by South African businesses of *strategic entrepreneurship*, that is, the integration of strategic planning and entrepreneurship, despite the benefits that can be derived from such a practice. This is also an indictment of South African businesses and suggests that it may be linked to why the country has a relatively low entrepreneurial orientation score (GEM reports).The results clearly show that businesses do not build in entrepreneurship in their strategic planning.

7.4.1.3 Strategic planning and new product correlation

Proposition P3 stated that businesses that practise strategic planning do not show significantly higher levels of new product introduction. This relationship is weak and therefore not significant, as reflected in Table 7.10 and discussed in 7.4.1 above. ***Therefore Proposition P3 is accepted*.**

New product introduction is associated more with entrepreneurship than with planning. If businesses are not entrepreneurial and do not build in entrepreneurship into their planning, as discussed in 7.4.1.2 above, then prevalence of new product introduction is likely to be low. This also shows that businesses do not use new product introduction as a competitive tool, since strategic planning is about building competitiveness. New product introduction has to do with innovation and creativity, so this weak correlation shows that businesses do not emphasise or build creativity and innovation into their planning and activities.

This result is consistent with the weak correlation that was found between strategic planning and performance, which is discussed next.

7.4.1.4 Strategic planning and performance

Proposition P4 stated that businesses that practise strategic planning do not show significantly higher levels of financial performance.
The correlation between strategic planning and the performance factor is weak and therefore not significant, as reflected by a p-value of 0.0232 and a correlation measure of 0.16419 which is far below the acceptable measure of 0.6. The performance factor has the weakest correlation with strategic planning out of all the factors under study.

There **is not** a significant relationship between strategic planning and performance and therefore, ***Proposition P4 is accepted.***

This result contrasts with the finding by Miller and Cardinal (2001), which showed that a positive relationship exists between strategic planning and performance.

The result shows that the practice of strategic planning does not necessarily lead to higher performance levels**.** This finding is consistent with other previous studies such as that of Wickham (2004:320), which found such a relationship inconclusive. As pointed out by Lumpkin, Hills and Shrader (1998:1) and Ensley and Banks (19194:4), empirical investigations of established businesses have failed to find a strong link between business planning and performance.

The correlation between the factor strategic planning and each of the other factors: strategic control; entrepreneurship orientation; new product introduction; and performance are weak although positive.

7.4.2 Strategic control factor

There is a correlation between ***strategic control*** and each of the following factors: entrepreneurial orientation; new product introduction; and performance, as reflected by the respective p-values of 0.0001 for entrepreneurial orientation, 0.0090 for new product introduction and 0, 0009 for performance, as reflected in Table 7.10 above.

The other measure of the relationship between strategic control and each of the factors, entrepreneurial orientation (0.27585); new product introduction (0.20532); and performance (0.23761), as shown in Table 7.10, are also weak, because the measures are far less than the 0.6 level. Measures at or above 0.6 would reflect a significant correlation. There is therefore not a significantly strong relationship between strategic control and each of the stated factors. The fact that these weak correlations are positive is, however, a reflection of the practice of both strategic control and entrepreneurship in South Africa.

7.4.2.1 Strategic control factor and entrepreneurial orientation

Proposition P5 stated that businesses that practise strategic control as part of strategic planning do not show significantly higher levels of entrepreneurial orientation. There **is not** a significant relationship between strategic control and entrepreneurial orientation, given a p-value of 0.0001 and a correlation measure of 0.27385. ***Proposition P5 is therefore accepted.***

The results of the study show that businesses that practise strategic control do not necessarily show high levels of entrepreneurial orientation. This finding is consistent with the literature, which shows that control tends to restrict entrepreneurship in a business. As Morris and Kuratko (2002:220) put it, “one should give up control in order to gain control” as a way of cultivating an entrepreneurial culture. The result shows the weak practice of entrepreneurial strategic control as a management style. This is a management style where employees are empowered in order to allow their entrepreneurial spirit to flourish. Morris and Kuratko (2002:220) term this as the *entrepreneurial domain* as opposed to the *administrative domain*.

7.4.2.2 Strategic control factor and new product introduction

Proposition P6 stated that businesses that practise strategic control as part of strategic planning do not show significantly higher levels of new product introduction.

In considering the relationship between control and new product introduction, the results, as discussed in 7.4.2 above, show that there **is not** a significant relationship between the strategic control factor and new product introduction. ***Proposition P6 is therefore accepted.***

New product introduction is an element of entrepreneurial orientation. The finding of a weak relationship between control and new product introduction is consistent with the link between strategic planning and entrepreneurial orientation. However one should note that the correlation is positive and not negative.

7.4.2.3 Strategic control factor and performance

Proposition P7 stated that the practice of strategic control did not show significantly higher levels of financial performance.

The relationship between strategic control and performance **is not** significant, as discussed in 7.4.2 above. There is a weak correlation between strategic control and performance as reflected by a p-value of 0.0009 and a correlation value of 0.23761, which is far below the significant measure of 0.6. ***Proposition P7* is *accepted***.

The result shows that the practice of strategic control does not strongly reflect higher levels of business performance. There is, however, a positive and not a negative relationship though this relationship is weak.

7.4.3. Entrepreneurial orientation

There is a correlation between entrepreneurial orientation and each of the factors: new product introduction; and performance, as reflected by the p-values of 0.010, for new product introduction and 0.0118 for performance.

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However, the relationship between entrepreneurial orientation and each of the factors: new product introduction (0.25362); and performance (0.18183) is weak, as shown in Table 7.10. The above values are far below the measure of 0.6, a level which would reflect a minimally strong correlation. There is therefore **not a** significant relationship between entrepreneurial orientation and each of the factors new product introduction and performance. These relationships are discussed further, below. The relationships are, however, all positive.

7.4.3.1 Entrepreneurial orientation and new product introduction

Proposition P8 stated that businesses that are entrepreneurially oriented do not show significantly higher levels of new product introduction. Since the relationship between ***entrepreneurial orientation*** and new product introduction **is not** significant, ***Proposition P8 is accepted*.**

This finding of a weak relationship is surprising, considering the fact that new product orientation is supposed to be one of the key elements of an entrepreneurial business. Entrepreneurially orientated businesses should reflect a high level of new product introduction. This is because new product introduction results from high levels of innovation and creativity. The result is a reflection of the low entrepreneurial orientation of South African businesses, as reflected also in the GEM reports throughout the period in which the country was included in the survey, beginning in 2001. The need for new product introduction / entrepreneurial orientation cannot be overemphasised, if businesses are to be global players.

7.4.3.2 Entrepreneurial orientation and performance

Proposition P9 stated that businesses that are entrepreneurially oriented do not show significantly higher levels of financial performance. As discussed in 7.4.3 above, the relationship between entrepreneurial businesses and performance is weak. The relationship **is not** significant since 0.25632 is far below the acceptable measure of significance of 0.6. ***Proposition P9 is therefore accepted*.**

Research has shown that entrepreneurial businesses are expected to perform better than non-entrepreneurial ones (Robinson & Pearce 1984:133). In addition, Pearce and Carland (1996:3) note that several researchers have found links between performance and the presence of entrepreneurship. Research by Antoncic and Hisrich (2003:533) found that entrepreneurial orientation is strongly, positively and significantly related to profitability, thereby indicating that entrepreneurship tends to be a good predictor of performance.

However Wickland and Shepherd (2005:87) found that entrepreneurial orientation "generally" leads to improved performance. The fact that their finding was not without exceptions is consistent with the weak relationship between entrepreneurial orientation and performance found in this study.

Moreover, a weak relationship between entrepreneurial orientation and performance is consistent with the weak relationship between entrepreneurial orientation and new product introduction. New product introduction is usually associated with high performance. As shown by Durant and Coeurderoy (2001:475), the propensity to innovate (employ new product introduction) enabled businesses to achieve competitive advantage and performance.

7.4.4 New product introduction and performance

Proposition P10 stated that businesses that have high new product introduction levels do not show significantly higher levels of financial performance.

A correlation exists between new product introduction and the performance factor, as reflected by the p-value of 0.0039. However that relationship is weak, as reflected by the value 0.22493, which is far below 0.6. There is therefore **not** a significant relationship between new product introduction and performance. ***Proposition P10* is therefore *accepted.***

As discussed earlier in 7.4.3, this is a surprising result, given that empirical studies by Antoncic and Hisrich (2004) and Hitt et al. (2001) have linked the introduction of new products to wealth creation for shareholders or to better business performance.

Zhao (2005:28), researching perceptions of entrepreneurship and innovation, also found that entrepreneurial businesses that were continuously creating new products and services, projects, new business opportunities and markets, regardless of size and the industry, showed a positive performance.

The explanation for the result in this study might be that if businesses' introduction of new products is low, then there would not be a strong correlation between the two factors. Considering the well-documented low entrepreneurial orientation of South African businesses (GEM Reports), which implies low new product introduction, then a weak link with performance should be expected.

Though correlations between the practice of strategic planning and entrepreneurship are weak, they are at least positive.

7.5 Analysis of variance (ANOVA)

After analysing the correlations between variables and factors it becomes scientifically prudent to find out the differences between the same groups of variables and factors. This is done through the Analysis of Variance method (ANOVA).

ANOVA is a versatile statistic which tests for the significant differences between two or more groups of means and additionally breaks down the variability of a set of data into its component sources of variation (Wimmer & Dominic 1983:215).

The ANOVA is carried out in order to provide a more in-depth analysis of the data. As with the correlations, some of the study's propositions are built on the significant differences between variables and factors. ANOVA is therefore used to prove or disprove some of the study's propositions.

An analysis of variance (ANOVA) was carried out for each of the factors: strategic planning; strategic control; entrepreneurial orientation; new product introduction; and performance. To deepen the analysis further, Scheffe's (ANOVA) test was further carried out to find the source of the variances between the variables.

7.5.1 Strategic planning factor analysis of variance (ANOVA)

The overall ANOVA result for the strategic planning factor is shown in Table 7.11.1 below. A discussion of the results follows.

Table 7.11.1 Overall ANOVA on the strategic planning factor

Source of Variation	D.F	Sum of squares	Mean square	F Value	P-Value
Between all Groups	26	10.5623	0.40626645	2.93	< 0.0001***
Within Groups	166	22.9790	0.138428		
Total	192	33.541977			

*** indicates a statistically significant variance at α = 0.05 level

The p-value of 0.0001 is < α = 0.05 as reflected in Table 7.11.1 above. This shows that **there is** a statistically significant difference between the strategic planning factor and one or more of the different business categories: age; duration of listing; number of full-time employees; gross income per annum; and gross asset value.

However, the result reflected in Table 7.11.1 does not indicate which individual mean or means are different from the consensus value and in what direction they deviate. A more detailed ANOVA examines the difference between each pair of means and indicates significantly different stratification group means at a specified level.

This is shown in Table 7.11.2 below.

