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# Strategic entrepreneurship in the South African financial services industry.

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# *Strategic Entrepreneurship in the South African Financial Services Industry*

***by***


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**A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration**


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# ABSTRACT

Understanding the internal relationships within Strategic Entrepreneurship and its effect on the organisation is becoming increasingly crucial in the current complex and progressive business environment. Investigation into the consequences that the actions making up Strategic Entrepreneurship have on one another and on organisational performance is reviewed. Furthermore these actions are grouped together as constructs of Strategic Entrepreneurship, evaluating their collective relationship with organisational growth and financial performance in large financial organisations in South Africa.

These relationships are analysed by testing hypothetic relationships between the dimensions of Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and both their individual and collective (SE) relationship with organisational growth and financial performance. Non parametric Spearman's rank order correlation was performed to confirm that the selected dimensions of Strategic Entrepreneurship correlate strongly with each other and with organisational performance.

This research found that Entrepreneurial Orientation correlates the strongest with all other sub-constructs of Strategic Entrepreneurship (SE) as well as with organisational Performance. Leading to the conclusion that Entrepreneurial Orientation (EO) is complimentary to Innovation, Entrepreneurial Leadership and organisational Performance and deemed the most valuable component of an effective Strategic Entrepreneurial strategy.

This research motivates further investigations into a potential causal relationship between each of these sub-constructs. As well as proposing exploration into their collective causal impact on increased organisational performance (as illustrated in fig 6, p30).

This study is also confirms that Strategic Entrepreneurship is a critical requirement for the creation of Innovation, value, performance and ultimately wealth. This result is not only applicable to the South African Financial Services industry but also to a variety other industries and smaller institutions.

# DECLARATION

I Petrus Jacobus du Toit, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree: Master of Business Administration at the University of the Witwatersrand, Johannesburg. This has not been submitted before for any degree or examination at this or any other university.

---

Petrus Jacobus du Toit

Signed at ……

On the …….. day of …… 20…..

# DEDICATION

To my Beautiful wife, who had confidence in me and believed in my ability long before I had any belief in myself. Your dedication and encouragement inspired me to keep pushing my limits. I now know there is no limit to what one can achieve with a support system, loving family, and God's blessing in my life.

I dedicate this to my wife and two daughters who never showed any hesitation or doubt and completed this journey by my side.

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# CHAPTER 1. INTRODUCTION

## 1.1 Purpose of the study

Strategic Entrepreneurship have been described as strategically orientated entrepreneurial actions (Ireland, Hitt, & Sirmon, 2003). Ketchen et al., (2007) suggested that an organisation driven to create wealth would face challenges in both the fields of Strategy and Entrepreneurship, and that the exclusion of any one of the two would increase the organisation's chances of failure (Ketchen, Ireland, & Snow, 2007). Some regard Strategic Entrepreneurship to be focused commitments and actions applied with an entrepreneurial mind-set, or alternatively as an entrepreneurial action with a systematic approach (Ireland et al., 2003; Kraus, Kauranen, & Reschke, 2011; Kuratko & Audretsch, 2009).

This research intend to examine the potential correlation of the key Strategic Entrepreneurial inputs and outputs synonymous with Strategic Entrepreneurship within the South African financial services industry. This study emphasises the value to be gained from the efficient use of Strategic Entrepreneurship. This is achievable through the balancing of opportunity seeking and advantage seeking behaviour which would ultimately result in growth and wealth creation for the organisation (Hitt, Ireland, Camp, & Sexton, 2001; Ireland et al., 2003).

This study intends to establish associations between the constructs of Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and perceived organisational Performance. Measuring and researching these constructs within a thriving industry provides the first step toward proving relationships between the constructs that make up Strategic Entrepreneurship.

## 1.2 Context of the study

Over the last 20 years the nature of change in the business environment has altered. Change is no longer additive or straight line, we are in a new age where change is discontinuous, abrupt and sporadic (Hitt et al., 2001).

The South African financial services industry is dynamic, rapidly changing and highly competitive (Banking association of South Africa, 2014). In accordance with the World

Economic Forum Global competitiveness Index (2015) South Africa possess the most efficient financial market in Africa, ranking 12th in the world. One could state that South Africa possess a well regulated banking system that compares favourably with many industrialized countries (Banking association of South Africa, 2014; WeForum, 2015).

The financial services industry's importance have increased significantly since the introduction of major industry disruptions such as deregulation, increased competition, the exponential pace of technology, innovation and growing expectations from their target customer base (Akamavi, 2005). The South African Banking sector continues to diversify its product range, increase its competitiveness and broaden its financial access to more people (Banking association of South Africa, 2014). The blurring of industry lines has already started with South African Banks offering services traditionally not associated with banking i.e. mobile and data services, iPads, computers, cell phones, insurance- and concierge services. The opposite could also be seen in the shape of large retailers increasingly offering financial and insurance products.

Given the outlined landscape of banking in South Africa, South Africa remains a strategic gateway to Africa with a solid democratic and legislative environment (Banking association of South Africa, 2014) which has led to several foreign banks setting up business units and headquarters in South Africa, while other major players opted to attain major shareholding in industry leading local banks (Banking association of South Africa, 2014).

New service development has been documented to proceed at a much faster pace within the banking industry compared to other industries (Akamavi, 2005). This rapid speeding up of the rate of change in South Africa's banking and financial services environment means that no organisation can risk remaining static in today's dynamic and volatile environments (Hitt et al., 2001). Organisations should learn to create adaptive capabilities and competencies (Hitt et al., 2001), and can no longer simply be operationally efficient or depend on long term sustainable competitive advantages. Organisations have gained the ability to copy competitors at such a vast pace that very few competitive advantages are truly sustainable (McGrath, 2013).

In the new world where advantages are fleeting, organisations need the ability to create pipelines of transient advantages (McGrath, 2013). These advantages are essentially game changing innovations, quickly followed up by more innovation of a similar nature

(McGrath, 2013), allowing the modern enterprise to stay ahead even as competitors quickly copy their previous advantages. In this era remaining competitive is much more than achieving sustainable competitive advantage (Morris, Covin, & Kuratko, 2011). We have recently seen South African Banks respond to the environment with increased innovation and unique service offerings (Banking association of South Africa, 2014). In order to be more competitive organisations will need to come up with new and innovative ways to do business, this is not just in the products and services that they deliver, but extends to the partners they pursue, business models, internal processes, markets they target, and the unique use and bundling of resources (Kraus et al., 2011). Entrepreneurial behaviour is of major significance to organisations who have the drive to succeed in competitive environments (Kraus et al., 2011). With the introduction of entrepreneurship to strategy, the heights an organisation can attain, and the rate at which they can be achieved becomes greatly enhanced (Kuratko & Audretsch, 2009).

Several academics have called for the integration of entrepreneurship and strategic management (Hitt et al., 2001; Ireland et al., 2003; McGrath & MacMillan, 2000). More recently studies have suggested that strategic Management and Entrepreneurship need to be studied collectively (Chang & Wang, 2013; Kuratko & Audretsch, 2009).

The fields of Entrepreneurship and Strategic Management both concentrate on how organisations react pro-actively to environmental shifts and exploit opportunities that lead to the creation of wealth (Hitt et al., 2001). They are both ever-changing systems involved with the achievement of performance (Kuratko & Audretsch, 2009). It has been stated that the one action both Strategic Management and Entrepreneurship are obsessed with is the creation of wealth (Hitt et al., 2001; Ireland, Hitt, Camp, & Sexton, 2001; Ireland et al., 2003).

***Strategic Entrepreneurship (SE)*** has been described as entrepreneurial action with a strategic perspective or strategic action with an entrepreneurial mind-set (Chang & Wang, 2013; Hitt et al., 2001; Monsen & Boss, 2009). It is the actions set in motion to achieve a balance between the search for opportunity and taking advantage thereof (Ireland & Webb, 2007) that separates the successful organisations from the rest; essentially the combination of opportunity seeking and advantage seeking behaviour (Ireland et al., 2003; Ketchen et al., 2007). Effective SE helps position a organisation into a state of readiness, granting the organisation the ability to react rapidly to external environmental changes (Ireland & Webb, 2007).

Established strategic organisations will need to be more entrepreneurial, and entrepreneurial organisations will need to act more strategically (Kraus et al., 2011; Kuratko & Audretsch, 2009).

## 1.3 Problem statement

The dynamic financial services environment in South Africa has become more competitive and unpredictable at an ever increasing rate over the past few years. There has been no greater need for organisations to innovate than there is at the present (McGrath, 2013), this is a need that cannot be satisfied with once off innovations, but rather requires a constant pipeline of innovations to stay ahead of the competition (McGrath, 2013).

This poses the question: What is required by the modern day financial institution to create value, gain competitive advantage and ramp up their ability to create wealth? Can this be achieved through the methods and application of Strategic Entrepreneurship? Are the top organisations currently applying Strategic Entrepreneurship?

In a rapidly changing and hyper-competitive environment, the concentration on either strategy or entrepreneurship without the other has the ability to lead to a downturn in organisational performance and possible failure (Ketchen et al., 2007). The aggressive and hostile business climates calls for organisations to show strength in leadership, establish a culture of innovation, develop pro-active behaviour and be willing to take calculated risk. This suggests that organisations should look inward in order to create internal competitive advantage through their orientation, leadership and corporate culture. Aligning these with Strategic Entrepreneurial actions will ultimately provide the organisation the means to create value, wealth and competitive advantage (Hitt, Ireland, Sirmon, & Trahms, 2011).

A number of scholars have appealed for the integration of strategic management and entrepreneurship (Hitt et al., 2001; Ireland et al., 2001; Ireland et al., 2003; McGrath & MacMillan, 2000), arguments are ongoing as to what is deemed the core dimensions and actions that create effective Strategic Entrepreneurship (Hitt et al., 2001; Hitt et al., 2011; Ireland et al., 2001; Ireland et al., 2003; Ireland & Webb, 2007; Kraus et al., 2011; Monsen & Boss, 2009).

In this context this research would explore the dimensions of Strategic Entrepreneurship that is currently in use by the top organisations in the financial services industry of South Africa and measure the relationship of these dimensions with regards to each other and their relationship with organisational performance. This method sets out to determine the importance and significance of the chosen sub-constructs of SE in relation to each other, the construct of SE itself and ultimately their ability to attribute positively both as individual sub-constructs and collectively as SE to organisational performance.

Understanding the current stance of Strategic Entrepreneurship within the South African Financial Services Industry and the relationships of sub-constructs within Strategic Entrepreneurship would provide valuable information to management on the focus areas that would yield the most value for the organisation.

This will be expressed in more detail in the problem descriptions:

***Main problem***

Determine the positivity and strength of correlation between the levels of Entrepreneurial Leadership, Entrepreneurial Orientation, Innovations and organisational Performance within the Financial Services Industry in South Africa.

***Sub-problem 1***

Determine a positive correlation between Entrepreneurial Leadership (EL) and the organisation’s level of Innovation.

***Sub problem 2***

Determine a positive correlation between Entrepreneurial Orientation (EO) and the organisation’s level of Innovation.

***Sub problem 3***

Determine a positive correlation between Entrepreneurial Leadership (EL) and the organisation’s Entrepreneurial Orientation (EO).

***Sub problem 4***

Determine a positive correlation between the organisation's level of Innovation and the organisation's Performance (both financial and non-financial performance).

***Sub problem 5***

Determine a positive correlation between Entrepreneurial Leadership (EL) and the organisation's Performance (both financial and non-financial performance).

***Sub problem 6***

Determine a positive correlation between the organisation's Entrepreneurial Orientation (EO) and the organisation's Performance (both financial and non-financial performance).

Confirming these hypotheses would yield answers to the problem of identifying the stronger relationships between the dimensions of SE. Insight would be shed on the correlation of these dimensions and organisational performance as well as their inter-relatedness to each other within the larger construct of Strategic Entrepreneurship. The use of Strategic Entrepreneurship would be strengthened as an efficient tool in the arsenal of the modern day financial institution to unlock innovation, growth, value and wealth.

## 1.4 Significance of the study

Rauch et al., (2009) highlighted the need for future studies within the realm of Strategic Entrepreneurship (Rauch, Wiklund, Lumpkin, & Frese, 2009) in support Monsen and Boss (2009) deduced that management and employees from different organisations, react differently to SE and that a better understanding of the different reactions between industries is required. Hitt et al., (2011) stated that a need exists for further research in different countries, cultures and industries in the domain of Strategic Entrepreneurship (Hitt et al., 2011).

The data used for this study has been harvested from the financial services sector and examines the perceptions and experienced observations shared within South Africa's three largest financial services corporations which together control a combined market share of 82% of the South African Banking Industry (BusinessTech, 2013).

Making use of a self-completion questionnaire this research was able to target a large sample in multiple organisations in a fairly short space of time. The use of an alternative method may have impacted on the reliability of the research, not allowing the testing of Strategic Entrepreneurship's impact on Performance in the South African Financial services industry as effectively.

This study can be considered important due to the fact that it takes an early step in building a correlation model for Strategic Entrepreneurship in the South African Banking Industry. This data would contribute toward understanding how organisations can integrate Strategic Entrepreneurship within an organisation to create value and ultimately wealth. This could serve as a future predictor of organisational performance.

## 1.5 Delimitations of the study

The scope and sample of this study is limited to South African organisations ie.:

- In the Financial Services Industry;
- Top 3 of the "big four" Financial services conglomerates representing the majority of an industry;
- Although the population for this study are all dominant retail banks in the financial industry, they form part of an industry consisting of many other forms of financial services.
- Limited to headquarters in Gauteng (sample will be drawn from Gauteng);
- The outcomes for creation of value to be derived from this SE study are limited to the organisational creation of value only and do not include the societal or individual creation of value through SE
- The concept of SE is evaluated from the roots of strategy and entrepreneurship and excludes views about SE from other fields of study.

However the scope of the literature reviewed is not limited to South Africa.