It is found that **there is** a statistically significant difference between strategic planning and ***age*** whose p-values 0.0109, < α = 0.05; and strategic planning and ***gross asset value*****,** p-value 0.0021 < α = 0.05 level. It is also found that there **is not** a statistically significant difference between strategic planning and the following variables: duration of listing (0.0772); number of full-time employees (0.1230); and gross income (0.2055) at < α = 0.05 level.

Table 7.11.2 ANOVA: between strategic planning (SP) and biographic variables

Proposition	Variable	D.F	Mean square	F Value	P-Value
P11.1 (SP Vs age)	Age (V 2)	4	0.46829004	3.38	0.0109 ***
P11.2 (SP Vs duration of listing)	Duration of listing (V 3)	4	0.27648233	2.00	0.0972
P11.3 (SP Vs f-time employees)	Full-time employees (V 74)	5	0.24415175	1.76	0.1230
P11.4 (SP Vs gross income)	Gross income (V 75)	6	0.19810248	1.43	0.2055
P11.5 (SP Vs gross asset value)	Gross asset value (V 76)	7	0.46888506	3.39	0.0021 ***

*** indicates a statistically significant variance at α = 0.05 level

Propositions P11(1-5) stated that a statistically significant difference does not exist between strategic planning and the following variables, age ***(P11.1);*** duration of listing ***(P11.2);*** number of full-time employees ***(P11.3);*** gross income ***(P11.4***); and gross asset value ***(P11.5).*** Applying the p-value *Acceptance Rule* that one should accept the proposition if, and only if, the p-value is bigger than > α, alpha, propositions duration of listing ***(P11.2),*** number of full-time employees ***(P11.3),*** gross income ***(P11.4)*** are accepted**.** Applying the reverse effect of the same rule, propositions age ***(P11.1)*** and gross asset value ***(P11.5***) ***is rejected***. The results are summarised below.

Proposition P11.1 - rejected

Proposition P11.2 - accepted

Proposition P11.3 - accepted

Proposition P11.4 - accepted

Proposition P11.5 - rejected

The result shows that a statistically significant difference **does not** exist between duration of listing, number of full-time employees and gross income regarding the practice of strategic planning. This implies that businesses with different duration of listing periods do not significantly differ with regard to the practice of strategic planning. Businesses which differ with regard to number of full-time employees and gross income levels also do not differ in the way they approach strategic planning.

This finding supports the assertion that business size (normally measured by number of employees and gross income) does not significantly determine the practice of strategic planning. All businesses, irrespective of size, practise strategic planning. Nor does the practice of strategic planning differ according to the period of listing.

A significant statistical difference **does exist** between ***strategic planning*** and a business's ***age*** (P11.1) and also between ***strategic planning*** and ***gross asset value*** (P11.5) as shown in Table 7.11.2.

This result shows that the variables age and gross asset value do play a significant role in strategic planning. This implies that age of a business (whether it is a young or an old business) affects strategic planning. The rejection of proposition P11.5 (gross asset value) implies that businesses of different gross asset values differ with regard to strategic planning.

7.5.1.1 Scheffe's test, between strategic planning and biographics (age & gross asset value)

To further investigate the differences between the strategic planning factor and its biographics: age and gross asset value, a more detailed Scheffe's ANOVA was carried out. In order to control Type 1 Error (where a true hypothesis is wrongly rejected), further tests are carried out using the Scheffe's multiple comparison procedure. According to Schindler and Cooper (2001:513), Scheffe's test is a further test used after a hypothesis is rejected. It helps the researcher find the sources of differences within the different levels of a variable. In this case Scheffe's test was carried out to find out which ranges within the variable have a difference with the factor strategic planning. This was done on the variables which have shown a significantly strong correlation with strategic planning at α = 0.05 level. The result of the further analysis of variables ***age*** and ***gross asset value*** are shown in Table 7.11.2.1 and Table 7.11.2.2 respectively.

Table 7.11.2.1 Scheffe's test: between age and the strategic planning factor at α = 0.05 significant level

Age stratification	Difference between Means	Simultaneous 95% confidence limits		
4 < 5	0.02206	-0.18744	0.23157	
4 < 2	0.05664	-.0.15287	0.26614	
4 < 3	0.06790	-0.16114	0.29694	
4 < 1	0.504940.	0.20948	0.80041	***
5.< 4	-0.02206	-0.23157	0.18744	
5 < 2	0.03457	-0.17710	0.24625	
5 < 3	0.04584	-0.18519	0.27686	
5 < 1	0.48288	0.18587	0.77989	***
2 < 4	-.0.5664	-.0.26614	0.15287	
2 < 5	-0.03457	-.024625	0.17710	
2 < 3	0.01126	-0.21975	0.24229	
2 < 1	0.44830	0.15130	0.74531	***
3 < 4	-0.6790	-0.29694	0.16114	
3 < 5	-0.04584	-0.27686	0.18519	
3 < 2	-0.01126	-0.24229	0.21976	
3 < 1	0.43704	-0.12595	0.74813	***
1 = less than 2 years; **2** = 4 to 10 years; **3 =** 11 to 20 years; **4** = 21 to 50 years; **5** = more than 50 years.				

*** indicates a statistically significant variance at α = 0.05 level

Propositions P11.1.1 to P11.1.5 stated that there is a statistically significant difference between strategic planning regarding the following age strata: less than 2 years ***(P11.1.1)***; 4 to 10 years ***(P11.1.2)***; 11 to 20 years ***(P11.1.3)***; 21 to 50 years ***(P11.1.4)***; and over 50 years ***(P11.1.5).***

The findings are that a statistically significant variation **does exist** between the different age strata stated above, as shown by the following results, **1 > 4, 1 > 5, 1 > 2, & 1 > 3** in Table 7.11.2.1**.** As a result of this finding, ***Propositions P11.1.1 to P11.1.5*** below are rejected.

Proposition P11.1.1: rejected

Proposition P11.1.2: rejected

Proposition P11.1.3: rejected

Proposition P11.1.4: rejected

Proposition P11.1.5: rejected

There **is** a statistically significant difference between age stratum less than 2 years and the other age strata, namely 4 to 10 years; 11 to 20 years; 21 to 50 years; and over 50 years regarding strategic planning.

The result indicates that the proposition P11.1 was not erroneously rejected.

Table 7.11.2.1 above shows that those businesses that have been operating for less than two years have significantly higher levels of strategic planning than businesses which have been operating for 4 to 10 years ***(1 > 2***); 11 to 20 years ***(1 > 3)***; 21 to 50 years ***(1 > 4);*** and over 50 years ***(1 > 5).***

Table 7.11.2.2 Scheffe's Test: between gross asset value and the strategic planning factor at α = 0.05 significant level

Gross asset value stratification	Difference between Means	Simultaneous 95% confidence limits		
8 < 2	0.00347	-0.34409	0.35104	
8 < 1	0.04663	-0.28571	0.37896	
8 < 3	0.28935	-0.02152	0.60022	
8 < 5	0.36508	0.05699	0.67316	***

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2 < 8	-0.00347	-0.35104	0.34409	
2 < 1	0.43150	-0.32374	0.41004	
2 < 4	0.20724	-0.11959	0.53406	
2 < 3	0.28588	-0.06169	0.63345	
2 < 5	0.36161	-0.01653	0.70668	***
1 < 8	-0.04663	-0.37896	0.28571	
3 < 6	-0.14213	-0.50996	0.22570	
3 < 4	-0.07864	-0.36614	0.20885	
3 < 5	0.07573	-0.23236	0.38381	
5 < 8	-0.36508	-0.67316	-0.05699	***
5 < 2	-0.36161	-0.70668	-0.01653	***
5 < 1	-0.31845	-0.64818	0.01128	
5 < 4	-0.15437	-0.43885	0.13011	
5 < 3	-0.07573	-0.38381	0.23236	
1 = 0 – R20mill; **2** = R21mill – R50mill; **3** = R51mill – R100mill; **4** = R101mill – R500mill; **5** = R501mill – R1bill; **6** = R1.1bill – R5bill; **7** = R5.1 – R10bill; **8** = over R10bill. R = Rands; mill = million; bill = billion.				

*** indicates a statistically significant variance at α = 0.05 level

Please note that Table 7.11.2.1 does not reflect all the non-significant variances. Most of these have been omitted because it was felt that their presence made the table too long and they did not add value to the analysis. Their omission does not however affect the statistical content of the data presented in the table.

Propositions P11.5.1 to P11.5.5 stated that a statistically significant variation does not exist between strategic planning regarding the following gross asset value strata; 0 - R20 million rands, (P11.5.1); 21 - 50 million rands (P11.5.2); 51 - 100 million rands (P11.5.3); 101 - 500 million rands (P11.5.4); 501 - 1 billion rands (P11.5.5); 1.1 - 5 billion rands (P11.5.6); 5.1- 10 billion rands, (P11.5.7); over 10 billion rands (P11.5.8).

As shown in Table 7.11.2.2, differences exist within the gross asset value variable strata. The results show that the 501 million - 1 billion rands stratum ***(P11.5.5)* is** significantly different statistically from the 21 - 50 million rands stratum ***(P11.5.2),*** as shown by ***(5 > 2)***, and the over 10 billion rands stratum ***(P11.5.8) (5 > 8).*** The 501 million - 1 billion rands stratum **is not** significantly different from the other gross asset strata, namely 0 - R20 mill rands (P11.5.1); 51 - 100 million rands (P11.5.3); 101 - 500 million rands (P11.5.4); 1.1 - 5 billion rands (P11.5.6); and 5.1 - 10 billion rands (P11.5.7).

In a situation where a statistically significant difference exists, the proposition is rejected. Where a statistically significant difference does not exist, the proposition is accepted. The results are summarised below.

Proposition P11.5.1: - accepted
Proposition P11.5.2: - rejected
Proposition P11.5.3: - accepted
Proposition P11.5.4: - accepted
Proposition P11.5.5: - rejected
Proposition P11.5.6: - accepted
Proposition P11.5.7: - accepted
Proposition P11.5.8: - rejected

The results show that businesses whose gross asset values are in the R501 million to R1 billion category are significantly different in their approach to strategic planning from those businesses whose gross asset values are between R21 million - R50 million and those whose gross asset values are over R10 billion. As shown in Table 7.11.2.2, ***5 > 8 and 5 > 2,*** businesses in the R501 - R1 billion stratum reflect higher levels of strategic planning practice.

The results imply that the gross asset value amount does not have a significant effect on a business's practice of strategic control. Since gross asset value is at times used as a measure of size, this implies that business size (measured by gross asset value) does not have a significant effect on the practice of strategic control.

The results indicate a possibility that a true proposition, P11.5, may have been wrongly rejected.

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7.5.1.2 Further analysis: sub propositions, duration of listing, number of full-time employees and gross income

This section further discusses the propositions that were accepted as reflected in Table 7.11.2 above and discussed thereafter. The accepted propositions are as follows, duration of listing (P11.2), number of full-time employees (P11.3) and gross income (P11.4).