## 1.6 Definition of terms

***Blue ocean strategy:*** The Red Ocean strategy represents all the industries in existence today, where competitors know the rules of the "game" and industry boundaries are well defined, whereas a Blue Ocean strategy denotes all the industries

not in existence today. Companies can create Blue Ocean Strategies through the creation of entirely new industries or alter the borders of an existing industry (Kim & Mauborgne, 2004).

***Corporate Entrepreneurship*** **(CE)** is also known as intrapreneurship, organisational entrepreneurship and corporate venturing (Murimbika, 2011). CE has been described as an organisation's collective actions of innovation, rejuvenation and new business creation endeavours (Morris et al., 2011).

***Dominant logic*** is defined as per the definition of Betis and Prahalad (2006) as an organisation's Dominant Logic relates to the main method and mind-set an organisation use to turn a profit and describe the cultural norms and beliefs that the company operates on.

***Entrepreneurial Leadership (EL)*** has been described as a leadership style occupied with the creation of visionary scenarios of ambitious opportunities to be realised and to convince and lead followers in such a way as to unlock potential for reaching these ambitious goals (Gupta, MacMillan, & Surie, 2004). Entrepreneurial Leadership is a fresh approach to leadership, required in today's fast changing business environment, where leaders comprehend the complexities of the rapidly changing environments and use this understanding to create value (Yang, 2008).

***Entrepreneurial Orientation (EO)*** *entails* the primary constructs of innovativeness (creativity and experimentation), risk-taking and pro-activeness (Covin. & Miles, 1999; Rauch et al., 2009; Urban & Barreira, 2010; Venter, Rwigema, & Urban, 2012; Wiklund & Shepherd, 2004; Yang, 2008). The two additional fields of autonomy and competitive aggressiveness have been added to the three classic dimensions creating five modern dimensions of EO, namely; innovativeness, risk-taking, pro-activeness, autonomy and competitive aggressiveness (Dess, Lumpkin, Eisner, McNamara, & Kim, 2012; Murimbika, 2011; Urban, 2012).

***Entrepreneurship*** has undergone evolution, from its first definitions concerning new business creation to its current form which is not restricted to new venture creation only but is also concerned with creating newness and value which are often obtained through a unique arrangement of resources along with the capitalization of advantages. Entrepreneurship can be applied within any formal or informal contexts (Morris et al., 2011).

***Financial Services Industry*** covers the major Banks and financial management services.

***Innovation*** is a function of entrepreneurship in the shape of methods utilised by the entrepreneur to shape resources purposed for wealth creation (Drucker, 2002). Innovation has also been described as actions intended to lead to the implementation of something new (Gamal, Salah, & Elrayyes, 2011).

***Strategic Entrepreneurship (SE)*** is defined by various authors as follows*: SE* includes entrepreneurial opportunity-seeking behaviour as well as strategic management's advantage-seeking behaviour, with benefits to be realised by all types of organisations (Hitt, Ireland, Sirmon, & Trahms, 2007). *SE* involves the actions of exploratory expansion in growth seeking and wealth creation (Chang & Wang, 2013). *SE* results from the combination of attributes from various fields of study, of which scholars have agreed that the majority contributions stem from the fields of strategy and entrepreneurship (Hitt et al., 2001; Ireland et al., 2001; Ireland et al., 2003; Ireland & Webb, 2007; Kraus et al., 2011; Monsen & Boss, 2009), through this the organisation is able to take advantage of the innovations resulting from the actions of continuous exploration (Ireland, 2007).

***Strategic management*** is the complete range engagements, resolve, and tasks required by an organisation to carry out its strategy of gaining sustainable competitive advantage. *Strategic Management* handles the way the organisation would develop sustainable competitive advantages that could bring forth value creation (Kraus et al., 2011).

***Strategy*** refers to the guiding principles that drives an organisation to successfully contest rival organisations (Porter, 1996). *Strategy* is a combined and systemic range of commitments and actions purposed with the exploitation of core competencies to gain a competitive advantage and generate substantial returns. *Strategy* can be described as the analyses, decisions, and actions that enable an organisation to succeed (Dess et al., 2012).

## 1.7 Assumptions

- All companies researched are registered to do business in South Africa as part of the South African Financial Services Industry;

- The sample used in this study represents the population of South African Financial Services operators in all geographical areas and therefore the result can be generalised.
- The respondents have enough knowledge of their organisation's practices and that their responses are truthful and representative of the views of their organisation.

## 1.8 Conclusion

This research aims to illuminate the Strategic and Entrepreneurial orientations and constructs in the Financial Services Industry of South Africa.

When the external surroundings are defined by intricacies, initiative and drive, businesses need to foresee future scenarios and utilize them to produce pro-active EO strategies (Urban & Barreira, 2010).

The following chapter presents the literature and consist of a discussion of the supporting theory for our proposed Strategic Entrepreneurship hypothesis, previous theoretical models important to our study, key constructs for our proposed model of SE and its theoretical impact.

# CHAPTER 2. LITERATURE REVIEW

## 2.1 Introduction

The future income from current activities is becoming increasingly unpredictable, making it necessary for organisations to continuously appropriate new opportunities (Wiklund & Shepherd, 2004). An Organisation's ability to navigate new situations and create and execute new ideas is fundamental in a knowledge based economy (Urban, 2012). The rate at which organisations must re-invent themselves is accelerating (Morris et al., 2011) and organisations need to know how to create value (Hitt et al., 2011). New and established organisations need to act entrepreneurially and strategically simultaneously (Hitt et al., 2001) to meet their main objective of wealth creation (Ireland et al., 2001). Lumpkin and Dess (1996) have argued that any organisation engaging in a mixture of higher autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness is by definition entrepreneurial. With the addition of strategy to the latter, this has ultimately been identified as the end goal of Strategic Entrepreneurship (Hitt et al., 2011).

SE draws from research of multiple fields which includes Entrepreneurship, Strategic Management, Organisational Theory and Economics (Hitt et al., 2001) with the dominant dimensions being Strategic Management and Entrepreneurship (Ketchen et al., 2007). The pursuit of both these dimensions have been deemed critical to organisations in today's environment (Ketchen et al., 2007) and have led to scholars increasingly calling for the integration between Entrepreneurship and Strategic Management (Hitt et al., 2001; Ireland et al., 2001; Kraus et al., 2011). Many authors argue that the introduction of an entrepreneurial mind-set and actions would vastly better an organisation's probability of success (Dess et al., 2012; Hitt et al., 2001; Hitt et al., 2011). SE is the tool used to address the dual challenges of exploration and exploitation (Hitt et al., 2001; Hitt et al., 2007, 2011).

The quicker the rate of change and the higher the competitive aggressiveness in an industry the more urgent the need to innovate (Urban & Barreira, 2010). With Innovation forming a sub-construct of Strategic Entrepreneurship this study supports the latter statement, calling for greater Strategic Entrepreneurship in the South African Banking Industry.

## 2.2 Foundation of Theory.

### *Strategy and Strategic Management*

**Strategy** is the long term development and management of sources of competitive advantage (Ireland & Webb, 2007) and favourable market conditions (Porter, 1996) and captures the organisation's strategic direction and its planned actions of how to get there (Kuratko & Audretsch, 2009).

Strategic management is involved with the actions to direct an organisation toward its greater goals and objectives, it incorporates various stakeholders in judgement, keeps sight of fleeting and long range stances whilst identifying trade-offs between efficiency and effectiveness (Dess et al., 2012).

Strategic Management is occupied with wealth creation (Ireland et al., 2003) and has the ability to positively influence the organisation's ability to generate profits (Hitt et al., 2011). It consists of the analysis (Dess et al., 2012), accountabilities, resolutions and actions intended to develop a competitive advantage and generate substantial returns (Hitt et al., 2001; Hitt, Ireland, & Hoskisson, 2010; Kuratko & Audretsch, 2009).

The common alignment of Strategic Management lies with the utilisation of capabilities and resources using methods that would yield pre-defined strategic goals (Kuratko & Audretsch, 2009) by combining resources and capabilities (Kuratko & Audretsch, 2009) to create value and wealth (Ireland et al., 2003; Kuratko & Audretsch, 2009).

### *Entrepreneurship*

***Entrepreneurship*** can be seen as the how and to what extent (Hitt et al., 2011) the discovery and exploitation of formerly unexploited opportunities are executed (Hitt et al., 2001). It is a creative act (Urban, 2012) that Morris et al. (2011) have described as the proficiency to create and build a vision from practically nothing. Entrepreneurial activity is essentially new means applied by organisations to exploit opportunities that have not been recognised or exploited yet (Ireland et al., 2001). They are concerned with actions to create newness (Ireland & Webb, 2007; Urban, 2012) and value (Kraus et al., 2011; Morris et al., 2011) and embrace what is new and uncertain (Dess et al., 2012). Entrepreneurs leverage Innovation and exploit opportunity in an attempt to create value which in turn creates wealth (Hitt et al., 2011; Morris et al., 2011).

### *Corporate Entrepreneurship (CE)*

Some researchers define Corporate Entrepreneurship (CE) as the capacity of the organisation to create new ventures, other scholars argue that CE includes the formal and informal activities focused on creating new ventures inside established organisations utilising product and process innovations and market developments (Morris et al., 2011). The supporters of the second definition believe that Strategic Entrepreneurship flows from CE and that they are complimentary. Kuratko and Audresh (2009) are of the view that SE is synonymous with CE, taking place in the realm of the organisation (Kuratko & Audretsch, 2009). Monsen and Boss (2009) disagree with this notion and have argued that SE is not limited to the body of Corporate Entrepreneurship and that all organisations both new and established need to engage in SE.

This research supports the view of Monsen and Boss (2009), and for the purpose of this paper CE is outlined as a separate dimension to SE, one that believes that CE is strictly limited to new venture creation within existing organisations. This is supported by referring to one type of SE classified as “domain redefinition”, discussed later in this section, where Corporate Entrepreneurship in the form of new business creation is a requisite (Kuratko & Audretsch, 2009).

### *Strategic Entrepreneurship (SE)*

Prior works have called for the consolidation of Strategic Management and Entrepreneurship (Hitt et al., 2001; Ireland et al., 2001; Kraus et al., 2011). Strategic Management and Entrepreneurship are two processes utilised to reduce uncertainty within the organisation and create more value and wealth (Hitt et al., 2011; Ireland et al., 2003; Kuratko & Audretsch, 2009) through the strategic allocation and management of resources. Competitive advantage becomes more attainable when an organisation is in control of valuable resources (Hitt et al., 2011).

SE is the intersection between strategy and entrepreneurship (Kraus et al., 2011; Kuratko & Audretsch, 2009), the combination of entrepreneurial and strategic perspectives involved with the nurturing and execution of activities intended for wealth creation (Hitt et al., 2001). They are not simply two sub disciplines viewed together as Strategic Entrepreneurship, but are mutually supportive and complimentary, making it difficult to understand the one without the other (Ireland et al., 2003).

Ketchen et al. (2007), supported this, stating that should an organisation focus on the one area to the exclusion of the other it would increase that organisation's chances of failure.

The aim of SE is to bring forth reliable streams of innovation, allowing the organisation to remain ahead of the competition (Ireland & Webb, 2007). This has been summarised as the organisation's exploitation of what they do well whilst searching for new critical paths that will secure future success (Ireland & Webb, 2007; Kraus et al., 2011).

**Exploration:** Entrepreneurial action, is a learning process to broaden and deepen knowledge stocks (Ireland & Webb, 2007). The key purpose of exploration is to create new streams of knowledge from which sustainable competitive advantage could be gained (Ireland & Webb, 2007). Exploration requires novelty and flexibility (Hitt et al., 2011) concurrent with an Entrepreneurial culture that stimulates innovation, adaptability, sets ambitious goals, takes bold risks, provides flat structures and encourage continued consultation (Venter et al., 2012). The rate at which an organisation can learn is directly related to their exploration activities (Siren, Kohtamaki, & Kuckertz, 2012).

**Exploitation:** Strategic action, rests on the knowledge of proven innovation and requires focus, managerial support and formalised procedures (Ireland & Webb, 2007). It is bound by the organisation's current resources, capabilities and combinations to exploit a current competitive advantage (Hitt et al., 2011). Exploitation requires stability and predictability (Hitt et al., 2011) and flourishes in a conservative corporate culture dominated by caution, conformity, bureaucracy, formal communication and tight controls (Venter et al., 2012).

From the above discussion one can deduce that exploration and exploitation require very different organisational focus (Hitt et al., 2011; Venter et al., 2012). With limited resources at an organisation's disposal, trade-offs need to be made to maintain a working balance between explorative and exploitative behaviour (Hitt et al., 2011). Siren et al., (2012) contended that an optimal balance would be medium levels of opportunity seeking and high levels of advantage seeking behaviour, this balance would optimize the levels of strategic learning while effectively allocating resources for exploitation.

## 2.3 The Strategic Entrepreneurship Construct

We have confirmed that Strategic Entrepreneurship encompasses the use of entrepreneurial activity to achieve strategic goals. Companies cannot afford to be static, and need to continually adjust, adapt and re-invent themselves (Morris et al., 2011). The active application of SE rewards curiosity, risk-taking, learning and innovation (Kraus et al., 2011; Siren et al., 2012).

Entrepreneurial alertness alone is insufficient to engage in SE, Strategic Management must be combined with Entrepreneurial action to be able to respond effectively (Hitt et al., 2011) to threats and opportunities in the external environments. The addition of entrepreneurship to strategy has the potential to be a beacon for a company's entire operation (Urban & Barreira, 2010).

Several scholars have argued that SE is simply Strategic Management with the addition of Entrepreneurship, and that exploration and exploitation can be balanced to achieve positive performance (Hitt et al., 2001; Hitt et al., 2011). The opposing argument states that the relationship is complex and that a simple balancing act between exploration and exploitation is not easily achieved (Rauch et al., 2009; Siren et al., 2012). There is a need for further research into the optimal balance between exploration and exploitation in a South African context (Siren et al., 2012).

We are still in the initial stage of theory development of Strategic Entrepreneurship (Kraus et al., 2011) and have used the most dominant models of SE to define the key dimensions of SE for this research.

### 2.3.1 *SE Model development*

One of the earliest models of opportunity and advantage seeking was developed by Hitt et al., (2001), since the initial models there have been a number of SE models documented illustrating the workings, dimension and interaction within the SE construct. All the dimensions highlighted by these scholars have been evaluated carefully and assisted the researcher to identify the key dimensions for establishing and evaluating Strategic Entrepreneurship.

*The following are the models key to this study:*

***SE Model by Ireland, Hitt, Camp and Sexton (2001).***

Hitt et al.(2001) deliberated that their SE model is a result of their call to integrate shared actions between strategic management and entrepreneurial action. Their research identified entrepreneurial mind-set, entrepreneurial leadership, entrepreneurial culture, strategic management of resources, application of creativity and development of innovation imperative to the development of competitive advantages (Hitt et al., 2001; Ireland et al., 2003).

They utilised the common fields shared within Strategic Entrepreneurship as per Figure 1, (p16): Innovation, establishing networks, internationalization, organisational learning, behaviour of top management teams and growth (Ireland et al., 2001). These fields take a view of SE from the fields of economics, international business, organisational theory, sociology and strategic management (Ireland et al., 2001)

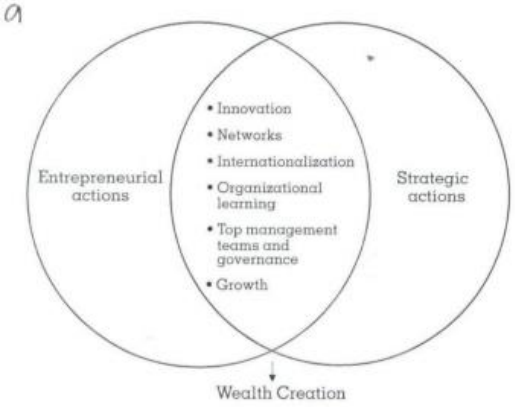


FIGURE 1
Creating Wealth Through Entrepreneurial and Strategic Actions

**Figure 1: Wealth creation through Entrepreneurial and Strategic action (Ireland et al., 2001)**

***SE Model by Ireland, Hitt and Sirmon (2003)***

These scholars proposed that an entrepreneurial mind-set, entrepreneurial culture, entrepreneurial leadership, the strategic management of resources and the application of creativity in innovation development are all key components of SE, (Figure 2, p17) forming the main part of their proposed model for SE, (Ireland et al., 2003) and seen as crucial, non-negotiable for organisational wealth creation activity.

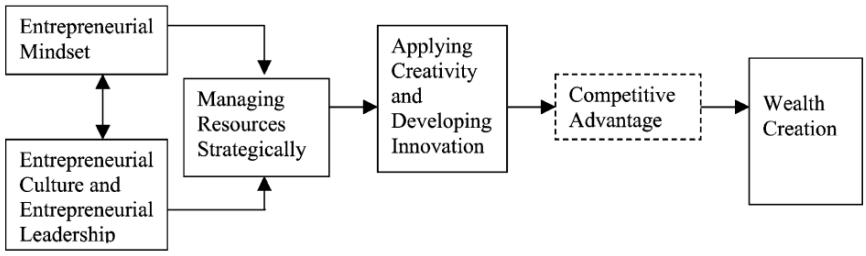


**Figure 2: Wealth creation model by Ireland, Hitt and Sirmon(2003)**

### *SE Model by Ireland and Webb (2007)*

Ireland and Webb (2007) discuss SE as the mode organisations would utilize when seeking to capitalise on present competitive advantages while actively examining viable future opportunities. They elaborated that the true SE occur when a balance between exploration and exploitation has been achieved. Only when resources could be balanced between exploration and exploitation can sustainable streams of innovation be realised. When dissecting these actions in their model (Figure 3, p17) into smaller chunks they identified cultural, operational and structural innovations that need to be managed and changed in accordance with external environments; Building a reliance on innovation and increasing the organisation's knowledge base (Hitt et al., 2007; Ireland et al., 2003).

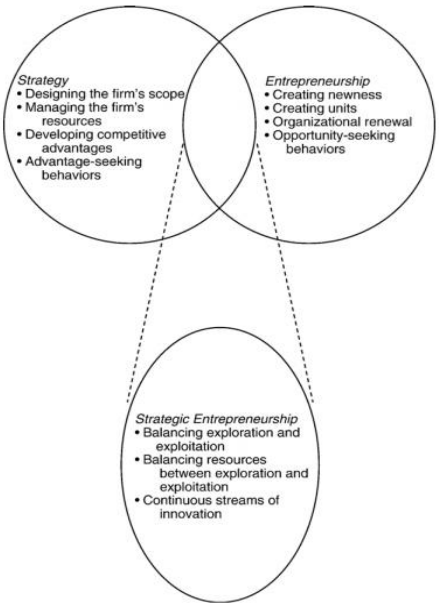


**Figure 3: SE Model by Ireland and Webb (2007)**

***SE Theory by Monsen and Boss (2009).***

Monsen and Boss, 2009 continued to identify the inputs they deem most valuable to fostering Strategic Entrepreneurship. These dimensions of SE have been noted as an entrepreneurial mind-set, an entrepreneurial culture and Entrepreneurial Leadership (Monsen & Boss, 2009). They continue to argue that the application of the above three dimensions would result in the increase in ability to orchestrate resources more strategically, apply creativity and develop innovation with the aims to attain competitive advantage and create wealth (Monsen & Boss, 2009).

***SE Model by Hitt, Ireland, Sirmon and Trahms (2011).***

Following their work in 2001, Hitt et al., (2001) continued their theory development with the focus on wealth creation through entrepreneurial and strategic actions

Hitt et al., (2011) argued that a richer model for SE was required when evaluating previous work on SE, and attempted to develop a high level input – process – output model for SE (Figure 4, p18). Their enhanced model of SE presented below integrates environmental influences and explains how resources are managed in the process of SE to create value across time (Hitt et al., 2011). The authors of this model believe that when this broader, multi levelled SE model is used effectively, it can create value for society, organisations and individuals (Hitt et al., 2011).

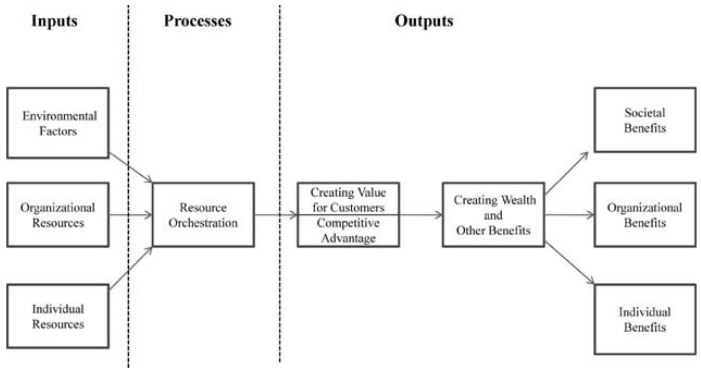


**Figure 4: SE Model by Hitt, Ireland, Sirmon and Trahms (2011)**

The model developed in this research uses strong influences from (Figure 4, p18), with major differences being a more limited scope; With focus purely on organisational input and -output or -benefits (Figure 6, p30, excluding individual and societal input or benefits from my concept).

### *SE Model by Krauss, Kauranen and Reschke (2011)*

Krauss et al.(2011) set out to synthesize the existing works of Miller (1987), Ireland, Hitt and Sirmon (2003) and Harms (2009) to develop a theoretical model serving as a seed for further research.

Figure 5 (p19) depicts the six interrelated domains of SE identified by Krauss et al. (2011) namely resources, capabilities, strategy, entrepreneurial leadership, organisational structure and the environment.

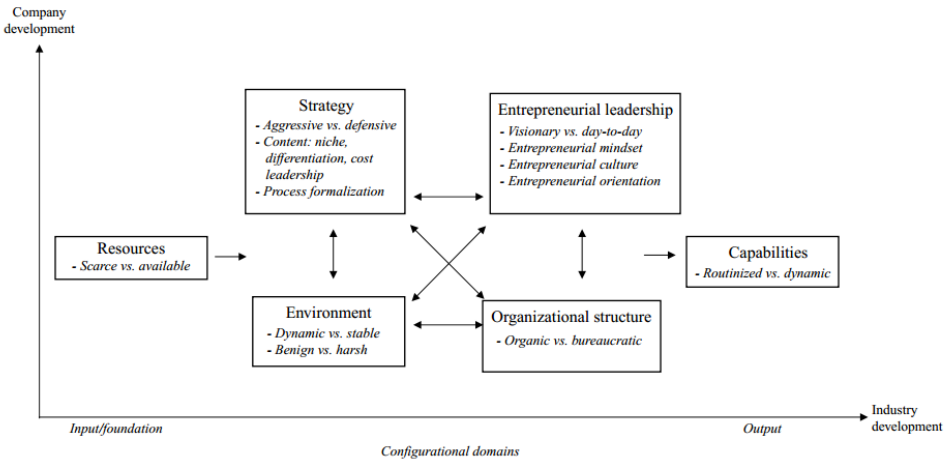


**Figure 5: SE Model by Krauss, Kauranen and Reschke (2011)**

Each one of these dimensions has additional indicators that determine their influence on the organisation's Strategic Entrepreneurship. This model was the first to combine the internal and external environments in the same configuration. The addition of organisational growth and -change reduce the necessity to obtain new resources or alter existing resources when striving to achieve the appropriate levels of product development and marketing strategy (Kraus et al., 2011).

As stated previously this research selected to focus on the strongest indicators of SE from the fields of strategy and entrepreneurship. The sub-constructs with the most relevant impact on the organisation were selected excluding areas impacting solely on the environment and/or the individual.

### 2.3.2 *Types of Strategic Entrepreneurship*

One needs to be conscious of the fact that SE is not only the execution of strategic entrepreneurial actions within the space of corporate entrepreneurship in large organisations (Monsen & Boss, 2009) and that the definition has expanded substantially over the past years to include a range of different SE types. Five additional types of SE have been identified by Kuratko and Audretsch (2009) as follows:

***Strategic Renewal***

Occurs when an organisation redefines the way it competes within a market or industry. The renewal of strategy as part of repositioning efforts for a more favourable position (Kuratko & Audretsch, 2009).

***Sustained Regeneration***

Can be a regular or continuous pipeline of innovations (Kuratko & Audretsch, 2009) or a pipeline of emerging products or services entering new markets (Ireland et al., 2003; Kuratko & Audretsch, 2009). A constant pursuit of entrepreneurial opportunities involving continuous innovation (Ireland & Webb, 2007) is the most common form of SE. Urban, (2012) highlighted the value of routine and continuous innovation and the benefit an organisation can derive from a steady pipeline of incremental innovation. This form of SE could result in new business creation in the form of Corporate Entrepreneurship (Kuratko & Audretsch, 2009).

***Domain Redefinition***

Is the creation of new markets and has been linked to a blue ocean strategy (Kim & Mauborgne, 2004) where these types of new markets or arenas have the capability to create entirely new industries or re-establish the limits of existing industries (Kuratko & Audretsch, 2009). Industry changing innovation could lead to the discovery of new markets (Ireland et al., 2003). This type of domain redefinition has the capability to render competition temporarily irrelevant and necessitates new business creation (Kuratko & Audretsch, 2009).

***Organisational Rejuvenation***

Organisational rejuvenation involves the alteration of internal processes to improve the organisation's competitive standing. These efforts are aimed at creating a superior

organisation through which strategy could be implemented (Kuratko & Audretsch, 2009). Process innovations are the most difficult to copy (Ireland et al., 2003) and should contribute to distinguish the organisations from their competitors (Kuratko & Audretsch, 2009).

***Business Model Reconstruction***

Involves the design or re-design of core business models to improve operational efficiency or serve as a means to differentiate themselves from industry competitors (Kuratko & Audretsch, 2009). Effective streams of disruptive innovations could bring forth the development of new business models (Ireland et al., 2003).

## 2.4 Key Construct to my Strategic Entrepreneurial Model

From the groupings of key elements of SE, the decision was taken to focus only on Innovation, Entrepreneurial Leadership and Entrepreneurial Orientation, and their impact, interaction and relationship with one another and with the performance of the organisation.

### 2.4.1 *Entrepreneurial Leadership*

***Leaders*** affect the effective integration of an organisation's entrepreneurial and strategic ability to generate wealth (Ireland et al., 2003) and are the driving force of the organisation (Kraus et al., 2011). The modern organisation needs effective leadership who grasps the intricacies of the rapidly changing environments (Yang, 2008). The type of leader who searches and exploits opportunities has been called the "Entrepreneurial Leader". This concept has developed with the use of research on Entrepreneurship and Leadership (Gupta et al., 2004). Entrepreneurial Leadership is required to negotiate the unprecedented and uncharted domains to be uncovered in today's ever changing markets (Yang, 2008).

The Entrepreneurial leader has the ability to anticipate changes, envision the future, maintain current output, be flexible in decision making, manage resources strategically and influence others to create a viable future for the organisation (Kraus et al., 2011; Kuratko & Audretsch, 2009). Entrepreneurial Leadership is regarded as one of the key inputs for fostering effective SE within an organisation (Kuratko & Audretsch, 2009). They create visionary scenarios where resources can be assembled and mobilised

(Gupta et al., 2004; Hitt et al., 2011) toward the application of both strategic and entrepreneurial approaches (Gupta et al., 2004).

### *Entrepreneurial Leadership roles*

Gupta et al., 2004 called for the implementation of five particular Entrepreneurial Leadership roles, adapted and modified from McGrath and MacMillan (2000). These roles are tied to the realms of scenario enactment and cast enactment (Gupta et al., 2004). This study follows these realms as outlined by Gupta (2004).