As a result of the acceptance of ***P11.2*** above, the ***sub propositions P11.2.1 to P11.2.5,*** which stated that a significant variation does not exist between strategic planning regarding businesses with the following duration of listing strata: less than 2 years (P11.1); 4 to 10 years (P11.2); 11 to 20 years (P11.3); 21 to 50 years (P11.4); and over 50 years (P11.5), ***are all accepted.***

There **is not** a statistically significant difference between the following ***duration of listing*** strata: less than 2 years; 4 to 10 years; 11 to 20 years; 21 to 50 years; and over 50 years regarding strategic planning.

Since **no** significant difference was found between strategic planning regarding ***number of full-time employees*** *(P11.3)* and the proposition accepted, the ***sub propositions (P11.3.1)*** 0 - 200; ***(P11.3.2)*** 201 - 500; ***(P11.3.3)*** 501 - 1000; ***(P11.3.4)*** 1001 - 2000; ***(P11.3.5)*** 2001 - 5000***;*** and ***(P11.3.6)*** over 5000, ***are all accepted.***

The results show that the different levels of full-time employees do not directly impact on the practice of strategic planning.

As a result of the acceptance of ***Proposition P11.4*** above, the sub ***propositions P11.4.1 to P11.4.5,*** which suggested that a significant variation does not exist between strategic planning regarding the following *gross income* strata, 0 - 50 million rands ***(P11.4.1)***; 51 - 100 million rands ***(P11.4.2)***; 101 - 500 million rands ***(P11.4.3)***; 501 - 1 billion rands ***(P11.4.4);***1.1 - 5 billion rands ***(P11.4.5)***; 5.1 - 10 billion rands ***(P11.4.6)***; and over 10 billion rands ***(P11.4.7)*** ***are all accepted.***

7.5.2 Strategic control factor analysis of variance (ANOVA)

The strategic control factor's variability is analysed and discussed. The overall ANOVA results are shown in Table 7.11.3 and the more detailed ANOVA between the strategic control factor and the independent variables is shown in Table 7.11.3.1.

Table 7.11.3 Overall ANOVA on the strategic control factor

Source of Variation	D.F	Sum of squares	Mean square	F Value	P-Value
Between all Groups	26	36.7010059	1.4115772	1.57	0.0488 ***
Within Groups	166	149.5002400	0.9006039		
Total	192	186.2012460			

*** indicates a statistically significant variance at α = 0.05 level

The p-value of 0.0488 is smaller < α = 0.05 as reflected in Table 7.11.3 above and this shows that **there is** a statistically significant difference between strategic control and one or more of the different business categories: age; duration of listing; number of full-time employees; gross income per annum; and gross asset value.

However, the result reflected in Table 7.11.3 does not indicate which individual mean or means are different from the consensus value and in what direction they deviate. A more detailed analysis is shown in Table 7.11.3.1.

The more detailed ANOVA shown in Table 7.11.3.1 shows that there **is not** a statistically significant difference between the factor strategic control and the following independent variables: age; duration of listing; gross income; and gross asset value, tested at α = 0.05 level. This is because, as shown in Table 7.11.3.1 the p- values of age (0.8405); duration of listing (0.9299); number of full-time employees (0.3959); gross income (0.0770); and gross asset value (0.1257), are all greater > α= 0.05.

Applying the p- value acceptance rule that one should accept the proposition if, and only if p-value is greater than alpha, these following ***propositions P12.1 to P12.5 are therefore accepted.***

Table 7.11.3.1 ANOVA: between strategic control (SC) and biographic variables

Proposition	Variable	D.F	Mean square	F Value	P-Value
P12.1 (SC Vs age)	Age (V 2)	4	0.31942008	0.35	0.8405
P12.2 (SC Vs duration of listing)	Duration of listing (V 3)	4	0.19348547	0.21	0.9299
P12.3 (SC Vs f-time employees)	Full-time employees (V 74)	5	0.93671439	1.04	0.3959
P12.4 (SC Vs gross income)	Gross income (V 75)	6	1.74808426	1.94	0.0770
P12.5 (SC Vs gross asset value)	Gross asset value (V 76)	7	1.48265895	1.65	0.1257

The result shows that a statistically significant difference **does not** exist between duration of listing, number of full-time employees and gross income regarding the practice of strategic control. This implies that the variables, age, duration of listing, number of full-time employees, gross income and gross asset value do not play a significant role in strategic control.

As a result of the acceptance of the ***propositions P12.1 to P12.5*** above, no further tests were carried out. The sub-propositions, which stated that there was no statistically significant variance between strategic control and specified strata of the variables, age, duration of listing, number of full-time employees, gross income and gross asset value, are ***all accepted***. Each of the propositions is briefly discussed in detail below**.**

Propositions 12.1.1 to 12.1.5 state that there is not a statistically significant difference between strategic control regarding the following ***age strata***, less than 2 years (P12.1.1), 4 to 10 years (P12.1.2), 11 to 20 years (P12.1.3), 21 to 50 years (P12.1.4) , and over 50 years (P12.1.5).

A statistically significant variation **does not** exist between strategic control regarding the stated age strata: The ***Propositions P12.1.1***, ***Proposition P12.1.2***, ***Proposition P12.1.3, Proposition P12.1.4***, ***Proposition P12.1.5***, ***are accepted.***

The results show that the different age levels of a business do not have any significant impact on the practice of strategic control.

Propositions 12.2.1 to 12.2.5 stated that a statistically significant difference does not exist between strategic control regarding the following ***duration of listing*** strata: less than 2 years (P12.2.1); 4 to 10 years (P12.2.2); 11 to 20 years (P12.2.3); 21 to 50 years (P12.2.4); and over 50 years (P12.2.5).

Since ***Proposition 12.2*** was accepted, the sub propositions ***P12.2.1: to P12.2.5*** are also not significant and are therefore ***accepted.***

Propositions 12.3.1 to 12.3.6 stated that a significant variance does not exist between strategic control regarding the following ***full-time employee*** strata: 0 - 200 (P12.3.1); 201 - 500 (P12.3.2); 501 - 1000 (P12.3.3); 1001 - 2000 (P12.3.4); 2001 - 5000 (P12.3.5); over 5000 (P12.3.6). Based on the acceptance of the primary proposition P12.3, the sub propositions are ***all accepted***.

None of the different full-time employee strata have any significant effect on the practice of strategic control. A business's employee size does not have a role to play in the practice of strategic control.

The acceptance of P12.4 above implies that the ***sub-propositions P12.4.1 to P12.4.7,*** which stated that a statistically significant difference does not exist between strategic control regarding the following ***gross income* strata**: 0 - 50 million rands (P12.4.1); 51 - 100 million rands (P12.4.2); 101 - 500 million rands (P12.4.3); 501 - 1 billion rands (P12.4.4); 5 billion rands (P12.4.5); 5.1 - 10 billion rands (P12.4.6); over 10 billion rands (P12.4.7), ***are all accepted.***

Proposition 12.5.1 to 12.5.8 stated that a statistically significant variation does not exist between business strategic control regarding the following gross asset value strata: 0 - R20 million rands (P12.5.1); 21 - 50 million rands (P12.5.2); 51 - 100 million rands (P12.5.3); 101 - 500 million rands (P12.5.4); 501 - 1 billion rands (P12.5.5); 1.1 - 5 billion rands (P12.5.6); 5.1 - 10 billion rands (P12.5.7); over 10 billion rands (P12.5.8). A statistically significant difference between the different strata does not exist and therefore the following propositions, ***Proposition P12.5.1, Proposition P12.5.2, Proposition P12.5.3, Proposition P12.5.4, Proposition P12.5.5, Proposition P12.5.6, Proposition P12.5.7, Proposition P12.5.8, are all accepted.***

7.5.3 Entrepreneurial orientation factor analysis of variance (ANOVA)

An analysis of variance was done on the entrepreneurial orientation factor and the results are reflected in Table 7.11.4.

Table 7.11.4 Overall ANOVA for entrepreneurial orientation factor

Source of Variation	D.F	Sum of squares	Mean square	F Value	P-Value
Between all Groups	26	13.66879790	0.52572300	1.30	0.1639
Within Groups	165	22.9790	0.40418298		
Total	191	80.35898920			

The p-value of 0.1639 is greater > α = 0.05 as reflected in Table 7.11.4 above, and shows that there **is not** a statistically significant difference in entrepreneurial orientation between one or more of the different business categories: age; duration of listing; number of employees; gross income per annum; and gross asset value.

The result reflected in Table 7.11.4 does indicate that the individual means are different from the consensus value. A more detailed ANOVA to measure the significance of that variation is shown in Table 7.11.4.1.

The finding in Table 7.11.4.1 that the source variables' p values are greater than > α = 0.05 shows that **there is not** a statistically significant difference between the factor entrepreneurial orientation and its source variables and therefore all analysis of variance propositions based on this variation should be accepted.

There **is not** a statistically significant difference in entrepreneurial orientation with regard to the variables: age (0.5208); duration of listing (0.83690); number of full-time employees (0.5004); and gross income (0.0515); or gross asset value (0.0537), because the variables p values' are greater than > α= 0.05.

Table 7.11.4.1 ANOVA: between entrepreneurial orientation (EO) and biographic variables

Proposition	Variable	D.F	Mean square	F Value	P-Value
P13.1 (EO Vs age)	Age (V 2)	4	0.32725767	0.81	0.5206
P13.2 (EO Vs duration of listing)	Duration of listing (V 3)	4	0.14546821	0.36	0.8369
P13.3 (EO Vs f-time employees)	Full-time employees (V 74)	5	0.35298031	0.87	0.5004
P13.4 (EO Vs gross income)	Gross income (V 75)	6	0.86460985	2.14	0.0515
P13.5 (EO Vs gross asset value)	Gross asset value (V 76)	7	0.82199154	2.03	0.0537

Applying the p- value acceptance rule that one should accept the proposition only if p- value is bigger than > α = alpha, the propositions P13.1 to P13.5, which state that there is no significant statistical difference between entrepreneurial orientation and each of the following variables, age ***(P13.1);*** duration of operation ***(P13.2)***; number of full-time employees ***(P13.3);*** gross income per annum ***(P13.4);*** and gross asset value ***(P13.5), are all accepted.***

The implication of the above results is that a businesses' entrepreneurial orientation is not significantly determined by:

- age
- duration of listing

- number of full-time employees
- gross income per annum or
- gross asset value.

The result implies that the different age levels do not impact on / influence the entrepreneurial orientation of a business. Whether a business has been operating for a short period, such as less than two years, or for many years, such as over 50 years, its entrepreneurial orientation may be the same.

The acceptance of the above propositions shows that the period a business has been listed at the stock exchange does not necessarily have an effect on how entrepreneurial that business will be. Businesses that have been listed for short periods (for example less than 2 years) can be as entrepreneurial as those that have been listed for long periods, such as over 50 years.

The results also show that variations in gross income levels do not significantly affect a business's entrepreneurial orientation. A business's entrepreneurial orientation is therefore not influenced by its gross income amounts, or by size, if gross income is used as a measure of size. This result differs from the literature if the number of employees and gross asset value are used as measures of business size, in that small businesses are assumed to be more entrepreneurial than bigger businesses (Jennings, 1994:187). This is due mainly to the fact that large businesses' bureaucratic structures are believed to stifle innovation.

The number of employees in a business does not have a significant effect on how entrepreneurial a business is. Since the number of employees is used as a measure of the size of a business, this means that small businesses (measured by employee numbers) and big businesses are not different in terms of how entrepreneurial they are or can be.

As with the full-time employee variable, gross asset value is used as a measure of business size. The result that there **is not** a statistically significant difference between the different gross asset values is consistent with the finding for employees as a size measure. The gross asset value a business possesses has no significant role to play in determining the entrepreneurial orientation of a business.

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As a result of the acceptance of the above propositions, the ***sub propositions***, which stated that there was a variation between entrepreneurial orientation and specified strata of the following variables; age (P13.1.1-P13.1.5); duration of listing (P13.2.1-P13.2.5); number of full-time employees (P13.3.1-P13.3.6); gross income (P13.4.1-P13.4.7); and gross asset value (P13.5.1-P1.5.8), are also **all accepted**. Through the deductive analytical method, if the variable, age does not significantly affect a business's entrepreneurial orientation, it follows that the different age strata will not significantly affect entrepreneurial orientation. As the proposition P13.1 was **accepted**, the sub-propositions, ***Proposition P13.1.1, Proposition P13.1.2, Proposition P13.1.3, Proposition P13.1.4, Proposition P13.1.5, are all accepted***.

Applying the same deductive method***, Propositions 13.2.1 to 13.2.5,*** which state that there is not a statistically significant difference between entrepreneurial orientation regarding the following ***duration of listing strata***, less than 2 years (P13.2.1), 4 to 10 years (P13.2.2), 11 to 20 years (P13.2.3), 21 to 50 years (P13.2.4) and over 50 years (P13.2.5), ***Proposition P13.2.1, Proposition P13.2.2, Proposition P13.2.3, Proposition P13.2.4, Proposition P13.2.5, are accepted.***

Similarly, ***Propositions 13.3.1 to 13.3.6,*** which stated that a significant variance does not exist between entrepreneurial orientation regarding the ***number of full-time employees strata***: 0 - 200 (P13.3.1), 201 - 500 (P13.3.2), 501 - 1000 (P13.3.3), 1001 - 2000 (P13.3.4), 2001 - 5000 (P13.3.5) and over 5000 (P13.3.6) are **accepted** based on the acceptance of Proposition 13.3.

The acceptance of P13.4 above implies that the sub ***Propositions 13.4.1 to 13.4.7*** which suggest that a significant difference does not exist between ***entrepreneurial orientation*** regarding the ***gross income*** strata 0 - 50 million rands (P13.4.1), 51 - 100 million rands (P13.4.2), 101 - 500 million rands (P13.4.3), 501 - 1 billion rands (P13.4.4), 1.1 - 5 billion rands (P13.4.5), 5.1 - 10 billion rands (P13.4.6) and over 10 billion rands (P13.4.7) are all **accepted**.

Propositions 13.5.1 to 13.5.8 stated that a significant variation does not exist between a businesses' entrepreneurial orientation regarding the following ***gross asset value*** strata; 0 - R20 million rands, (P13.5.1) 21- 50 million rands (P13.5.2), 51 - 100 million rands (P13.5.3), 101 - 500 million rands (P13.5.4), 501 - 1 billion rands (P13.5.5), 1.1 - 5 billion rands

(P13.5.6), 5.1 - 10 billion rands, (P13.5.7), over 10 billion rands (P13.5.8). The ***propositions 13.5.1 to 13.5.8*** are **accepted** because a statistically significant variation does **not** exist between the gross asset value strata regarding entrepreneurial orientation, based on the acceptance of the main proposition P13.5.

7.5.4 New product introduction factor analysis of variance (ANOVA)

An analysis of variance was carried out on the new product introduction factor and its source variables and the results are shown in Table 7.11.5.

Table 7.11.5 Overall ANOVA for the new product introduction factor

Source of Variation	D.F	Sum of squares	Mean square	F Value	P-Value
Between all Groups	26	27.60591179	1.06176584	2.25	0.0014 ***
Within Groups	138	65.10078443	0.40418298		
Total	164	92.70669621			

*** indicates a statistically significant difference at α = 0.05 level

As reflected in Table 7.11.5 the p-value of 0.0014 is not greater than < α = 0.05 and this shows that some variation does exist between the introduction of new products factor and one or more variables.

The above result does not, however, indicate which individual mean or means are different from the consensus value and in what direction they deviate. A more detailed ANOVA was carried out to measure the statistical significance (strength) of the difference and this is reflected in Table 7.11.5.1.

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Table 7.11.5.1 ANOVA: between new product introduction (NP) and biographic variables

Proposition	Variable	D.F	Mean square	F Value	P-Value
P14.1 (NP Vs age)	Age (V 2)	4	0.56960849	1.21	0.3105
P14.2 (NP Vs duration of listing)	Duration of listing (V 3)	4	0.67083046	1.42	0.2299
P14.3 (NP Vs f-time employees)	Full-time employees (V 74)	5	0.78363795	1.66	0.1480
P14.4 (NP Vs gross income)	Gross income (V75)	6	0.73473149	1.56	0.1641
P14.5 (NP Vs gross asset value)	Gross asset value (V 76)	7	1.12207415	2.38	0.0251 ***

*** indicates a statistically significant difference at α = 0.05 level

The measure of significance (strength) of this variance in Table 7.11.5.1 shows that there **is** a statistically significant variation between ***new product introduction*** and ***gross asset value*** (0.0251) tested at α = 0.05 level. Though a variation exists between new product introduction and the following variables; age (0.3105); duration of listing (0.2299); number of full-time employees (0.1480); and gross income (0.1641), the variation **is not** statistically significant. A variation is significant if the calculated p value is smaller than < α = 0.05. As shown in Table 7.11.5.1, only the gross asset value of 0.0251 is less < α = 0.05.

Proposition P14 states that there is not a statistically significant variation between a business's introduction of new products and each of the following variables: age, duration of listing, number of full-time employees, gross income per annum and gross asset value. A significant variation was only found between new product introduction and gross asset value (P14.5). No statistically significant variance was found between new product introduction and the other variables above and therefore the following proposals are ***accepted:***

Proposition P14.1 (age)***: accepted***

Proposition P14.2 (duration of listing)***: accepted***

Proposition P14.3 *(*number of full-time employees)***: accepted***

Proposition P14.4 (gross income per annum)***: accepted***

Proposition P14.5 (gross asset value*)****: rejected***

Since a statistically significant variation was found only between new product introduction and gross asset value (P14.5), this implies that gross asset values of a business play a role in new product introduction. A more detailed analysis, Scheffe's Test, was carried out. The results imply that;

- age **does not** play a statistically significant role in a business's new product introduction
- the duration of listing **does not** statistically significantly influence a business's new product introduction
- **number of full-time employees** and also **gross income** per annum amounts **do not** have any statistically significant impact on a business's new product introduction.

The result on age (P14.1) implies that the different age levels do not impact on/ influence new product introduction in a significantly different way. Whether a business has been operating for a few years or for many years, the new product introduction propensity can be the same.

The acceptance of the duration of listing proposition (P14.2) shows that the period a business has been listed on the stock exchange does not have a significant effect on new product introduction. Businesses that have been listed for short periods (less than 2 years) can have the same new product introduction propensity as those that have been listed for longer periods.

The number of employees (P14.3) in a business does not have a significant effect on a business's new product introduction. This implies that businesses with few full-time employees can introduce new products in the same way as those with large numbers of full-time employees. The number of full-time employees is not a discriminant variable of new product introduction. This also implies that big and small businesses can equally introduce new products, (if number of employees is used as a measure of size).

The different gross income levels (P14.4) do not play a significant role in a business's propensity to introducing new products. Businesses with different income levels can all introduce new products without income level being an important determining factor.

The acceptance of the propositions ***P14.1; P14.2; P14.3 and P14.4*** imply that the sub propositions based on them can also safely be accepted as not statistically significant, since no further tests were carried out on them.

The findings on the new product introduction sub propositions are summarised below.

Propositions 14.1.1 to 14.1.5, stating that a statistically significant variation does not exist between new product introduction regarding the different age strata ***are accepted***:
Proposition 14.2.1 to 14.2.5, which state that there is not a statistically significant difference between new product introduction regarding the ***duration of listing*** strata ***are all accepted.***

Based on the acceptance of Proposition 14.3, ***Propositions 14.3.1 to 14.3.6,*** which state that a statistically significant difference does not exist between new product introduction regarding the given number of full-time employees' strata, ***are accepted.***

The acceptance of P14.4 above leads to the acceptance of ***Propositions P14.4.1 to P14.4.7, which are all accepted.***

Since a statistically significant variation was found only between new product introduction and a business's gross asset value, ***Proposition P14.5*** *was* ***rejected***. A further analysis of the rejected proposition to mitigate against Type 1 Error (where a true hypothesis is wrongly rejected) was done. Comparisons are further carried out using the Scheffe's test, to find which ranges within the variable are the main sources of the differences with the factor **new product introduction** as shown in Table 7.11.5.2.

Table 7.11.5.2 Scheffe's comparison between gross asset value and new product introduction factor at α = 0.05 significant level

Gross asset value stratification	Difference between Means	Simultaneous 95% confidence limits		
8 < 7	0.1747	-0.5199	0.8693	
8 < 5	0.5071	-0.1053	1.1195	
8 < 3	0.6955	0.0775	1.3135	***
8 < 2	0.9003	0.2177	1.5830	***
5 < 2	0.3933	-0.2661	1.0527	
3 < 8	-0.6955	-1.3135	-0.0775	***
3 < 7	-0.5208	-1.1976	0.1560	
3 < 2	0.2048	-0.4598	0.8694	
2 < 8	-0.9003	-1.5830	-0.2177	***
2 < 7	-0.7256	-1.4620	0.0107	
2 < 3	-0.2048	-0.8694	0.4598	
1 = 0 – R20mill; **2** = R21mill – R50mill; **3** = R51mill – R100mill; **4** = R101mill – R500mill; **5** = R501mill – R1bill; **6** = R1.1bill – R5bill; **7** = R5.1 – R10bill; **8** = over R10bill. R = Rands; mill = million; bill = billion.				

*** indicates a statistically significant difference at α = 0.05 level

The results from the Scheffe's test show that those groups of businesses with gross asset values of between R51 to R100 million and those with gross asset values of R21 million to R50 million have a significant variation from gross asset values of over 10 billion rands regarding the factor **new product introduction** as shown in Table 7.11.5.2.

The findings are that a statistically significant variance **does exist** between the gross asset value strata over R10 billion and strata R21 million to R50 million **(8 < 2)** and R51 million to R100 million **(8 < 3)** regarding new product introduction.