The first role an Entrepreneurial leader undertakes is the role of *framing* (Gupta et al., 2004) which entails the leader framing a challenge that will propel the unit to the limit of their capabilities without pushing them over their limits (McGrath & MacMillan, 2000).

Their second role is one of *absorbing uncertainty* (Gupta et al., 2004), the leader articulates a vision of the desired future state and then carries the burden for mistakes made in pursuit of this future (Gupta et al., 2004).

In their third role as *path clearer*, entrepreneurial leaders dissolve possible resistance and gain support from key stakeholders within internal and external environments (Gupta et al., 2004; Hitt et al., 2011).

Fourthly they fulfil the role of *inspiring and moulding* a highly committed team whilst displaying extraordinary energy and effort (Gupta et al., 2004).

Lastly the entrepreneurial leader *specifies the borders* to keep within and *sustain commitment*, by doing so the leader reshapes an individual's perception of their own capabilities (Gupta et al., 2004).

The last two roles are associated with *cast enactment* and the first three with *scenario enactment* (Gupta et al., 2004). Together these five roles divided under the two dimensions of enactment, specify the theoretical framework used to define Entrepreneurial Leadership (Gupta et al., 2004).

Entrepreneurial Leaders have a strong impact on subordinates, their presence increases the change management capability of their immediate environment (Monsen & Boss, 2009). Hitt et al. (2011), believe that individuals displaying strong Entrepreneurial Leadership ability use their capacity to deal with the challenge of identifying prospects in rapidly changing markets (Hitt et al., 2011) to create a vision

and generate a committed following for that vision ultimately leading to value creation (Gupta et al., 2004). These critical abilities form one of the three pillars of this study within the dimension of SE.

### 2.4.2 *Entrepreneurial Orientation*

Organisational culture is defined as a structure that influences how a business' personnel perceive adverse business conditions and challenges (Ireland & Webb, 2007). Ketchen et al. (2007) argue that management need to focus on developing a culture consistent with the behaviour of SE.

EO is part of a growing body of knowledge and a significant body of research has studied the concept of EO (Rauch et al., 2009). Some studies have proven positive correlation between EO and performance (Alegre & Chiva, 2013; Sharma & Dave, 2011), others have found that a correlation could not be generalized across all types of organisations (Wiklund & Shepherd, 2004). Wiklund et al. (2004) concluded in their study on EO and performance that there is a clear correlation between EO and performance for organisations functioning in rapidly changing and growing environments where demand keeps shifting and opportunities become abundant (Dess & Lumpkin, 1996; Wiklund & Shepherd, 2004). Even though EO has been viewed previously within the realms of Corporate Entrepreneurship (Dess, Lumpkin, Eisner, McNamara, & Kim, 2013), it is rooted within Strategic Management and is favourably suited for the study of Strategic Entrepreneurship (Monsen & Boss, 2009). EO has been defined as a key element in organisational and economic development (Urban & Barreira, 2010) and paramount to increased organisational performance (Venter et al., 2012).

EO stimulates creativity and spontaneity occurring within the framework of Strategic Entrepreneurship (Hitt et al., 2001). Entrepreneurial Orientation is related to the dimensions of Strategic Entrepreneurship (Monsen & Boss, 2009) and represents the strategy-making process that provides organisations with the foundation for entrepreneurial activity and decisions (Dess et al., 2012; Rauch et al., 2009; Venter et al., 2012) and has been called a key ingredient for the success of a modern day organisation (Urban, 2012; Yang, 2008).

## Dimensions of EO

EO and the impact of its dimensions can differ across countries, varying with each countries' cultures and norms (Rauch et al., 2009). An Entrepreneurial culture is one where novel approaches and inventiveness are the norm, risk-taking is encouraged, mistakes are learned from, personal growth is paramount and innovations are promoted (Ireland et al., 2003; Monsen & Boss, 2009). Venter et al. (2012) supports these findings by stating that organisational culture is a shared phenomenon within Entrepreneurial Orientation. Organisations actively pursuing EO applies innovativeness (creativity and experimentation), risk-taking and pro-activeness (Covin. & Miles, 1999; Rauch et al., 2009; Urban & Barreira, 2010; Venter et al., 2012; Wiklund & Shepherd, 2004; Yang, 2008)

The three dominant dimensions of EO as identified over the years are innovativeness, pro-activeness and risk-taking behaviour and have been shown in previous studies to be moderately to strongly correlated to EO (Monsen & Boss, 2009). Lumpkin and Dess (1996) have proposed the addition of the dimensions autonomy and competitive aggressiveness to the body of EO. Given the history of the first 3 dimensions of EO as well as the proven reliability of these constructs in the EO scale developed by Covin and Slevin (1989) grounded on prior research by Khandwala (1976/1977) and Miller and Friesen (1982), also taking into account successful research completed using these three dimensions, this study chose to focus on EO and its three initial dimensions of pro-activeness, risk-taking and innovativeness.

***Pro-activeness*** has been described as a stance of preceding and responding to the demands and requirements that will exist in tomorrow's market, establishing first mover advantage (Wiklund & Shepherd, 2004). Pro-active organisations are pioneers with the ability to capitalise on emerging opportunities (Dess et al., 2012; Wiklund & Shepherd, 2004).

***Risk-taking*** is the readiness to devote valuable reserves toward ventures with a high cost of failure (Miller & Friesen, 1982), furthermore requiring the commitment of resources to projects with unknown outcomes (Dess et al., 2012; Wiklund & Shepherd, 2004).

***Innovativeness*** indicates an inclination of the organisation to develop novel ideas, experiment with new possibilities and implement creative processes (Wiklund &

Shepherd, 2004). Innovativeness has been described as an attitude and orientation toward innovation referred to as a willingness to add value, novelty and newness (Dess et al., 2012; Venter et al., 2012). Note that this innovativeness found within the EO construct is not the same as Innovation found within the construct of Strategic Entrepreneurship. The similarities and difference between EO (pro-activeness, risk-taking and innovativeness) and Innovation will follow in the next section.

EO encourages the continuous journey to find entrepreneurial opportunities with the potential to achieve competitive advantage (Ireland et al., 2003; Wiklund & Shepherd, 2004). Lumpkin et al. (2012) have argued that EO represents a frame of mind that is echoed in an organisation's processes and corporate culture (Dess et al., 2012), an entrepreneurial mind-set and entrepreneurial culture have been said to be intertwined (Chang & Wang, 2013; Kraus et al., 2011). Entrepreneurial behaviour classed as risk-taking, innovation and pro-activity is coherent with the definition of Entrepreneurial Orientation (Monsen & Boss, 2009; Rauch et al., 2009) and have been positively correlated with business performance (Rauch et al., 2009).

Entrepreneurial Orientation and Entrepreneurial Leadership serve as catalysts for greater Innovation (Ireland et al., 2001) with an entrepreneurial mind-set stimulating Entrepreneurial Leadership which in turn enforces an entrepreneurial culture (Ireland et al., 2001). A high EO can give a business the edge of discovering opportune moments that could distinguish them from their competitors, creating a competitive advantage (Wiklund & Shepherd, 2004).

There is an array of abundant opportunities that tend to arise in dynamic environments which are more likely to be pursued by organisations with a high EO (Wiklund & Shepherd, 2004). A Strong EO can provide South African organisations the much needed competitive advantage enabling them to compete globally (Rauch et al., 2009; Urban & Barreira, 2010).

### 2.4.3 *Innovation*

Innovation has been defined by the Community of Innovation Survey (CIS) as the time "when an organisation introduces a product or process that is new to the organisation itself" (Carney & Ryan, 2010).

Innovation is establishing itself increasingly as a pivotal component in an organisation's quest for accelerated growth and wealth creation (Ireland et al., 2001), linked to successful organisational performance (Ireland et al., 2003) and the ability to sustain competitive advantages (Dess et al., 2012). Innovation is seen as the means through which opportunity is capitalised on (Kuratko & Audretsch, 2009). It is therefore important to note that this effort of capitalizing on an opportunity does not necessarily have to be the development of an innovation in-house but can also include the successful procurement of an offering meeting an identified need (Carney & Ryan, 2010).

A pipeline of continued innovation possess the ability to generate continued wealth, value and advantages (Hitt et al., 2011) and has been linked strongly to SE (Carlback, 2012). It has been described as the tool of entrepreneurs, used to exploit, change and seize opportunities (Urban, 2012). The innovation value chain has been developed as a tool to identify innovation challenges in organisations and to find ways to address them (Hansen & Birkinshaw, 2007). The effective production, assimilation and exploitation of innovation can be an important avenue for achieving competitive advantages (Dess et al., 2012).

It is important as researcher to emphasise the theoretical differences between the above identified construct of Innovation and Entrepreneurial Orientation's sub-construct of innovativeness. Innovation has been described as the implemented actions to create organisational value (Ireland et al., 2001), it is seen as efforts that have been successful, or at least temporarily successful in creating newness which may in return create value (Ireland et al., 2001) regardless of its origin being from inside the organisation or procured from outside the organisation (Carney & Ryan, 2010).

Innovativeness is the organisation's attitude toward innovation and their willingness to innovate and is predominantly an internal orientation (Dess et al., 2012). It involves creativity and experimentation, requiring organisations to migrate from current mechanisms and organisational efforts advancing toward the prevailing best practice, presenting the combined efforts to find new opportunities and solutions (Dess et al., 2012). High levels of innovativeness can be used to pursue new opportunities (Wiklund & Shepherd, 2004) which may result in future innovation. innovativeness serves as a key element of an Entrepreneurial Orientation and present an important approach that organisations use when in pursuit of emerging opportunities (Dess & Lumpkin, 1996). In Entrepreneurial Orientation, the sub-construct of innovativeness is highlighted quite

strongly and research has proven EO to be highly correlated to organisational innovation efforts and success (Chang & Wang, 2013; Dess & Lumpkin, 1996; Ireland et al., 2001)

Hansen and Birkinshaw (2007) have identified the phases in a successful innovation effort as the organisation's ability to generate ideas in-house, to source ideas across business units, sourcing ideas externally, the ability to select the winning ideas, the speedy and accurate development of innovations and finally the speed it takes an idea to diffuse through an organisation's hierarchies until it has impacted or gained acceptance on all levels of the organisation (Hansen & Birkinshaw, 2007). These phases collectively are interlinked and present a organisation's ability to implement innovation (Hansen & Birkinshaw, 2007).

This research approached the unique correlations between organisational Innovation, Entrepreneurial Orientation (innovativeness, pro-activeness and risk-taking), Entrepreneurial Leadership and organisational Performance, each as a valid and reliable construct, with strong potential ties to Strategic Entrepreneurship.

## 2.5 Organisational Performance

New product and service development can have financial and non-financial performance benefits which could extend to knowledge creation, process innovation, increased market share, efficiency, sales and profits (Akamavi, 2005).

Financial capital stimulates a organisation's innovativeness (Wiklund & Shepherd, 2004). Yang et al.,(2008) concluded that EO is correlated with an organisation's performance and that his findings of Transformational Leadership positively correlated with financial performance he continued to strengthen his argument in stating that Entrepreneurial Leadership is highly correlated with performance (Yang, 2008).

Business performance is a multiple dimensional construct (Wiklund & Shepherd, 2004) of which performance evaluation criteria should include growth and financial performance (Yang, 2008). Growth measures include sales-, employment-, comparative sales- and market share growth. Financial performance measures include gross profit, return on assets, return on investment and overall performance (Rauch et al., 2009; Yang, 2008).

For the purpose of this research I have measured all of the above performance measures.

## 2.6 Conclusion

Without the effective implementation of SE, organisations are at risk of focusing too much on sustaining innovation and current advantages and fail to recognize and take advantage of emergent opportunities (Ireland et al., 2003). Due to this internal focus organisations in the financial services industry have been known to copy a competitor's innovation, attempt to make a small improvement on it, then roll it out to the market whilst being absent-minded of the sum of its parts (Akamavi, 2005). This is an easier approach than developing innovation internally, however this type of action more often than not results in a product that is disjointed from the strategy, vision and direction of the organisation (Akamavi, 2005). An organisation can avoid this trap through the development and nurturing of efficient SE from within the organisation.

As discussed, the key elements of Entrepreneurial Leadership, Entrepreneurial Orientation and Innovation play a major role in achieving efficient SE that advances strategic agility, flexibility, creativity and a pipeline of continuous innovation (Ireland et al., 2001; Ireland et al., 2003; Kuratko & Audretsch, 2009; Monsen & Boss, 2009; Yang, 2008). This type of organisation will have the ability to reduce the concerns and uncertainty associated with risk-taking (Monsen & Boss, 2009) and embrace a culture where blunders are pardoned provided they are not repeated (Chang & Wang, 2013). When these organisations act both strategically and entrepreneurially they have the ability to unlock the most value (Hitt et al., 2001).

In conclusion this research believe that all organisations need to engage in opportunity seeking and advantage seeking behaviour (Ireland et al., 2003). Hitt et al. (2011) indicated that the Strategic Entrepreneurial outputs of novelty and innovation, achieving competitive advantage and the creation of value are ultimately aligned with the organisation's purpose of creating wealth.

The Next chapter presents the hypothesis development and problem formulation.

# CHAPTER 3. : HYPOTHESIS DEVELOPMENT

## 3.1 Introduction

The literature on Strategic Entrepreneurship suggests that Strategic Entrepreneurship stimulates organisational performance positively (Carlback, 2012; Chang & Wang, 2013; Hitt et al., 2001; Hitt et al., 2007, 2011; Ireland et al., 2001; Ireland et al., 2003; Ireland & Webb, 2007; Ketchen et al., 2007; Kraus et al., 2011; Kuratko & Audretsch, 2009; Monsen & Boss, 2009; Siren et al., 2012; Yang, 2008), and has been described as the preferred tool for creating wealth (Hitt et al., 2001).