A statistically significant variation **does not** exist between the over R10 billion strata, and the following gross asset value strata 0 - R20 million rands (P14.5.1); 101 - 500 million rands (P14.5.4); 501 - 1 billion rands (P14.5.5); 1.1bill - 5 billion rands (P14.5.6); 5.1 - 10 billion rands (P14.5.7).

Propositions 14.5.1 to 14.5.8 state that a statistically significant variation does not exist between new product introduction regarding the following gross asset value strata: 0 - R20mil **(P14.5.1)**; R21mill - R50mill **(P14.5.2)**; R51mill - R100mill **(P14.5.3)**; R101mill - R500mill **(P14.5.4)**; R501mill - R1bill **(P14.5.5)**; R1.1bill - R5bill **(P14.5.6)**; R5.1 - R10bill **(P14.5.7)**; over R10bill **(P14.5.8)**. The results are summarised below.

Proposition P14.5.1: accepted.
Proposition P14.5.2: rejected
Proposition P14.5.3: rejected
Proposition P14.5.4: accepted
Proposition P14.5.5: accepted
Proposition P14.5.6: accepted
Proposition P14.5.7: accepted
Proposition P14.5.8: rejected

The above results show that businesses whose gross asset value are over R10 billion, and from R21 million to R50 million and R51 million to R100 million have an effect on a business's propensity to introduce new product introduction. These are businesses whose asset values are between R21 million rands and R100 million rands, and those whose gross asset values are over R10 billion rands. Businesses whose asset values are below R20 million and those whose asset values are between R101 million rands and R10 billion do not have a statistically significant effect on the new product introduction factor.

This shows that businesses which have relatively smaller asset values and those with the highest (both extremes) significantly affect new product introduction.

7.5.5 Performance factor analysis of variance (ANOVA)

The overall analysis of variance (ANOVA) for the performance factor is shown in Table 7.11.6.

Table 7.11.6 Overall ANOVA for performance factor

Source of Variation	D.F	Sum of squares	Mean square	F Value	P-Value
Between all Groups	26	39.8048848	1.5309571	1.74	0.0203 ***
Within Groups	168	147.9672433	0.8807574		
Total	194	187.7721281			

*** indicates a statistically significant difference at α = 0.05 level

The results show that a variation **does exist** between the performance factor and one or more variables, as reflected by a p- value of 0.0203 that is not greater than < α = 0.05.

The result reflected in Table 7.11.6 does not, however, indicate which individual mean or means are different from the consensus value and in what direction they deviate. Therefore a more detailed ANOVA was done to examine the difference between each pair of means to determine the source of the significant variation. The results are reflected in Table 7.11.6.1.

Table 7.11.6.1 ANOVA: between performance factor (P) and biographical variables

Proposition	Variable	D.F	Mean square	F Value	P-Value
P15.1 (P Vs age)	Age (V 2)	4	0.36553348	0.42	0.7977
P15.2 (P Vs duration of listing)	Duration of listing (V 3)	4	0.08909871	0.10	0.9819
P15.3 (P Vs f-time employees)	Full-time employees (V 74)	5	0.41847164	0.48	0.7945
P15.4 (P Vs gross income)	Gross income (V 75)	6	2.20659902	2.51	0.0239 ***
P15.5 (P Vs gross asset value)	Gross asset value (V 76)	7	0.54743593	0.62	0.7376

*** indicates a statistically significant difference at $\alpha = 0.05$ level

The measure of significance (strength) of this difference shows that there is a statistically significant variance between the ***performance factor*** and ***gross income value*** (0.0239) tested at $\alpha = 0.05$ level. Differences exist between business performance and the following variables: duration of operations (0.7977), rewarding of employees (0.9819), number of full-time employees (0.7945) and gross asset value (0.7376), as shown in Table 7.11.6.1 above, but the difference is not significant. A variance is significant only if the calculated p- value is smaller than < $\alpha = 0.05$ alpha.

Applying the p-value acceptance rule that one should accept the proposition only if p- value is greater than α alpha, the propositions that there is not a significant statistical variance between business performance and each of the following variables: age (P15.1), duration of listing (P15.2), number of full-time employees (P15.3) and gross asset value (P15.5) are accepted.

Proposition P15.4 (gross income) is ***rejected*** because, as reflected in Table 7.11.6.1 above, there **is** a significant statistical difference between performance and a business's gross income per annum, since the p-value (0.0239) is not greater than < α = 0.05.
Results are summarised below.

Proposition P15.1: accepted

Proposition P15.2: accepted

Proposition P15.3: accepted

Proposition P15.4: rejected

Proposition P15.5: accepted

The above results mean that the variables: age, duration of listing, number of full-time employees, gross asset value **do not** have a significant influence on a business's financial performance, while gross income per annum does. The effect of gross income is not surprising, given the fact that it is the denominator of almost all financial performance measurements. This variable ***gross income (P15.4)*** is tested further using Scheffe's test.

In order to control Type 1 Error (where a true hypothesis is wrongly rejected) a further analysis, Scheffe's studentised range test, was carried out. This examines the difference between each pair of means and indicates significantly different stratification group means at a specified alpha level, in this case at α = 0.05.

The results of the test are shown in Table 7.11.6.2.

Table 7.11.6.2 Scheffe's comparison between performance factor and gross income strata at α = 0.05 significant level

Gross income stratification	Difference between Means	Simultaneous 95% Confidence limits		
3 < 7	0.2000	-0.5175	0.9176	
3 < 6	0.2522	-0.4842	0.9885	
3 < 5	0.4263	-0.2749	1.1275	

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3 < 4	0.4315	-0.2776	1.1406	
3 < 2	0.6854	-0.0238	1.3945	
Gross income stratification	Difference between Means	Simultaneous 95% Confidence limits		
3 < 1	1.2606	0.5738	1.9473	***
7 < 3	-0.2000	-0.9176	0.5175	
7 < 6	0.0522	-0.7571	0.8614	
7 < 5	0.2263	-0.5511	1.0037	
7 < 4	0.2315	-0.5531	1.0160	
7 < 2	0.4853	-0.2992	1.2699	
7 < 1	1.0605	0.2962	1.8249	***
6 < 3	-0.2522	-0.9885	0.4842	
6 < 7	-0.0522	-0.8614	0.7571	
6 < 5	0.1741	-0.6206	0.9689	
6 < 4	0.1793	-0.6224	0.9811	
6 < 2	0.4332	-0.3686	1.2349	
6 < 1	1.0084	0.2264	1.7904	***
5 < 3	-0.4263	-1.1275	0.2749	
5 < 7	-0.2263	-1.0037	0.5511	
5 < 6	-0.1741	-0.9689	0.6206	
5 < 4	0.0052	-0.7644	0.7748	
5 < 2	0.2590	-0.5105	1.0286	
5 < 1	0.8342	0.0852	1.5833	***
4 < 3	-0.4315	-1.1406	0.2776	
4 < 7	-0.2315	-0.9811	0.5531	
4 < 6	-0.1793	-0.7748	0.6224	
4 < 5	-0.0052	-0.5230	0.7644	
4 < 2	0.2538	-0.5230	1.0307	
4 < 1	0.8291	0.0726	1.5855	***
2 < 3	-0.6854	-1.3945	0.0238	
2< 7	-0.4853	-1.2699	0.2992	
2 < 6	-0.4332	-1.2349	0.3686	
2 < 5	-0.2590	-1.0286	0.5105	

2 < 4	0.2538	-1.0307	0.5230	
2 < 1	0.5752	-0.1812	1.3317	
Gross income stratification	Difference between means	Simultaneous 95% confidence limits		
1 < 3	-1.2606	-1.9473	-0.5738	***
1 < 7	-1.0605	-1.8249	-0.2962	***
1 < 6	-1.0084	-1.7904	-0.2264	***
1 < 5	-0.8342	-1.5833	-0.0852	***
1 < 4	-0.8291	-1.5855	-0.0726	***
1 < 2	-0.5752	-1.3317	0.1812	
1 = 0 – R50mill; **2** = R51mill – R100mill; **3** = R101mill – R500mill; **4** = R501mill – R1bill; **5** = R1.1bill – R5bill; **6** = R5.1bill – R10bill; **7** = over R10bill. R = Rands; mill = million; bill = billion.				

*** indicates a statistically significant difference at α = 0.05 level

The results from the Scheffe's test show that those groups of businesses with gross income values of R0 to R50 million is statistically significantly different with all the gross asset value stratas, save for the R51 million to R100 million strata ***(P15.4.2)*** as shown in Table 7.11.6.2.

Propositions 15.4.1 to 15.4.7 state that a statistically significant difference does not exist between financial performance in terms of the following gross income strata, 0 - 50 million rands (P15.4.1); 51 - 100 million rands (P15.4.2); 101 - 500 million rands (P15.4.3); 501-1 billion rands (P15.4.4), 1.1 - 5 billion rands (P15.4.5), 5.1 - 10 billion rands (P15.4.6); over 10 billion rands (P15.4.7). As shown in Table 7.11.6.2, the gross income value stratum 0 - R50 million (P15.4.1) **is** statistically significantly different from strata 101 - 500 million rands (P15.4.3) ***1 > 3***; 501 - 1 billion rands (P15.4.4) ***1 > 4***; 1.1 - 5 billion rands (P15.4.5) ***1 > 5***; 5.1 - 10 billion rands (P15.4.6) ***1 > 6;*** and over 10 billion rands (P15.4.7) ***1 > 7,*** regarding the performance factor.

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The only stratum with which the 0 - 50 million rands is not statistically significant is the 51- 100 million rands stratum ***(P15.4.2).*** *The results are summarised below.*

Proposition P15.4.1: - rejected

Proposition P15.4.2: - accepted

Proposition P15.4.3: - rejected

Proposition P15.4.4: - rejected

Proposition P15.4.5: - rejected

Proposition P15.4.6: - rejected

Proposition P15.4.7: - rejected

The result shows that the different gross income levels do significantly affect business performance, except for the income level, 51- 100 million rands (P15.4.2). No reasons can be suggested for this finding.

The acceptance of proposition P15.4.2 does not indicate that the proposition P15.4 was wrongly rejected.

Each of the following ***Propositions, P15.1; P15.2; P15.3 and P15.5 which were accepted*** will each be discussed briefly together with the sub-propositions. The acceptance of these propositions implies by deduction that the sub-propositions, which stated that a significant variation did not exist between the following strata: age ***(P15.1.1 - P15.1.5)***, duration of listing ***(P15.2.1 - P15.2.5)***, number of full-time employees ***(P15.3.1 - P15.3.6)*** and gross asset value, ***(P15.5.1 - P15.5.8) are also all accepted.***

The acceptance of **Proposition P15.1,** which stated that there is not a statistically significant variance between performance and age, also implies the acceptance of ***Propositions 15.1.1 to 15.1.5.*** These state that there is not a statistically significant variance between performance and the different ***age strata.***

A statistically significant difference does **not** exist between financial performance regarding the different age strata. Therefore ***Proposition P15.1.1, Proposition P15.1.2, Proposition P15.1.3, Proposition P15.1.4, and Proposition P15.1.5, are accepted.***

The results show that age and the different age levels do not have any significant impact on financial performance. The financial performance of businesses is not dependant on how old the business is.

Propositions 15.2.1 to 15.2.5 state that a statistically significant variance does not exist between strategic control regarding **duration of listing** strata: less than 2 years (P15.2.1) , 4 to 10 years (P15.2.2) , 11 to 20 years (P15.2.3), 21 to 50 years (P15.2.4), and over 50 years (P15.2.5). ***Proposition P15.2.1, Proposition P15.2.2, Proposition P15.2.3, Proposition P15.2.4, and Proposition P15.2.5, are therefore accepted***.

The period that a business has been listed does not determine the financial performance of a business. This implies that newly listed businesses and those listed for other periods can financially perform the same, without being significantly influenced by the period of listing.

Propositions 15.3.1 to 15.3.6 state that a statistically significant difference does not exist between financial performance regarding the number of full-time employees: strata 0 - 200 (P15.3.1), 201 - 500 (P15.3.2), 501 - 1000 (P15.3.3), 1001 - 2000 (P15.3.4), 2001 - 5000 (P15.3.5), over 5000 (P15.3.6) The following propositions, ***Proposition P15.3.1, Proposition P15.3.2, Proposition, P15.3.3, Proposition P15.3.4, Proposition P15.3.5, and Proposition P15.3.6 are accepted based on the acceptance of Proposition 15.3.***

The result shows that the number of full time employees in a business does not have a significant effect on performance. The number of full-time employees is not a determinant factor of how a business will perform financially. If the size of a business is measured using the number of employees, then size does not matter in business performance. Gross asset value is also used as a measure of size. As shown in the discussions of Propositions P15.5.1 to P15.5.5 below, size as measured by the gross asset value does not significantly affect performance. There is consistency between the two measures of business size as regards financial performance.

The proposition P15.5 is not statistically significant and was therefore accepted. The sub propositions of proposition P15.5 are therefore not statistically significant regarding the performance factor and are therefore accepted.

Propositions P15.5.1 to P15.5.8 stated that a statistically significant variation does not exist between performance regarding the following gross asset value strata: 0 - R20 mil (P15.5.1); R21 mill - R50 mill (P15.5.2); R51 mill - R100 mill (P15.5.3); R101 mill - R500 mill (P15.5.4); R501 mill - R1 bill (P15.5.5); R1.1 bill - R5 bill (P15.5.6); R5.1 - R10 bill (P15.5.7); over R10 bill (P15.5.8).

The different gross asset value levels do not significantly affect business performance.

7.6 Managerial implications

Managerial implications on the findings are discussed in detail and recommendations to management made.

7.6.1 Correlations

The study analysed a number of correlations between factors that constitute the three constructs: strategic planning; entrepreneurial orientation; and financial performance. These correlations are revisited in order to emphasise the implications for management and businesses.

The overall observation on the correlations was that all the correlations were positive but weak.

Results show a weak correlation between strategic planning and strategic control: A strong positive relationship was expected because control is part and parcel of the strategic planning process. The implication of this result is that South African corporate management is not practising strategic planning effectively. The effective application of strategic planning implies the establishment of goals and strategies after proper analysis of both the external and internal environmental factors, establishing clear implementation schedules, measurement and corrective control measures.

If these components are not practised in their totality, then the benefits of strategic planning are lost.

- Poor strategic control implies that either the implementation plans were not properly done or were poorly effected. Either way, this result in wasted resources and the usual difficulties that comes with non-effectiveness and inefficiencies.
- Planning and control are the hallmarks of performance in that standards are set, based on trends (failure and successes), targets (visions and missions) and benchmarks (competition). If these are poorly executed, then this is a direct indictment on the quality of management and the resultant competitiveness of the business.

A weak relationship was also recorded between entrepreneurial orientation and new product introduction. From the literature review, this relationship was expected to be strong. A strong entrepreneurial orientation results in new product introduction. The weak correlation reflects a measure of awareness of the fact that an entrepreneurial orientation leads to new product introduction. This is encouraging, given the low entrepreneurial levels of South African businesses (GEM Reports). It is recommended that:

- Entrepreneurship should be promoted more within South African businesses.
- Management should be entrepreneurial, and promote entrepreneurship in businesses, taking everyone along, since new ideas come from unlikely sources.
- Entrepreneurship should be a dominant logic (Hisrich & Antoncic 2000) in business lives.
- Managers should be seen to behave entrepreneurially (Kuratko, Ireland & Hornsby 2005)

Strategic planning and entrepreneurial orientation each showed a weak, positive correlation with performance. The positive relationships are a good sign. Management should appreciate that the practice of strategic planning or that of entrepreneurship has at least a positive impact on performance. It is the authors' observation that this is a very important result for management to take heed of. This is because it is difficult, if not impossible, to isolate one activity that on its own can be said to have a strong influence on performance. It is the aggregation of a number of activities or the intensification or refinements of those activities that can result in improved performance. In order to improve performance, management should therefore:

- Improve on the quality of strategic planning (inclusive of control systems)

- Integrate strategic planning and entrepreneurship (new product introduction) in order to possibly aggregate the positivity of the relationships
- Plan performance should strategically and entrepreneurially

The author notes that the fact that the correlation is positive, though weak, at least a sign that South African businesses are making moves towards competitiveness and improved performance. Performance and competitiveness are the core accepted outcomes of strategic planning and entrepreneurship (Meyer *et. al.,* 2000; Slater & Oslon, 2000; Antoncic & Hisrich, 2004). Since the low linkages are also a reflection of the levels of the practice of strategic planning and entrepreneurial orientation, the result serves as a wake-up call to South African businesses, given the internationalisation of the global market and competitive forces. Entrepreneurial aspects such as competitive aggressiveness, (Lumpkin & Dess, 1996), edge of chaos (Eisenhardt *et. al*., 2000), posturing (Covin & Slevin, 1991), and proactive ness (Knight, 1997), call for action and are not realised by piecemeal or token appreciation or applications.

One other disturbing observation about the correlations is that new product introduction had the second weakest correlation with all the other factors including entrepreneurial orientation, save for performance. New product introduction is an outcome of successful R & D investments, an entrepreneurial orientation (Morris and Kuratko, 2002; McGrath and MacMillan, 2000) and strategic renewal, (Guth & Ginsberg, 1990) and business learning (Senge 1996).

- New product introduction (innovation and creativity) should be vigorously pursued.

7.6.2 Analysis of variance (ANOVA)

7.6.2.1 Strategic planning

The practice of strategic planning was found not to significantly differ according to the period a business has been listed, the number of full-time employees a business has or its gross asset value.

The result with regard to listing shows that all businesses, irrespective of their listing periods, practise strategic planning. One might also deduce that the form of ownership is not at all related to the practice of strategic planning. This is so because listing is becoming public.

Listing is normally associated with large size, as are a businesses' number of employees and its gross asset value. The result shows managers that size does not matter. All businesses should and do practise strategic planning.

The study show that businesses aged less than 2 years significantly differed from the other age groups when it came to strategic planning. This result shows that strategic planning consciously does take place in the business's infancy but tends to die down or occupy a low profile with time. Whether with time the business is preoccupied with operational planning or implementation, the author's interpretation of this is that this shows a lack of the institutionalisation of planning. A lack, or poor application, of strategic planning is noted by Stonehouse and Pemberton (2002) and Drejer (2004). Failure to institutionalise strategic planning and entrepreneurship will negatively affect business renewal. Managers are therefore advised to:

- Apply strategic planning properly if they are to derive the maximum benefits that it provides.
- Treat operational plans as part of the operationalisation of strategic plans (Kuratko & Hodgetts 1992).

7.6.2.2 Strategic control

The strategic control factor's findings show that age, duration of listing, number of full-time employees, gross income and gross asset values do not significantly affect strategic control. This finding supports the above discussion that all businesses, irrespective of size (whatever the measurement of size), should religiously apply strategic planning in order to derive the benefits.

7.6.2.3 Entrepreneurial orientation

The finding that a business's entrepreneurial orientation is not significantly affected by either age, duration of listing, number of employees, gross income levels and gross asset value relates roughly to age and business size. The deductions and implications for management can be summarised as follows:

- Newly established / listed businesses can be as entrepreneurial as those that have been operating for long periods of time. Being entrepreneurial cannot be equated to the experience curve or to business life cycles (aspects that are related to time or age of business)
- Managers of new or old businesses should not use age or size as an excuse for not being entrepreneurial
- All businesses should be entrepreneurial, considering that they are competing in the same dynamic environment.

7.6.2.4 New product introduction

The finding that businesses with lower gross asset values play a more significant role in product introduction implies that if businesses become large, the need for corporate entrepreneurship becomes imperative. This is because corporate entrepreneurship promotes the creation of new ventures which then are smaller in asset value and more agile and creative. Managers especially of large businesses (large in asset value) should understand and practise corporate entrepreneurship because it promotes new venture creation (venturing). Venturing in itself is a form of new product introduction. Managers should try to introduce as many new products as possible, as the benefits of new product introduction are well documented. These include first mover advantages.

The fact that the other factors (age, listing duration, employee numbers and income) do not significantly affect new product introduction is very important, in that age (operations or listing) and size (employee numbers, income volumes) should not be used as reasons for limiting new product introduction. All businesses, irrespective of these factors have the same propensity to introduce new products and be competitive.

7.6.2.5 Performance

Age, listing, number of employees and asset values variables were found not significantly to affect financial performance. This means that young and old businesses, newly listed or listed for a long time, can perform equally. Businesses of different employee sizes and asset values can also financially perform equally. Managers should develop a competitive mindset and be prepared to compete or “take on” businesses of all ages, employee sizes, and asset values. The gross income variable was found to significantly affect business performance. This is expected, since income is the denominator of financial performance. Managers should always be aware that the customer, or market, is the route to the bottom line. The best way to the generate income is through entrepreneurially planning how to best create customer value and to deliver it in a strategic, entrepreneurial way. A strategic entrepreneurial mindset is what will drive managers to create value.

7.7 Chapter summary

In conclusion, a positive correlation was found between strategic planning and the following factors: strategic control; entrepreneurial orientation; new product introduction; and performance. However, this relationship is weak and so statistically insignificant.

In variance analysis, it was found that duration of listing, number of full-time employees and gross income do not have a significant effect on strategic planning, while age and gross asset value do. Age and gross asset value variables were found to significantly influence strategic planning.

Age, duration of listing, number of full-time employees, gross income and gross asset value were found not to have a significant effect on strategic control. The same variables were also found not to have any significant effects on a business’s entrepreneurial orientation.

New product introduction was found not to be significantly affected by age, duration of listing, number of full-time employees or gross income. It is significantly influenced only by gross asset value. The asset value levels that are significant are those over R10 billion.