The selected dimensions of Strategic Entrepreneurship, namely Entrepreneurial Leadership, Entrepreneurial Orientation, Innovation and Performance have all been correlated positively with each other in previous studies (Gupta et al., 2004; Hitt et al., 2011; Ireland et al., 2001; Ireland et al., 2003; Rauch et al., 2009; Urban, 2012) and have proven themselves to be independently and collectively complimentary.

Building on previous research this chapter develops a conceptual model that suggest that the selected constructs of Entrepreneurial Leadership, Entrepreneurial Orientation, Innovation each contribute complementary to each other as well as collectively having strong relationships with Organisational Performance.

## 3.2 The relationship between Entrepreneurial Leadership, Entrepreneurial Orientation and Innovation collectively on Organisational Performance

Entrepreneurial scholars have pinned entrepreneurship to the core of corporate strategy, significantly enhancing the possibilities of where the organisation can go, how fast they can get there and how they will get there (Kuratko & Audretsch, 2009).

From previous discussions I have selected three key dimensions of SE that are theoretically correlated with financial performance. Firstly Entrepreneurial Leadership has been strongly linked to the performance of a resource (Hitt et al., 2011) and that organisations rely on leaders with the ability to sustain innovation and change in fleeting and unpredictable environments (Gupta et al., 2004). Secondly we know that both

organisational and environmental factors could impact the relationship between EO and performance (Wiklund & Shepherd, 2004) and research has provided evidence that EO is strongly correlated with increased financial performance (Rauch et al., 2009; Sharma & Dave, 2011). It has also been proven that EO and Entrepreneurial leadership are strongly correlated (Ireland et al., 2003). Finally Innovation has been recognised as a key driver of growth, wealth creation and performance (Ireland et al., 2001). It has also been noted that entrepreneurship and innovation are complimentary and applying the two in unison is vital for organisational prosperity in the current changing environments (Urban, 2012).

Together these constructs enforce SE of which the ultimate output is the creation of value and competitive success (Hitt et al., 2011). Monsen and Boss (2009) have stipulated that collectively an entrepreneurial mind-set, entrepreneurial culture, entrepreneurial leadership, strategic management, creativity and innovation result in competitive advantage and abundance.

This study has borrowed from the flow outlined by Monsen and Boss (2009) with whose assistance I wish to argue that the dimensions of Entrepreneurial Leadership, Entrepreneurial Orientation and Innovation each individually contribute toward organisational performance, but in addition to this they also have the ability to exponentially enhance the capability of each other collectively, as illustrated in Figure 6 (p30).

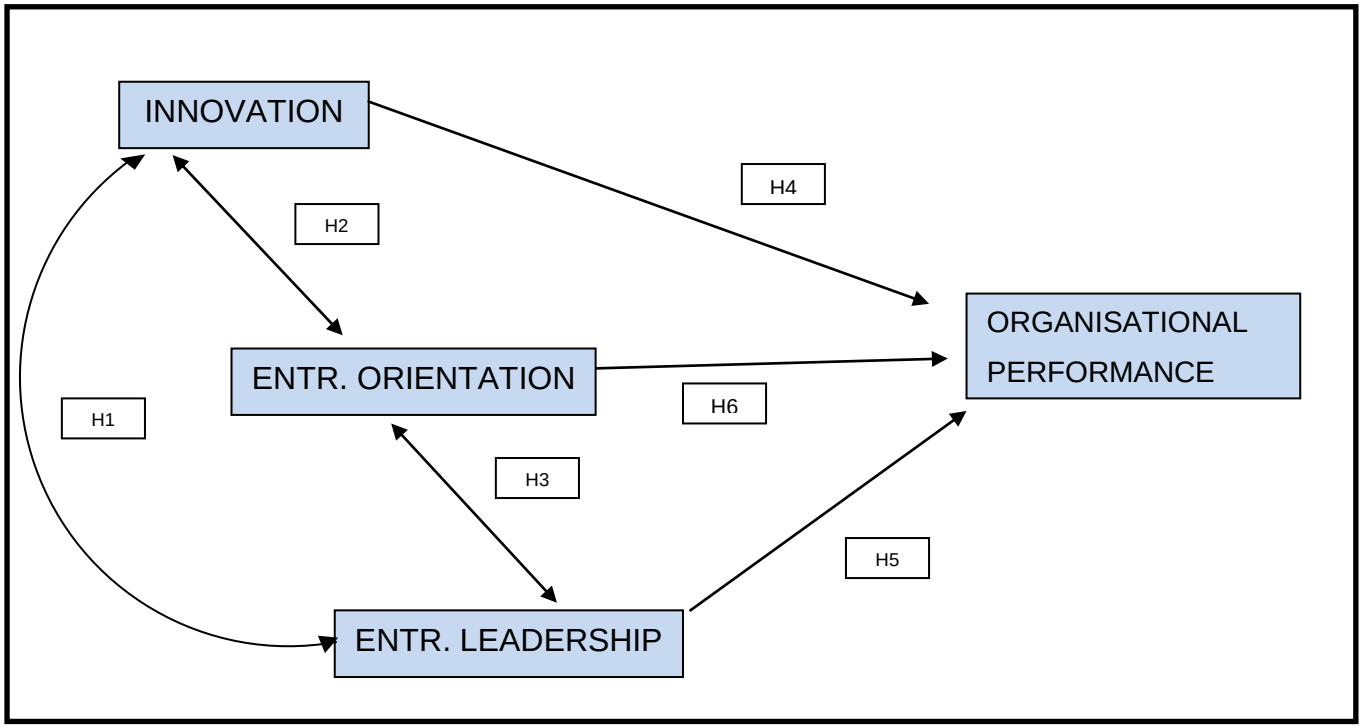


**Figure 6: SE Correlation with Performance, Own Model: Jaco du Toit (2015)**

The use of SE is consistent with the drive to unlock the next frontier (Ketchen et al., 2007) and achieve organisational success. Figure 6 (p30) illustrates a supportive and correlated function between the three dimensions of SE and an organisation's performance.

### 3.2.1 *Main problem*

Determine the positivity and strength of correlation between the levels of Entrepreneurial Leadership, Entrepreneurial Orientation, Innovation and financial and non-financial performance within the Financial Services Industry in South Africa.

### 3.2.2 *Sub-problem 1*

Determine a positive correlation between **Entrepreneurial leadership** and the organisation's level of **Innovation**.

In the literature we have discovered that Entrepreneurial Leadership fosters an entrepreneurial mind-set (Carlback, 2012; Kraus et al., 2011), Hitt et al. (2001) adds to this by attributing an entrepreneurial mind-set as a catalyst for organisational Innovation.

Scholars have noted a relationship exists between Entrepreneurial Orientation, Entrepreneurial Leadership and Innovation and that the combination of EO and Entrepreneurial Leadership will likely lead to greater Innovation within the organisation (Ireland et al., 2001). Wang (2013) found that Entrepreneurial Leadership generates disruptive innovations within organisations.

The discussion of Entrepreneurial Leadership and its impact on organisational level Innovation, within the larger realm of SE and their relationship forms the first hypothesis.

Hypothesis 1: A positive relationship exists between Entrepreneurial Leadership and organisational level Innovation.

### 3.2.3 *Sub problem 2*

Determine a positive correlation between **Entrepreneurial Orientation** and the organisation's level of **Innovation**.

Peter Drucker (1985) suggested that Innovation represents the fundamental energy of entrepreneurship (Drucker, 1985). Ireland et al., (2001) inferred that Entrepreneurial Orientation in combination with Entrepreneurial Leadership may result in greater Innovation within the organisation, this is supported by the notion that an entrepreneurial culture fosters Innovation (Chang & Wang, 2013).

The discussion of Entrepreneurial Orientation and its relationship with organisational Innovation within the larger realm of SE forms the second hypothesis.

Hypothesis 2: a positive relationship exists between Entrepreneurial Orientation and organisational Innovation.

### 3.2.4 *Sub problem 3*

Determine a positive correlation between **Entrepreneurial Leadership** and the organisation's **Entrepreneurial Orientation**.

Entrepreneurial leaders are purposed with sustaining appropriate organisational culture (Kuratko & Audretsch, 2009), it has been noted that an entrepreneurial culture will develop in organisations where leaders employ an entrepreneurial mind-set (Gupta et al., 2004; Ireland et al., 2003). Gupta et al., (2004) have described Entrepreneurial Leadership as the fusion between Entrepreneurial Management and Leadership. This leads to the conclusion that EO paired with Entrepreneurial Leadership will positively contribute toward higher business performance (Yang, 2008).

The discussion of Entrepreneurial Leadership and its relationship with an organisation's Entrepreneurial Orientation within the larger realm of SE forms the third hypothesis.

Hypothesis 3: A positive relationship exists between Entrepreneurial Leadership and an organisation's Entrepreneurial Orientation.

### 3.2.5 *Sub problem 4*

Determine a positive correlation between the organisation's level of **Innovation** and the organisation's **Performance**.

Organisations have embedded Innovation and Innovation strategies as a fundamental step in their pursuit to attain growth and wealth creation (Ireland et al., 2001) and regard

Innovation as the heart of entrepreneurship. The driving force of an organisation's capability to perform and create wealth (Hitt et al., 2001). Venter et al. (2012) noted that the primary use of Innovation is to gain market share, add value for stakeholders and maximise organisational profit. Carlback (2012) supported these findings by stating that continuous Innovation serves as an enabler for organisations to obtain and maintain competitive advantage.

The discussion of organisational Innovation and its relationship with organisational performance within the larger realm of SE forms the fourth hypothesis.

Hypothesis 4: A positive relationship exists between organisational Innovation and organisational Performance.

### 3.2.6 *Sub problem 5*

Determine a positive correlation between **Entrepreneurial Leadership** and the organisation's **Performance**.

The type of leadership an organisation displays has been proven to be highly correlated with the ability an organisation will have to create wealth (Ireland et al., 2001).

Entrepreneurial leaders have the capacity to recognize opportunities and develop rapid performance from followers (Gupta et al., 2004), the combination of these two actions creates organisational level advantage that creates value which in turn may influence business performance (Yang, 2008).

The discussion of organisational Entrepreneurial Leadership and its relationship with organisational performance within the larger realm of SE forms the fifth hypothesis.

Hypothesis 5: A positive relationship exists between Entrepreneurial Leadership and organisational performance.

### 3.2.7 *Sub problem 6*

Determine a positive relationship between the organisations' **Entrepreneurial Orientation** and the organisation's **Performance**.

Literature has debated the reliability of applying EO to achieve an increase in organisational performance. Although much research has shown EO and performance

to be positively correlated (Kraus et al., 2011), there have been cases where the result was not confirmatory (Wiklund & Shepherd, 2004). More recent research however has increasingly confirmed Entrepreneurial Orientation as the bringer of opportunities (Hitt et al., 2011; Rauch et al., 2009), creator of competitive advantage (Urban & Barreira, 2010) and organisational success (Urban, 2012). Venter et al. (2012) supports the presence of a strong connection amongst EO and organisation performance, complementary to these Hitt et al. (2011) have also found that EO correlates strongly with organisational financial performance measures.

The discussion of organisational Entrepreneurial Orientation and its relationship with organisational performance within the larger realm of SE forms the sixth hypothesis.

Hypothesis 6: A positive relationship exists between organisational Entrepreneurial Orientation and organisational performance.

## 3.3 CONCLUSION

The conceptual arguments from previous research stating that EL correlates positively with Innovation (Carlback, 2012; Hitt et al., 2001; Kraus et al., 2011), EO correlates positively with Innovation (Chang & Wang, 2013; Drucker, 1985; Hitt et al., 2001), EL correlates positively with EO (Gupta et al., 2004; Ireland et al., 2003), Innovation correlates positively with organisational Performance (Carlback, 2012; Hitt et al., 2001; Ireland et al., 2001; Venter et al., 2012), EL correlates positively with organisational Performance (Gupta et al., 2004; Ireland et al., 2001; Yang, 2008) and that EO correlates positively to organisational Performance (Hitt et al., 2011; Kraus et al., 2011; Rauch et al., 2009; Urban, 2012; Urban & Barreira, 2010; Wiklund & Shepherd, 2004) strengthens the argument that a complimentary flow exist within the constructs of SE.

Innovation flows from strong Strategic Entrepreneurship, strong SE exists as a result of complimentary Entrepreneurial Leadership and Entrepreneurial Orientation (Ketchen et al., 2007) which collectively contribute toward increased Innovation within the organisation. This stream of innovation leads to the creation of value which ultimately enables the organisation to create wealth.

The capability of an organisation’s SE to create value is subject to several environmental conditions in which the organisation operates. Organisations operating in

highly uncertain environments are predisposed to be more entrepreneurial than those operating in stable environments.

Therefore this study theorises that the selected SE actions positively correlate with organisational Performance and build toward a stronger and more efficient effort of SE. This is supportive of the idea that SE creates value which in turn generates an organisation’s wealth.

# CHAPTER 4. RESEARCH METHODOLOGY

## 4.1 Introduction

Strategic Entrepreneurship in organisations is an outcome of intentional explorative and exploitive actions (Ireland et al., 2001; Ireland et al., 2003; Ireland & Webb, 2007). My hypotheses believe strategic entrepreneurial actions have the ability to affect the performance of a business. The effects of the Strategic Entrepreneurship dimensions, their correlation with each other and with an organisation's performance have been determined using surveys to gather valuable and accurate research information. The highlighted study hypotheses require us to dig deeper into the specified dimensions of Entrepreneurial Leadership, Entrepreneurial Orientation, organisational Innovation and organisational Performance, and how they correlate and influence each other in large banking institutions in the South African financial services sector.

The three population organisations collectively present 82% of the South African financial services industry (BusinessTech, 2013), and would be analysed as a whole and not the sum of its parts. Due to its characteristics as an object this study will take an objectivist view of the industry and its culture (Bryman, 2012) determined to prove a clear association between Strategic Entrepreneurship and organisational performance within this industry.

Six hypotheses were proposed in the previous chapter. This chapter identifies the sample population and data collection procedures followed. The research scales are described, followed by an examination of data evaluation approaches. Finally, the hypothesis testing analytical techniques are discussed as a foundation to the fifth chapter that presents the research results.

## 4.2 METHODOLOGY

This research set out to measure the strength and correlation relating to the dimensions of Entrepreneurial Leadership, Entrepreneurial Orientation, organisational Innovation and organisational Performance within the limits of Strategic Entrepreneurship in South African financial services.

To fulfil the purpose of this study a quantitative approach toward Entrepreneurial Leadership, Entrepreneurial Orientation, organisational Innovation and organisational Performance is applied, and could alternatively be described as the “quantification of aspects of social life” (Bryman, 2012) or in this case, the dimensions of SE in the South African financial services industry.

The Methodology is one of a positivist inductive approach, deducing one’s hypothesis from theory, to be tested through cross-sectional survey design that captures attitudinal type data (opinions, awareness, knowledge, preferences, perceptions, intentions and motivations) of respondents (Bryman, 2012) and tests the hypotheses for a positive linear relationship using quantitative statistics.

## 4.3 RESEARCH DESIGN

Cross-sectional analysis was applied and data were collected from a specific sample. using surveys. This research is interested in observing the variation in responses at a single point in time (Bryman, 2012). Cross-sectional design allows the researcher to examine the relationships between variables (Bryman, 2012). It is worthy to note that a certain ambiguity could exist when analysing this relationship, for one cannot be certain whether the concluded relationship is causal, for this inference to be made, further research using an experimental design would be called for (Bryman, 2012). Through the use of the cross-sectional design this research will be able to conclude whether relationships and correlations exist between dimensions of Strategic Entrepreneurship and organisational Performance and how strongly correlated they are.

## 4.4 Population and sample

### 4.4.1 *Population*

The aim of the study is to conduct research within the financial services industry of South Africa. For the sample to represent the industry, I have selected the study's sample from a population of the top 3 Banking enterprises in the South African financial services industry, headquartered in Johannesburg, 135 respondents in total, split as 40 respondents from Organisation A, 45 respondents from organisation B, and 50 respondents from organisation C. From this population 41% consisted of senior and executive management, and the remaining 59% consisted of middle and lower level personnel (Table1, p39).

The goal of sampling was to survey top executives as well as middle and low-level managers from the sample organisations and to measure their view of their management's behaviour concerning Entrepreneurial Leadership, Entrepreneurial Orientation, organisational Innovation and organisational Performance.

### 4.4.2 *Sample and sampling method*

The three organisations of choice were selected by market share and collectively possess 82% of the South African market amassing to more than 19.2 million people out of the banked population of South Africa (BusinessTech, 2013). The use of these top organisations is sufficient for retrieving detailed information on the perceptions of the organisation's internal behaviour and is deemed a representative sample to give a holistic view of the industry.

The three population organisations were purposely selected due to their collective industry market share of more than two thirds of the industry. The data utilised in this study were acquired with the assistance of employees working in Standard Bank, Absa and First National Bank South Africa. Due to the sheer size of the three population organisations and the fact that the locations of their operations span across the African continent, a convenience sample was selected from their various head offices in Gauteng at which locations the surveys were completed.

Sampling frame: Permanent employees with six months and longer service (Table1, p39).

**Table 1: Profile of respondents**

| Description of respondents per organisation | Number to be sampled |
|---|---|
| Total respondents: Company A | 40 |
| Total respondents: Company B | 45 |
| Total respondents: Company C | 50 |
| Total completed questionnaires | 135 |

Self-reported data from senior, middle and low level managers from the sampled organisations made up the major entity to be analyzed for this research. This study is intent on measuring the behaviour on opinion of all personnel in management positions, from junior to executive.

The common links among all surveyed organisations were the location of their head quarters (Johannesburg, Gauteng), membership to the Banking Association of South Africa (Banking association of South Africa, 2014) and being predominantly focused on retail banking.

## 4.5 The research instrument

The survey instrument contained four main categories of enquiry. The variables of Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and perceived Performance were measured using a 7-point Likert scale, and a 7-point bipolar Likert scale. The latter bi-polar Likert scale is a 7-point Likert scale with a statement on both sides of the scale, the statement closer to the respondent's perceptions and beliefs would get the score closer to the statement. In the case of this survey, statements on the left of the bi-polar scale are worded in the negative and statements to the right of the scale in the positive. The Likert scale is a multiple item scale designed for the purpose of measuring intensity of feelings and the level of agreement with regards to the area in question (Bryman, 2012).

The first scale measuring Entrepreneurial Orientation is an adaptation of the Entrepreneurial Orientation Questionnaire developed by Covin and Slevin (1989), grounded on prior research by Khandwala (1976/1977) and Miller and Friesen (1982). In addition this modified scale borrowed some changes from Urban (2010), and adapted this scale to use a 7-point Likert scale instead of the original 5-point scale as used by Covin and Slevin (1989) and Urban (2010). This EO scale has proven a valid and reliable instrument for measuring the levels of EO within an organisation (Table 15, appendix B). (Dess & Lumpkin, 1996; Morris et al., 2011; Murimbika, 2011; Rauch et al., 2009; Todorovic & Schlosser, 2007; Urban, 2012; Urban & Barreira, 2010; Wiklund & Shepherd, 2004; Yang, 2008).

The second scale measured organisational Innovation. Innovation is frequently modelled as a process (Urban, 2012) and is supportive of the Hansen and Birkinshaw (2007) innovation value chain. This scale is a modification of the scale originally designed by Hansen and Birkinshaw (2007). It has been adapted with the purpose to measure an organisation's innovation value chain involving the development of Innovation from the inception of idea generation through the phases of idea conversion, innovation diffusion and innovation performance ending with the diffusion of the innovation throughout the organisation. In a study on the five most dominant instruments for measuring firm level Innovation, Gamal (2011) commented that finding the right measure for Innovation immediately is an unlikely process, however the innovation value chain has been described as one of the strongest Instruments for evaluating the output of the innovation process (Carney & Ryan, 2010; Gamal et al., 2011). The scale of Hansen and Birkinshaw (2007) has been designed to provide a picture of the current process of an organisation's Innovation creating abilities, offering a comprehensive framework of the organisation's innovation value chain. This study intended to increase scale accuracy by adding a 7-point Likert scale to the survey, (Table 15, Appendix B).

The third scale measured Entrepreneurial leadership within an organisation. From the Entrepreneurial Leadership instrument of Gupta et al., (2004) this study adapted a more simplified version consisting of 6 items to measure the construct of Entrepreneurial Leadership. This study further modified it by adding a 7-point Likert scale (Table 15, Appendix B).

The fourth and final scale designed for assessing organisational performance has been designed using the workings of Lumpkin and Dess (1996), Wiklund (1999) and Yang (2008). These authors highlight the importance of using growth and financial measures for performance. Borrowing from the workings of Yang (2008) I designed an eight item scale with four items measuring growth, three items measuring financial performance and one item for overall performance. I decided to adapt this further by using a 7-point bi-polar Likert scale, to clarify the understanding of items more clear for the respondents. Top level managers are included in this study, to take advantage of their more advanced knowledge on the business' overall operational activities relating to business performance.

A copy of the final survey and a detailed supporting literature review can be observed in Table 15 (Appendix B).

## 4.6 DATA COLLECTION PROCEDURES

In preparation for the final survey, a pilot survey was distributed to thirty respondents of which twenty one completed surveys were returned. The result from this pilot study was crucial to the development of the final instrument used for this research. The pilot study revealed that the constructs of Entrepreneurial Leadership, Entrepreneurial Orientation and Perceived Financial performance exhibited high internal validity (Cronbach, 1951) with reliable Cronbach's alpha scores. The pilot allowed me to recognize some challenges with the Innovation construct questions, and gave me the opportunity to rework before the final questionnaire was finalized as a hard copy self - completion questionnaire.

One hundred and forty two self-completion survey questionnaires were handed out to respondents, from a population of five head offices belonging to three business organisations. 41% of respondents were senior and executive management and 59% middle and junior personnel. The response rate was 97%, with 138 out of the 142 distributed surveys returned. The 138 questionnaires were scrutinised for data entry precision, omission of values, reliability and validity. From the 138 received surveys 3 had to be eliminated due to incompletion or entry mistakes by the participants, leaving a final number of 135 (93%) complete surveys. Achieving a 93% fully completed survey response rate can be regarded as highly satisfactory for this study.

## 4.7 SCALE RELIABILITY

The scales used to measure Entrepreneurial Orientation and Entrepreneurial Leadership have published indicators of reliability drawn from previous studies, these scales are supported by literature which includes literature published by Khandwalla (1977), Miller and Friesen (1982), Covin and Slevin (1989), Dess (1996), Wiklund (2004), Gupta et al. (2004), Todorovic (2007), Yang (2008), Rauch (2009), Urban (2010), Morris (2011) and Urban (2012).

Reliability refers to the uniformity of the assessment methods utilised, with a specific view to the consistency of the measurement every time the instrument is used in similar conditions with comparable subjects (Bryman, 2012; Wiid & Diggines, 2013). The level of understanding of the topic by respondents and the formulation of the questions would impact the level of reliability. Extra care would be taken to ensure consistency throughout the processes.

### 4.7.1 *Cronbach's Alpha*

*Reliability of Constructs:* As stated above, Chronbach's alpha test will be used for internal consistency by measuring the magnitude to which instrument items are uniform and reflect the same underlying construct (Bryman, 2012; Cronbach, 1951). Learning from previous study's minimum acceptable measure for reliability, 0.6 is the minimum acceptability using Cronbach's alpha, a measurement of 0.8 presents good reliability (Wiid & Diggines, 2013).

Reliability testing can be done with various Instruments available, but Cronbach's Alpha is most widely applied and is used for this study. Cronbach's Alpha values for reliability can be interpreted as follows:

- Cronbach's alpha above 0.8 – good reliability
- Cronbach's alpha between 0.6 – 0.8 – acceptable reliability
- Cronbach's alpha below 0.6 – unacceptable

(Bryman, 2012; Wiid & Diggines, 2013)

### 4.7.2 *Internal reliability*

Internal reliability is applicable to multiple-indicator Instruments (Bryman, 2012) as used in this study. When using this type of scale it is necessary to check that they are coherent and that all indicators are related to each other, if they are not, some of the items may actually be unrelated and indicative of something else (Bryman, 2012). For this purpose I monitored the Cronbach's alpha of the indicators. Cronbach's alpha will conventionally increase as inter-correlations among test indicators increase (Cronbach, 1951), this is also referred to as internal reliability or internal consistency. Inter-correlations are amplified whilst all construct measurements evaluate the same construct, Cronbach's alpha are presumed to provide an indication of the magnitude to which a collection of items measure a single one-dimensional construct (Bryman, 2012; Cronbach, 1951).

### 4.7.3 *Reliability testing:*

***Entrepreneurial Leadership: Cronbach's alpha; entire construct***

In Table 2 (Appendix A) the construct of Entrepreneurial Leadership can be observed as an entire set, a score of 0.90 was achieved on Cronbach's Alpha and is indicative of good reliability.

When screening each statement individually within the complete construct of Entrepreneurial Leadership Table 2 (Appendix A), no items or statements were found to be unreliable. This result confirms that these indicators are reliable in measuring the construct of Entrepreneurial Leadership as proven by Gupta et al. (2004).

***Organisational Performance: Cronbach's alpha; growth scale***

From the organisational performance construct of organisational growth, a score of 0.78 was achieved on Cronbach's Alpha and is indicative of acceptable behaviour as per Table3 (Appendix A).

When screening each statement individually within the complete construct of Entrepreneurial Leadership as per Table 3 (Appendix A), no items or statements were found to be unreliable and warranted inclusion in the study.

### *Organisational Performance: Cronbach's alpha; financial performance scale*

From Table4 (Appendix A) the organisational performance sub-construct financial performance, a score of 0.86 was achieved on Cronbach's Alpha and is indicative of good reliability.

When screening each statement individually within the construct of financial performance as per Table 4 (Appendix A), no items or statements were found to be unreliable and attributed acceptable reliability.

### *Entrepreneurial Orientation: Cronbach's Alpha; Entire Construct*

From the construct Entrepreneurial Orientation, a score of 0.85 was achieved on Cronbach's Alpha and is indicative of good reliability. The illustration of the scale seen in Table 5 (Appendix A) proved reliable in the pilot study with an identical scoring of 0.85. This scale gained reliability as an adapted Entrepreneurial Orientation Questionnaire (EOQ) developed by Covin and Slevin (1989) grounded on prior research by Khandwala (1976/1977) and Miller and Friesen (1982) that has been used by many scholars in EO research over the last 25 years.

### *Innovation: Cronbach's Alpha; In house idea generation*

When screening each statement individually within the complete construct of Innovation as per Table 7 (Appendix A) no items or statements were found to be unreliable and can be attributed acceptable reliability for the construct of Innovation.

Statements 9 and 10 formed the sub-construct of in house idea generation as per the Hansen and Birkinshaw (2007) innovation value chain questionnaire. This pseudo Cronbach's alpha, consisting of two indicators, measured a Cronbach's alpha of 0.495 and was therefore deemed unfit to include in the final analysis Table 7 (Appendix A).

### *Innovation: Cronbach's Alpha; Cross pollination of ideas*

Statements 11 and 12 formed the sub-construct of cross pollination of ideas among business units according to the innovation value chain questionnaire by Hansen and Birkinshaw (2007). Table 8 (Appendix A) measured the 2-item pseudo Cronbach's alpha of 0.079 for the cross pollination of ideas sub-construct, and was deemed unfit to include in the final analysis.

***Innovation: Cronbach's Alpha; External sourcing of ideas***

Collectively the sub-construct of External Sourcing of ideas in Table 9 (Appendix A) scored 0.632 on the pseudo Cronbach's alpha and indicated acceptable reliability of the construct, warranting inclusion in the study and further statistical analysis.