The performance factor was found to be statistically significant with the gross income variable. The income level 0 – 50 million rands category was found to have a significant influence on all the other income categories. The other variables: age; duration of listing; number of full-time employees; and gross assert values were found not to be significant with regard to the performance factor.

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Managers are advised to practise strategic planning and entrepreneurship to enable them to be competitive in today's dynamic world. Strategic entrepreneurial orientation should be a business's dominant logic in order to keep the business on a competitive focus.

Chapter 8

Conclusions and Recommendations

Victory is the main objective of war. If this is long delayed, weapons are blunted and morale depressed. For there has never been a protracted war in which a country has benefited.

McNeilly 1996:29

8.1 Introduction

This chapter discusses the implications of the findings of the research as presented in the previous chapter. Conclusions are then drawn from the evidence and recommendations made.

8.2 Conclusions and recommendations

The study aimed to find out the relationship between the practice of strategic planning and corporate entrepreneurship. The study incorporated the two separate constructs, strategic planning and entrepreneurial orientation and tested the prevalence of these in South African public businesses. These were tested against business performance. In the final analysis strategic planning was represented by two factors: planning and strategic control, while entrepreneurship was also represented by two factors, new product introduction and entrepreneurial orientation. The effects of strategic planning and corporate entrepreneurship were tested against the performance factor. The correlations were weak but positive.

The results show that South African businesses practise strategic planning and also practise corporate entrepreneurship. It is recommended that South African public businesses be encouraged to practise strategic planning and entrepreneurship because of the benefits that can be derived, as discussed in the literature. The results of this study show that there is a weak relationship between those businesses that practise strategic planning and those that practise entrepreneurship. The fact that there is a weak relationship between the practice of strategic planning and entrepreneurship implies the absence of a combined practice of

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strategic planning and entrepreneurship, that is, the absence of entrepreneurial strategic planning. The practice of strategic entrepreneurship or entrepreneurial strategic planning is strongly to be encouraged.

8.3 Strategic planning

The results show that those businesses that have been listed for periods of less than two years practise strategic planning more than those that have been operating for longer periods. This result needs further investigation to understand why, considering the fact that planning was not significantly related to age of operations. Reasons for the result cannot be explained by the empirical evidence or by literature.

Businesses whose gross asset values are between R501 million and R1 billion were found to be the most significant in the practice of strategic planning. This was higher than those businesses with lower asset values (R21 million to R50 million) and those with values of over R10 billion.

8.4 Entrepreneurial orientation

There was no significant relationship found between entrepreneurial orientation and a businesses' age, duration of listing, number of employees, gross income and gross asset value. This basically implies that the entrepreneurial orientation of public businesses in South Africa is very low. This raises serious concerns as to the competitiveness of South African businesses, bearing in mind the importance of entrepreneurial orientation. This explains why South Africa has one of the lowest entrepreneurial orientations of those nations that were evaluated according to the GEM report. The country's rating has hardly improved since 2001, when South Africa was surveyed for the first time. The benefits of entrepreneurial orientation are well documented and South African corporations are encouraged to take entrepreneurship seriously. The advantages of corporate entrepreneurship should be promoted and taught to businesses so that they appreciate the benefits of such an orientation.

8.5 New product introduction

New product introduction was found to be significantly associated with gross asset values. This implies that asset values have an effect on how businesses introduce new products. New product introduction is a key factor of corporate entrepreneurship.

The results show that those groups of businesses with gross asset values of between R51 million and R100 million and those with gross asset values of from R21 million to R50 million have a higher new product introduction propensity than those with gross asset values of over 10 billion rands. This shows that those businesses which are relatively small, measured by asset values, tend to introduce more new products than the bigger asset valued businesses.

This is supported by the literature. The smaller businesses may tend to be more energetic, be in the growth stage and suffer less from technological inertia. The literature shows that there is a need for businesses to be innovative and introduce new products for them to succeed in today's highly competitive environment. Businesses should know that size (in asset value terms) should not be a liability in entrepreneurship. This is the reason why corporate entrepreneurship is important because it basically mitigates against new product or innovativeness inertia.

8.6 Performance

A significant positive relationship was recorded between performance and gross income.

The results show that those businesses in the lowest income category (between R0 and R50 million) perform better than those with higher income levels. This implies that businesses normally termed as small / medium businesses perform better than the large businesses. Gross income is a measure of the size of a business. Businesses categorised as small to medium usually also have deliberate government support and policy concessions. The fact that smaller businesses (measured by income) tend to perform better than the bigger ones supports the drive for corporate entrepreneurship, in that corporate entrepreneurship is all about starting or giving birth to smaller new businesses within the big businesses in order to reinvigorate the parent business; as pointed out by Rose and Ito (2005), this provides adaptive survival material for the parent business. South African businesses should therefore promote corporate venturing, since both the literature and this research show that the newborn businesses perform well.

Based on this study's findings and previous research, (Kuratko & Hodgetts 1992:466), it can be concluded that strategic planning and entrepreneurial orientation contribute to improved performance.

8.7 Contribution of study

The study contributes to the body of knowledge in the field, especially the integrative study of strategic planning and corporate entrepreneurship. An empirical test on the application of the two constructs might not have been carried out elsewhere before. This makes the findings very important. No such empirical research has been carried out on South African businesses, which make the results important to the performance and competitiveness of these businesses.

The study has also made its modest contribution to the very limited literature on strategic planning and corporate entrepreneurship in South Africa.

The study also managed to do a cross-cultural validation of the strategic planning instrument used by Parnell and Kargar (1996) and the Entrepreneurial Performance Index by Morris & Kuratko (2002). The same instrument, when used by Parnell and Karger, generated seven factors, namely, internal orientation, external orientation, functional coverage, involvement of key personnel, use of planning techniques, creativity in planning and focus on control, while this study generated two factors, namely strategic planning and strategic control. The instrument was cross-validated by O'Regan, and Ghobadian, (2002) in the UK study "Effective strategic planning in small and medium businesses". The reason for the results in this study might be that the two previous studies were on small and medium sized businesses, while the current study was on large (listed) businesses.

The other reason for the cross-cultural non-validation in the present study might emanate from the respondents. If the practice of strategic planning is weak or does not completely encompass all the facets covered by the American and British studies, then the author is of the view that some of the variables would be lost and fewer factors generated. This view of poor application tends to be supported by the results of this study, which show weak relationships between inseparable aspects of strategic management, i.e. planning and control.

The Entrepreneurial Performance Index (EPI) by Morris and Kuratko had potential to generate four factors: behavioural dimensions, new product introduction, business orientation and management decision making. In this study it instead generated only two factors, new product introduction and entrepreneurial orientation. The low level of entrepreneurial orientation among South African businesses might be the reason for the generation of only two factors, rather than poor applicability of the instrument.

In exploratory and confirmatory factor analysis, effect on effectiveness and efficiencies did not emerge as a distinct dimension of the environmental construct and was not included in the model that was analysed.

8.8 Limitations of study

One limitation of this study is that it covered only big businesses. It studied only JSE listed businesses, thereby excluding many other business types and sizes that are not listed. It studied only listed businesses, thereby leaving out all those that were not listed, whether they were big or small. By studying only listed businesses (public businesses), other forms of ownerships, such as private businesses, close corporations, parastatals, partnerships and sole traders were left out. Some of the businesses incorporated under these other forms of ownership have the same characteristics and challenges as those studied, and it would have been interesting to see how they fared if comparisons could have been made. The study did not delineate the different type of businesses or sectors, for example.

The study could also have considered the different industrial sectors in its study and tried to establish how entrepreneurial the different industrial sectors or divisions, such as manufacturing, retail, pharmaceuticals, are.

As earlier indicated, the research instruments would need to be tested in another setting where the strategic planning levels of businesses are the same as those in South Africa or where the level of entrepreneurial orientation can be equated to that of the country.

Wickland and Shepherd (2005:87) point out that the entrepreneurial orientation construct is one construct that has been applied in several countries and that possible differences in findings may be attributed to differences in business cultures.

The informant bias may be a limitation. The questionnaire was in most cases completed by an individual business representative and there was no testing for inter informant reliability. The senior management was selected as the key data source. Perceptual measures were used and so the perceptions of the senior manager interviewed might be specific to the informant and might be different if someone else in the business provided the data. Despite these limitations, the selected study designs and methods were appropriate for achieving the goals of this study and for making some important contributions.

The South African context of the study limits the generalisation of findings.

Future research should be directed at both the creation and advancement of corporate entrepreneurship. It is hoped that the findings presented in the dissertation will spur further research in corporate entrepreneurship, especially in South Africa as a developing country where the total entrepreneurial activity is comparatively very low.

According to Ma and Tan (2006:705) and Cooper, Markman & Niss (2000:115), the study of entrepreneurship is quite young, and the number of people teaching and researching in the field is limited. As an academic discipline the field of entrepreneurship is desperately in need of more solid theoretical work that will help strengthen its conceptual and empirical foundation, and more importantly, provide guidance for emulators so their success opportunities will be improved.

While a great deal of understanding about entrepreneurship has been achieved in the past decade, integrative approaches have been rare (Antoncic, Cardon & Hisrich 2004:174) and so integrative studies such as this one should be pursued.

South African research on corporate entrepreneurship is almost nonexistent. Scholars are therefore urged to contribute towards this discipline and assist in the development of South African businesses.

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Annexure 1

QUESTIONNAIRE

Please complete the following questionnaire by answering the questions below as truthfully as you can as they relate to your business.

For office use only

1. Respondent Number	V1 [ ][ ][ ] 1-3
2. For what duration has the business been operating: Less than 3 years [ ] 4 to 10 years [ ] 11 to 20 years [ ] 21 to 50 years [ ] More than 50 years [ ]	V2 [ ] 4
3. For what duration has the business been listed on the Johannesburg Stock Exchange (JSE): Less than 5 years [ ] 6 to 10 years [ ] 11 to 20 years [ ] 21 to 50 years [ ] More than 50 years [ ]	V3 [ ] 5

4. Does the business have a Dual Listing on the JSE: V4 ☐ 6

Yes	
No	

STRATEGIC PLANNING

1. How important to the business is the conducting of regular situation audits? V5 ☐ 7

4. Very important	3. Important	2. Less important	1. Not important

2. How important to the business is the training of employees, to ensure that they do their jobs well? V6 ☐ 8

4.Very important	3. Important	2. Less important	1. Not important

3. How important to the business is the good rewarding of employees? V7 ☐ 9

4:Very important	3: Important	2: Less important	1:Not important

4.How important to the business is the analysis of its financial position? V8 ☐ 10

4:Very important	3: Important	2: Less important	1: Not important

5. How much importance does the business place on the use of past performance in projecting future performance? V9 ☐ 11

4: Great importance	3: Moderate Importance	2: Less importance	1: None

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6. How important to the business is the comparison of past product weaknesses and strengths with that of the present products?

4: Very important	3: Important	2: Less important	1: Not important

V10 ☐ 12

7. How important to the business is the analysis of potential new business opportunities?

4: Very important	3: Important	2: Less important	1: Not important

V11 ☐ 13

8. How important to the business is the time spent to get information about the business's customers through market research?

4: very important	3 :Important	2: Less important	1: Not important

V12 ☐ 14

9. How important to the business is the assessment of competitors' market activities?

4: Very important	3: Important	2: Less important	1: Not important

V13 ☐ 15

10. How important to the business is the anlysis of potential business threats?

4: Very important	3: Important	2: Less important	1: Not important

V14 ☐ 16

11. How important to the business is the use of marketing tools (pricing/ promotion/ distribution/ products) in the planning process?

4: Very important	3: Important	2: Less important	1: Not important

V15 ☐ 17

12. How important to the business is the recruitment/ hiring of the best possible candidates?

4: Very important	3: Important	2: Less important	1: Not important

V16 ☐ 18

13. How important to the business, is the retention of the best employees?

4: Very important	3:Important	2: Less important	1: Not important

V17 ☐ 19

14. How important to the business, is the participation of senior management in strategic planning?

4: Very important	3:Important	2: Less important	1: Not important

V18 ☐ 20

15. How important to the business is the involvement of supervisors in the strategic planning process?

4: Very important	3: Important	2: Less important	1: Not important

V19 ☐ 21

16. How important to the business is the involvement of Board of Directors (BOD) in the strategic planning process?

4: Very important	3: Important	2: Less important	1: Not important

V20 ☐ 22

17. When doing financial planning, how important to the business is record keeping?

4: Very important	3: Important	2: Less important	1: Not important

V21 ☐ 23

18. When doing financial planning, how important to the business is the preparation of periodical financial statements from records kept?

4: Very important	3: Important	2: Less important	1: Not important

V22 ☐ 24

19. When planning, how important to the business is sales budgeting (sales forecasts)?

4:Very important	3: Important	2: Less important	1: Not important

V23 ☐ 25

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20. When planning, how important to the business is cash budgeting (cashflow forecasts)?

4: Very important	3: Important	2: Less important	1: Not important

V24 ☐ 26

21. When planning, how important to the business is the setting of production targets/ budgets (production forecasts)?

4: Very important	3: Important	2: Less important	1: Not important

V25 ☐ 27

22. How important to the business is the comparisons of budgets with actuals?

4: Very important	3: Important	2: Less important	1: Not important

V26 ☐ 28

23. How important to the business is the comparison of contribution margins of the different products/ services in the business?

4: Very important	3:Important	2: Less important	1: Not important

V27 ☐ 29

24. How important to the business is the improvement of your ability to anticipate, threats in the business?

4: Very important	3: Important	2: Less important	1: Not important

V28 ☐ 30

25. How important to the business is the identification of key problems in the business?

4: Very important	3: Important	2: Less important	1: Not important

V29 ☐ 31

26. How much attention does the business give to enhancing the capacity to generate new ideas?

4: Great attention	3: Moderate attention	2: Little attention	1: No attention

V30 ☐ 32

27. How much attention does the business give to anticipating barriers to strategy implementation?

4: Great attention	3: Moderate attention	2: Little attention	1: No attention

V31 ☐ 33

28. How important to the business is the communication of top management plans to lower level employees as a tool for management control?

4: Very important	3: Important	2: Less important	1: Not important

V32 ☐ 34

29. How important to the business is the communication of line management concerns to top management as part of the control process?

4: Very important	3: Important	2: Less important	1: Not important

V33 ☐ 35

30. How important to the business is the use of controlling as a managenent tool?

4: Very important	3: Important	2: Less important	1: Not important

V34 ☐ 36

31. How important to the business is the monitoring of the implementation of the business's strategy?

4: Very important	3: Important	2: Less important	1: Not important

V35 ☐ 37

32. How important to the business is the use of multiple financial control measures?

4: Very important	3: Important	2: Less important	1: Not important

V36 ☐ 38

33. How important to the business is the use of control techniques to monitor performance?

4: Very important	3: Important	2: Less important	1: Not important

V37 ☐ 39

34. How important to the business is the use of control systems in revising current plans?

4: Very important	3: Important	2: Less important	1: Not important

V38 ☐ 40

35. To what extent, does the business, believe that strategic planning leads to organisational effectiveness?

4: Great extent	3: Moderate extent	2: Little extent	1: None

V39 ☐ 41

36. To what extent, does the business believe that strategic planning leads to better performance?

4: Great extent	3: Moderate extent	2: Little extent	1: None

V40 ☐ 42

Business Orientation.

For the following statements, Please circle the number that best corresponds with your level of agreement with each statement.

Our business is charecterised by:

	Strongly agree	Agree	Unsure	Disagree	Stronly disagree	
1. A high rate of new product,service introductions compared to our competitors(including new features and improvements)	1	2	3	4	5	V41 ☐ 43
2. An emphasis on continuous improvement in methods of production and/ service delivery:	1	2	3	4	5	V42 ☐ 44
3. Risk taking by key excecutives in seizing and exploring chancy growth opportunities:	1	2	3	4	5	V43 ☐ 45
4. A "live and let live" philosophy in dealing with competitors:	1	2	3	4	5	V44 ☐ 46
5. Seeking of unusual, novel solutions by senior executives to problems via the use of "idea people" brainstorming etc:	1	2	3	4	5	V45 ☐ 47
6. A top management philosophy that emphasises proven products and services, and the avoidance of heavy new product development costs:	1	2	3	4	5	V46 ☐ 48
7. A charismatic leader at the top:	1	2	3	4	5	V47 ☐ 49

In our business top level decision making is charecterised :

	Strongly agree	Agree	Unsure	Disagree	Stongly Disagree
8.Cautious, pragmatic, step-at-a-time adjustments to problems:	1	2	3	4	5
9. Active search for big opportunities:	1	2	3	4	5
10. Rapid growth as the dominant goal:	1	2	3	4	5
11. Large, bold decisions despite uncertainities of the outcome:	1	2	3	4	5
12.Compromises among the conflicting demands of owners,government,management, customers,employees,suppliers, etc	1	2	3	4	5
13. Steady growth and stability as primary concerns:	1	2	3	4	5

V48 ☐ 50

V49 ☐ 51

V50 ☐ 52

V51 ☐ 53

V52 ☐ 54

V53 ☐ 55

New product introduction

1.How many new products did your business introduce during the past two years?	Write No:

V54 56

	None	Less	Same	More	Significantly More
2.How will you rate the number of product improvements during the past two years compared with those of the previous years?	1	2	3	4	5
3.How does the number of your product introductions compare with those of your major competitors?	1	2	3	4	5
	No extent	Little extent	Moderate extent	Great extent	
4. To what extent did these new product introductions include products that did not previously exist in your markets (new to the market)?	1	2	3	4	

V55 57

V56 58

V57 59

New service Introduction (for those who sell services)

	Significantly less	Less	Same	More	Significantly more
1. How will you rate the number of services your business introduced during the past two years compared to previous years?	1	2	3	4	5
2. How many existing services did you significantly revise or improve during the past two years compared to the previous years?	1	2	3	4	5
3. How does the number of service introductions your business made compare to those of competitors?	1	2	3	4	5

V58 60

V59 61

V60 62

	No extent	Little extent	Moderate extent	Great extent
4. To what extent did these new service introductions include services that did not previously exist in your markets?	1	2	3	4

V61 ☐ 63

New Process Introduction

	None	Significantly less	Same	More	Significantly more
1. Please rate the increase in the number of new methods or operational processes your business implemented during the past two years compared with the previous years. Examples of process innovations include: new systems for managing customer service or inventories, an improved process for collecting receivables, a major new sales or distribution approach, etc	1	2	3	4	5

V62 ☐ 64

Key Business Behavioral Dimensions.

The following questions relate to the approach that underlies the way your organisation conducts business. Please mark with an X the number that best represents the relative emphasis your business places on the two criteria given. The number 1 indicates that more emphasis is placed on the left and 5 more emphasis on the right.

1. Our business's current strategic orientation is:

Influenced primarily by the resources we currently control	1	2	3	4	5	Influenced primarily by the perception of untapped opportunity

V63 ☐ 65

2. With regards to new opportunities, our business tends to:

Commit fairly quickly, capitalize and move to the next opportunity.	1	2	3	4	5	Approach with an evolutionary commitment that tends to be of long duration.

V64 66

3. Our business' s approach to investing resources in new opportunities tends to involve:

Multiple stages with minimal commitment at each stage	1	2	3	4	5	A single stage with complete commitment upon decision

V65 67

4. When managing or controlling resource, we tend to:

Episodic use, renting, leasing, contracting and outsourcing of resources.	1	2	3	4	5	Ownership, purchase, control and employment of resources we use.

V66 68

5. Our business's management structure can be characterised as:

A flat structure with multiple informal networks	1	2	3	4	5	A hierachical structure with clearly defined authority and responsibility

V67 69

6. Our business's compensation and reward system is:

Value based and team based with unlimited earnings potential for employees	1	2	3	4	5	Resource based, driven by short term perfomance data, with unlimited earning potential for employees

V68 70

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ENTREPRENEURSHIP AND PERFORMANCE

Please indicate the degree to which corporate entrepreneurship has impacted positively on performance since its introduction in your business, using the measurements listed below.

1.Return on Investment (ROI)

5. Great impact	4.Significant impact	3.Moderate impact	2. Slight impact	1. No impact

V69 [ ] 71

2. Return on Equity (ROE)

5. Great impact	4.Significant impact	3.Moderate impact	2. Slight impact	1. No impact

V70 [ ] 72

3. Sales Turn Over (STO)

5. Great impact	4.Significant impact	3.Moderate impact	2. Slight impact	1. No impact

V71 [ ] 73

4. Net Profits (NPAT)

5. Great impact	4.Significant impact	3.Moderate impact	2. Slight impact	1. No impact

V72 [ ] 74

5. Asset Value (PV)

5. Great impact	4.Significant impact	3.Moderate impact	2. Slight impact	1. No impact

V73 [ ] 75

Number of full-time employees in the business?

0 – 200	
201 – 500	
501 – 1000	
1001 – 2000	
2001 – 5000	
Over 5000	

V74 [ ] 76

Gross income/ sales per annum?

0 – 50 million Rands	
51 – 100 million Rands	
100 – 500 million Rands	
500 – 1 billion Rands	
1.1 – 5 billion Rands	
5.1 – 10 billion Rands	
Over 10 billion Rands	

V75 ☐ 77

Gross asset value in Rands (excluding buildings)?

0 – 20 million Rands	
21 – 50 million Rands	
51 – 100 million Rands	
101 – 500 million Rands	
501 – 1 billion Rands	
1.1 – 5 billion Rands	
5 – 10 billion Rands	
Over 10 billion Rands	

V76 ☐ 78

THANK YOU FOR YOUR TIME AND COOPERATION.

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