***Innovation: Cronbach's Alpha; Selection of ideas***

Collectively the sub-construct of Selection of ideas in Table 10 (Appendix A) scored 0.675 on the above 2-item pseudo Cronbach's Alpha. This indicated acceptable reliability of the construct, and warranted inclusion in the study and further statistical analysis.

***Innovation: Cronbach's Alpha; Development of ideas***

Collectively the sub-construct of Development of ideas in Table 11 (Appendix A) scored 0.827 on the above 2-item pseudo Cronbach's Alpha. This indicated good reliability of the construct, and warranted inclusion in the study and further statistical analysis.

***Innovation: Cronbach's Alpha; Diffusion of innovation***

Collectively the sub-construct of Diffusion of Innovation in Table 12 (Appendix A) scored 0.627 on Cronbach's Alpha. This indicated acceptable reliability of the construct, and warranted inclusion in the study and further statistical analysis.

When screening each statement individually from Table 12 (Appendix A) above I can see that the individual scores of this construct indicate that the removal of any one of these indicators would decrease the reliability of the construct. No items or statements were found to be unreliable and can be attributed acceptable reliability.

***Innovation: Cronbach's Alpha of Complete construct***

The collective Construct of Innovation as depicted in Table 13 (Appendix A), scored 0.759 on Cronbach's Alpha and is indicative of acceptable to good reliability of the construct, justifying inclusion in the study as key construct of Strategic Entrepreneurship and further statistical analysis.

When screening each statement individually we can see in Table 13 (Appendix A) that all of them scored above the acceptable levels of 0.60, and are all regarded with acceptable reliability. However the sub-constructs of In house idea generation (0.495α)

and cross pollination of ideas (0.079) did not meet acceptable standards of reliability and have been eliminated from further statistical analysis to facilitate the improvement of reliability for the construct.

***Strategic Entrepreneurship: Cronbach's Alpha SE construct***

Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation

When screening each construct individually from Table 14 (Appendix A) I can see that the individual scores of this construct indicate that the removal of any one of these indicators would decrease the reliability of the construct. No constructs were found to be unreliable and can be attributed acceptable reliability.

Collectively the Construct of Strategic Entrepreneurship as depicted in Table 14 (Appendix A) scored 0.649 on Cronbach's Alpha. This indicated acceptable to good reliability of the construct, and confirmed the validity of my sub-constructs as part of SE for this study.

## 4.8 VALIDITY

### 4.8.1 *External validity*

According to Bryman (2012), external validity is concerned with the uncertainty of whether the result of the study can be generalized beyond the research content. This study selected the three population organisations due to their collective market share of 82%. From these population organisations a convenience sample was used to find 139 respondents to participate in this study. The external validity is limited by the factor that the population is limited to headquarters located in Gauteng from which a convenient sample was taken. However South Africa's financial services industry is headquartered in Gauteng and seen as the benchmark for banks in Africa (Banking association of South Africa, 2014), therefore increasing the probability of accurately generalizing the result.

### 4.8.2 *Internal validity*

Factors that relate mainly to the causality of mechanisms and output, to determine if the relationship is what we think it is (Bryman, 2012). The result of the study's internal

validity needs to be tested, although it is expected to be typically weak with cross-sectional studies (Bryman, 2012) due to the fact that it is difficult to determine a causal direction from the resulting data.

The specific measurements of variables flow from more emerging theories to the well-established fields of research. The field of Strategic Entrepreneurship is still in its infancy and was not regarded as a cohesive field before 2001 (Hitt et al., 2001; Ireland et al., 2001). With that said, the dimensions chosen for this research, as the sum of its parts, have been around far longer and have been fields in their own right for some time.

Entrepreneurial Orientation has been researched for close to fifty years and the instrument through which this variable is measured, the EO questionnaire of Covin and Slevin (1989), is regarded as one of the most reliable methods. Organisational performance has a strong line of researchers who have used the same constructs as this study, Lumpkin and Dess (1996); Wiklund; (1999); Hitt, Ireland, Camp and Sexton (2001); Wiklund and Shepherd (2004). In spite of the variable of Entrepreneurial Leadership being fairly young, the adopted scale of Gupta et al. (2004) has tested valid and reliable, and the theory is supported by a number of scholars; Ireland, Hitt and Sirmon (2003); Yang (2008); Gupta, MacMillan and Surie (2004); Kraus Kauranen, Reschke (2011); Kuratko and Audretsch (2009); Hitt, Ireland, Sirmon and Trahms (2011). Although strong support exist for the measurement methods of Innovation and Novelty, Carney (2010); Gamal (2011); Hansen and Birkinshaw (2007); Ireland, Hitt, Camp and Sexton (2001,2003); Dess, Lumpkin, Eisner, McNamara and Kim (2012); Kuratko and Audretsch (2009), the chosen scale of Hansen and Birkinshaw (2007) was concluded to be lacking.

Supporting literature for the selected measurement scales used in this study have been summarized in Tables 16-18 (Appendix C).

In addition to the above literature support of validity for each construct, an exploratory factor analysis was performed on each construct. This analysis will follow in the Construct Validity section.

### 4.8.3 *Construct and content Validity*

The conceptual arguments from discussed theory were used by the researcher to deduce hypothesis to be answered from gathered data (Bryman, 2012) and more importantly to determine if the measures behave like the theory proposed it should.

It is imperative that an instrument represents all the factors intended for that instrument. Content validity requires the evaluation of whether test items assess the intended defined content. In the pilot study, the statement content of EO and Entrepreneurial Leadership scales were checked (Table 15, Appendix B), the same statements have also been confirmed as valid by previous researchers. The research instrument was approved by the research lead before distributing to the population and sample.

Exploratory factor analysis was done to examine the validity for the scales of Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and organisational Performance and each underlying construct to uncover the underlying structure of the data and identify the underlying relationship between the measured variables. A factor analysis is a statistical approach used to characterise irregularity within perceived variables in terms of fewer unobserved variables (Wiid & Diggines, 2013).

For the purpose of this research factor analysis was completed on all the mentioned scales, their constructs and individual statements, the following criteria determined the factors:

- Cumulative % had to be greater than 60%
- Eigen values smaller than 1
- Look for a significant decline in the Scree plot

### *Entrepreneurial Leadership Validity testing*

An exploratory factor analysis was performed on the scale of Entrepreneurial Leadership. One factor measured a cumulative variance of greater than 60% with Eigen values greater than 1, indicative of a single construct of Entrepreneurial Leadership (Table 19, Appendix D).

For the rotation method the researcher opted to go for the orthogonal Varimax method, to ensure the factors are not correlated with each other (Wiid & Diggines, 2013) where the extraction and rotation of the factors is completed where after communalities (common variance) and factor loadings are produced.

A factor greater than 0.4 is indicative that the statement is part of one factor (Wiid & Diggines, 2013). When multiple items are loaded too strongly, both items scoring above 0.4, they may both need to be eliminated in an attempt to avoid ambiguity. Five of the six items loaded strongly in a single factor (Table 19, Appendix D)

When the scale is forced, the result will reduce the indicators to a single factor for the loading rotation (Wiid & Diggines, 2013) as one complete construct of Entrepreneurial Leadership.

### *Entrepreneurial Orientation Validity testing*

An exploratory factor analysis was performed on the scale of Entrepreneurial Orientation. One factor measured a cumulative variance above 60% with 2 factors measuring Eigen values greater than 1, indicative of two visible constructs of Entrepreneurial Orientation (Table 21, Appendix D).

No items in the EO construct needed to be removed.

The loadings for Entrepreneurial Orientation loads two different factors, as illustrated in literature, Entrepreneurial Orientation is achieved through innovativeness, pro-activeness and risk-taking behaviour (Khandwalla, 1977); Miller and Friesen (1982); Covin and Slevin (1989); Lumpkin and Dess (1996); Wiklund and Shepherd (2004); Todorovic and Schlosser (2007); Yang (2008); Rauch, Wiklund, Lumpkin and Frese (2009); Urban (2010); Morris (2011); Urban (2012). The multiple loadings in this scale were welcomed as an expected result (Table 22, Appendix D).

However, from the above result I could not split the EO construct in any way that would result in better validity. Using previous studies that performed exploratory factor analysis on the EO construct as indicator of positive result Khandwalla, (1977); Miller and Friesen (1982); Covin and Slevin (1989), Lumpkin and Dess (1996); Wiklund and Shepherd (2004), I could confidently utilize EO as a single construct within my scale.

***Innovation Validity testing***

An exploratory factor analysis was performed on the scale of innovation. Three factors have Eigen values greater than 1 as seen in Table 23 (Appendix D). This means that the statements may be reduced to 3 factors for the loading rotation (Wiid & Diggines, 2013). Although this can be done it would still be problematic for my purpose of measuring a complete construct of Innovation, due to the three selected factors only making up 53% of the innovation scale Table 23 (Appendix D).

The validity testing produced some unexpected results within the innovation construct; the loadings split in different directions and could not measure all the intended sub-constructs as a result Table 24 (Appendix D).

I used the positive reliability result as a guide to select a shortened and adapted version from the innovation value chain questionnaire of Hansen and Birkenshaw (2007).

***Organisational performance Validity testing***

An exploratory factor analysis was performed on the scale of organisational performance. Two factors measured a cumulative variance above 60% with Eigen values greater than 2, indicative of a single construct of organisational performance Table 25 (Appendix D).

The validity testing produced split the construct of organisational performance in the two dimensions of organisational financial performance and organisational growth. This is illustrated in Table 26 (Appendix D), as supported by previous studies (Dess & Lumpkin, 1996; Wiklund & Shepherd, 2004; Yang, 2008) (Table 15, Appendix B).

This is clearly illustrated in the factor loadings, where organisational performance is split evenly in the two identified factors of organisational growth and organisational performance (Table 26, Appendix D). Both financial performance and organisational growth have been confirmed valid as individual constructs of organisational

performance. These constructs have been proven valid in a study by Yang (2008) measuring organisational performance and Entrepreneurial Orientation.

The following chapter contains the presentation of the results, derived from this study, pertaining to the demographics of respondents.

# CHAPTER 5. PRESENTATION OF RESULTS

This chapter serves to present the result of the survey questionnaires, harvested from three of the four largest financial institutions in South Africa. This section begins with the presentation of the sample demographics: the ages of the respondents, their gender, the total time employed by their current employer and the total time the respondents have been in their current position at that organisation. Thereafter the result of my four measured constructs namely: Entrepreneurial Orientation, Innovation, Entrepreneurial Leadership and finally perceived Organisational Performance is presented.

## 5.1 Demographic profile of respondents

*Age:* The distribution of the age of the respondents reflect that they are all fairly young, with 38% of the respondents being under 29 yrs old and a total of 71% of respondents being under 39 years of age (Table 28, Appendix E).

*Gender:* The randomly selected respondents were predominantly male, with 56% male and 44% female respondents (Table 29, Appendix E).

*Time employed at current organisation:* From the completed survey one could conclude that the bulk of employees have been with their institution between 2- 5 years. However if you compare averages, it is clear that 64% of these organisation's workforce have not been with the company for five years. This is coherent with today's day and age where employees, especially as we established, younger employees tend to move organisation every 2-4 years, where 5 years at an organisation becoming the maximum (Table 30, Appendix E)

*Time in Current Position at Organisation*: From this data one could see that 40% of current employees were promoted or changed position within the last 2 years. This indicates that employees have high mobility within the organisation, meaning that if they do not move up, they tend to move out of the company (Table 31, Appendix E).

## 5.2 Results

### 5.2.1 *Results pertaining to Entrepreneurial Orientation*

Briefly stated, the construct of EO measures the levels of organisational risk-taking, innovativeness (culture of innovation) and pro-active behaviour. This is strongly linked to the entrepreneurial culture inside the organisation Venter et al., 2012).

Respondents were required to indicate their perceived levels of the organisational Entrepreneurial Orientation, posed in questions that were easily understandable. This study also adapted the EO Questionnaire of Covin and Slevin (1989), by adding a 7-point bi-polar Likert scale, to illustrate the questions even more clearly to respondents.

As the scales in Table 32 (Appendix F) illustrate: 1 would represent very strongly disagree as below and 7 would present very strongly agree.

From Table32 (Appendix F) for Entrepreneurial Orientation one can gather the following responses:

Statements 2 and 4 had the strongest agreement among respondents. Firstly they believed that their organisation's product lines are predominantly of a major nature, and secondly the majority of respondents believe that their business unit is the one introducing new products, services, processes etc. first, ie. having first mover advantage over competition.

The majority of respondents were neutral to the statements claiming that their business unit is neither first nor last to respond to competitive action, and secondly that when dealing with competitors their organisation's would rather take middle ground between taking a super competitive or passive avoidance stance to competition.

The Entrepreneurial Orientation scale (Fig 12, Appendix F) measured a mean of 4.43 and a standard deviation of 1.14. The distribution of responses follow a normal distribution with the bottom quartile at 3.75, median at 4.5 and top quartile range at 5.13, the quartile measure indicates a slight slant to the right of the median, in agreement of the EO presence as illustrated in Figure 12 (Appendix F). The result leads me to deduce a positive presence of actions concerned with Entrepreneurial Orientation within these population organisations.

### 5.2.2 *Results pertaining to Innovation*

The construct of Innovation is measured using the proven innovation value chain questionnaire developed by Hansen and Birkinshaw (2007) for viewing the entire process of idea generation, development, the conversion of the idea into an innovation, ending with diffusion of the innovation throughout the organisation (Hansen & Birkinshaw, 2007).

The Innovation scales used in this research have been split into a number of constructs forming part of the Hansen and Birkinshaw (2007) innovation value chain.

**Innovation: External sourcing of ideas (reverse scale)**

External sourcing of ideas form a key part of the idea generation sub-construct within Innovation. This measures the ability of the organisation to source good ideas from outside the organisation, ideas that have been recognised as opportunities (Hansen & Birkinshaw, 2007).

The construct of external sourcing of ideas is represented by statements 13 and 14. As depicted in Table33 (Appendix F), the majority of respondents agreed that they would consider ideas from inside the organisation more valuable than those derived from outside and that greater ideas originate more often from inside the organisation than from outside.

The mean for external sourcing of ideas is 4.76 with a standard deviation of 1.31. The distribution of responses is not a typical normal distribution and can be seen to skew to the left as per Figure 13 (Appendix F). The scale is reversed and indicates that respondents value the sourcing of ideas externally less favourably than sourcing ideas internally. The bottom quartile score is at 4, median at 5 and top quartile range at 5.5, and provides a positive indication that respondents favour the development of ideas internally to the sourcing of ideas externally.

**Innovation: Selection of ideas**

Once ideas have been sourced or generated new concepts need to be screened and funded (Hansen & Birkinshaw, 2007). This sub-construct aims to measure the attitude toward this selecting and funding process.

The sub-construct of idea selection is presented by statement 15, stating that the process of funding new ideas is difficult within their organisation. The majority respondents chose to agree with this statement (Table 34, Appendix F). Statement 16 specified that the organisation possessed a risk-averse posture with regards to investment in new ideas (Hansen & Birkinshaw, 2007) in which case the majority of respondents were positioned neutrally (Table 34, Appendix F).

The mean for the sub-construct of selection of ideas is 4.17, with a standard deviation of 1.42, from which we can conclude slight agreement with the efforts and actions correlated with entrepreneurial selection of ideas. With a bottom quartile at 3, median of 4.1 and top quartile of 5 the distribution is normal. Only from the mean at 4.17 and a view of the distribution in Figure 14 (Appendix F), could one tell that the result follows a normal distribution, with a slight majority in agreement that it is not effortless for employees to get ideas implemented in the population organisations.

**Innovation: Development of ideas**

This sub-construct of Innovation aims to measure the capability of the organisation to turn the selected ideas into innovations that would generate returns (Hansen & Birkinshaw, 2007).

Development of ideas has been stated in the negative, that new product development commonly didn’t finish on time. The respondents disagreed slightly with this statement, indicating that more often than not, development is completed on time (Table35, Appendix F). The second statement of this construct, nr.18, stated that managers often have a difficult time getting traction developing new business (Hansen & Birkinshaw, 2007) to which the majority of respondents agreed (Table35, Appendix F).

Innovation development has a median of 4, mean of 4.04, a standard deviation of 1.56, and a near perfect normal distribution as supported by Figure 15 (Appendix F). The fact that slightly more respondents agreed with this construct indicates that they experienced difficulty in sourcing ideas.

**Innovation: Diffusion of ideas and innovations**

The sub-construct of diffusion, also referred to as the spread of the innovation (Hansen & Birkinshaw, 2007) is the prime measurement to determine if the Innovation that the organisation has developed is receiving internal commitment to new ideas and innovations. The diffusion of ideas and innovations represents the rate at which an approved innovation, service or product gets entrenched throughout the entire organisation, to all intended distribution points. Without the necessary internal support great innovations could end up having no impact externally or even end up being scrapped (Hansen & Birkinshaw, 2007).

Most respondents agreed strongly to statement 19, stating that business units are slow to roll out products (Table 36, Appendix F). To statement 20 the majority agreed with the notion that competitors are quick to copy their products (Table 36, Appendix F), and in the final statement, nr.21, respondents again agreed that the business does not penetrate all channels available with new products and services (Table 36, Appendix F).

The mean for innovation diffusion is 4.16 with a standard deviation of 1.3 and the bottom quartile at 4.33, median at 4.33 and top quartile at 5 all support the conclusion that the respondents believed that their organisation does not diffuse at the rate that they should or at least at the rate respondents believe they are capable of (Figure 16, Appendix F).

It was decided to exclude statements 9-12 as a result of poor reliability; these are the sub-constructs of in house idea generation and cross-pollination and have been excluded from the total construct. The collective construct of Innovation still relies on four of the six sub-constructs and still provides the researcher with an accurate view of the innovation capability of these organisations.

**Total Innovation Score:**

The combination of the above sub-constructs of external sourcing of ideas, selection of ideas, development of innovations and diffusion of innovation (Hansen & Birkinshaw, 2007), measured a positive orientation toward the innovation value chain of the selected population as seen in Figure 17 (Appendix F). A bottom quartile of 3.66, median of 4.38, top quartile at 4.96, mean of 4.29 and standard deviation at 1.06 are all indicators of a positive result and emphasise the ability of the population organisations to source, select, develop and diffuse ideas and innovation.

### 5.2.3 *Results pertaining to Entrepreneurial Leadership*

For an accurate measurement of Entrepreneurial Leadership this study gauges the ability of leadership to create visionary scenarios with the sole objective to drive followers in an organisation to action and become committed to the vision through the actions of the leader (Gupta et al., 2004).

The above are summarised under the two sub-constructs of Entrepreneurial Leadership: Scenario enactment and Cast enactment.

**The sub-construct of Scenario enactment within Entrepreneurial Leadership:**

This sub-construct is occupied with the actions to envisage and create scenarios of possible opportunities that could be seized for organisational benefit in the face of resource constraints (Gupta et al., 2004). The result from this construct can be viewed in Table 37 (Appendix F).

Scenario enactment statements 22-24 set out to measure the framing of challenging scenarios by leaders that would motivate personnel to accept these challenges and drive performance. With statement 22 the majority of respondents agreed that their management sets high standards for their performance within their division (Table37 Appendix F). Statement 23 postulate that managers display foresight in decision making by anticipating possible future events, in which case again, the majority strongly agreed (Table37 Appendix F). Statement 24 postulate that management provides courage, confidence or hope through reassurance and advice (Gupta et al., 2004) with which the majority of respondents strongly agreed (Table37 Appendix F).

A mean of 5.23, standard deviation of 1.3, bottom quartile of 4.67, median of 5.33 and top quartile marker of 6 all indicate a strong agreement that their leadership apply the concept of scenario enactment within their organisations, refer to the left skewed distribution in Figure 18 (Appendix F) to support my conclusion.

**The sub-construct of Cast enactment within Entrepreneurial Leadership:**

Cast enactment is occupied with the actions to convince potential followers and stakeholders that the alteration of the aforementioned scenarios are achievable through an assembly of resources aimed at the accomplishment of set goals and objectives (Gupta et al., 2004).

Cast enactment statements 25 – 26 are concerned with the actions of inspiring and moulding a team whilst, displaying extraordinary energy and effort and reshaping the individual's perception of their own capabilities (Gupta et al., 2004).

Respondents agreed strongly to the presence of both leadership actions that management has the ability to induce group members to work together, (Table 38, Appendix F), and that management challenge their beliefs, stereotypes and attitudes. The majority of responses again were in strong agreement with this statement (Table38, Appendix F). In statement 27 they agreed that their direct management possess the ability to make decisions firmly and quickly (Table 38, Appendix F).

The bottom quartile measurement of 4, median of 5.33, and top quartile of 6 clearly depict a strong agreement and presence of cast enactment. The sub-construct of cast enactment measured overall in strong to very strong agreement by the respondents; Figure 19 (Appendix F).

**Entrepreneurial Leadership Construct (Scenario enactment and Cast enactment)**

For the greater construct of Entrepreneurial Leadership the bottom quartile scores 4.33, median score of 5.33 and top quartile of 6.16 as well as a mean of 5.11 clearly illustrates a presence of Entrepreneurial Leadership. A mean and median above 5 on the Likert scale is indicative of strong agreement with the construct in measurement as can be seen in Figure 20 (Appendix F) to follow.

The above result indicates a strong to very strong presence of entrepreneurial leaders within the population organisations.

### 5.2.4 *Results pertaining to Perceived Organisational Performance*

Performance contains multidimensional properties, and it is therefore in my best interest to consolidate different dimensions of performance in empirical research (Wiklund & Shepherd, 2004). The scales of measurement for perceived organisational performance consist of three sub-constructs, namely organisational growth, financial performance and overall performance indicators.

This construct was measured making use of a bi-polar Likert scale. When attempting to make concepts like return on assets and return on investment more understandable to someone from a non-financial background this type of scale fitted this purpose.

**The sub-construct of organisational growth within perceived organisational Performance:**

Wiklund et al. (2004) suggested that growth as an assessment criterion may be more exact in measuring performance than pure financial measurement methods. This research incorporates recommendations to include measurement of sales growth, employment growth, and sales growth in comparison with rivals and market share in comparison with competitors (Yang, 2008).

Organisational growth is one of the measurements of an organisation's performance; statements 28 – 31 collectively represent a sub-construct of organisational performance referred to as organisational growth.

In Statement 28 the demand for a business unit's services and products have either increased or decreased substantially over a period of 12 months. The majority of respondents agreed strongly to demand increasing over this period (Table 39, Appendix F). Statement 29 suggests a business unit's employees have either been reduced or increased over the last 12 months. Again the majority of respondents were in agreement that there has been positive employee growth over this period, indicating an increase in employee numbers for this period (Table 39, Appendix F). Statement 30 propose a business unit or organisation have either been growing slower or faster than competitors, the response to this was mostly neutral with a slight majority indicating that they perceive their organisation to be growing slightly faster than competitors (Table 39, Appendix F). Statement 31 claims that the organisations service either more or less clientele than their competitors. The majority of respondents believed that their growth of clientele is superior to their competitors (Table 39, Appendix F).

The bottom quartile was measured at 3.75, mean at 4.1, median at 5, top quartile of 5.75 with a standard deviation of 1.4 illustrating a slight agreement to positive growth measures (Figure 21, Appendix F). We can interpret positive measurement for the construct of organisational growth within the larger construct of organisational performance.

The overall perception of respondents is that their organisations are growing positively in comparison to their competition.

**The sub-construct of Financial Performance within perceived organisational Performance:**

Perceived financial performance measures have been proven to be equally as reliable as archival and non-financial performance measures (Yang, 2008). This research incorporates different dimensions of performance in accordance with recommendations by previous research in this field (Wiklund & Shepherd, 2004; Yang, 2008). The utilised scale consists of the financial metrics used to measure a cohesive view of organisational performance.

Statements 32 – 34 represent the sub-construct of perceived financial performance. In statement 32 respondents either perceive the business unit or organisation to be more or less profitable than previous years (gross profit). The majority of respondents measured complete agreement that the organisation is more profitable than previous years (Table 40, Appendix F). Statement 33 gauged if the organisation is experiencing a smaller or larger return on assets than previous years. The majority responses agreed with this statement, indicating positive financial gains in the form of returns on invested assets (Table 40, Appendix F). Question 34 states that the business unit yields higher or lower returns from investments. Responses measured in complete agreement that their business units generate larger returns from investments than in previous years (Table 40, Appendix F).

The financial indicators tell us the story that employees believe that their business unit and organisational financial performance have grown, and that they are profitable. The results may prove that the organisations in question believe strong financial improvement has taken place over the period in question. The financial performance score, (Figure 21, Appendix F), clearly depicts the positive normal distribution of respondent opinions.

**Overall financial performance**

In the final statement, nr.35, respondents perceive the current organisation's performance to be either weaker or stronger than previous years. The majority respondents were in strong agreement that their organisational performance has grown by a large portion over the past years (Table 41, Appendix F).

With the combination of results from the organisation's growth, organisational financial performance and overall organisational performance all measuring strongly positive, it is

fair to conclude that the population organisations perceive themselves to perform strongly in comparison to rivals in the industry.

The following chapter contains a detailed discussion and interpretation of results.

# CHAPTER 6. DISCUSSION OF RESULTS

This research strives to contribute to the enhancement of empirical literature in the field of Strategic Entrepreneurship in emerging economies and is concerned with the observed correlation among strategic entrepreneurial actions, their relationship with each other and their association with organisation performance.

From the onset this research reviewed literature supporting the theory that organisation performance may be impacted by the levels of SE present in the organisation. More specifically, how the sub-dimensions of Entrepreneurial Orientation, Entrepreneurial Leadership and Innovation correlate with performance and collectively increase an organisation's ability to create value, wealth and gain competitive advantage (Hitt et al., 2011). This research evaluated the construct of Strategic Entrepreneurship and each sub-construct's root dimensions. These root dimensions are scenario enactment, cast enactment, idea generation, cross pollination of ideas, ability to source ideas externally, idea selection, idea development and idea diffusion, organisational growth, organisational financial performance and overall organisational performance.

This section will describe the results with relation to the six hypotheses that this research set out to test, making use of non-parametric Spearman's rank order correlation coefficient.

## 6.1 Research Questions

Hypothesis 1: A positive linear relationship exists between Entrepreneurial leadership and organisational level Innovation.

Hypothesis 2: A positive linear relationship exists between Entrepreneurial Orientation and organisational level Innovation.

Hypothesis 3: A positive linear relationship exists between Entrepreneurial Leadership and organisational Entrepreneurial Orientation.

Hypothesis 4: A positive linear relationship exists between organisational Innovation and organisational Performance.

Hypothesis 5: A positive linear relationship exists between Entrepreneurial Leadership and organisational Performance.

Hypothesis 6: A positive linear relationship exists between organisational Entrepreneurial Orientation and organisational Performance.

The correlation results of these six hypothesised statements are summarised collectively below.

The methods of analysis include multivariate correlations, pairwise correlation analysis and non-parametric Spearman's analysis

## 6.2 Discussion of Key Constructs

### 6.2.1 *Entrepreneurial Orientation result discussion*

Entrepreneurial Orientation is a key component in organisational and economic progress and plays a paramount role in increasing performance (Alegre & Chiva, 2013; Dess & Lumpkin, 1996; Sharma & Dave, 2011; Wiklund & Shepherd, 2004). It is seen as a strategy forming process which provides companies the required foundation to develop entrepreneurial habits and solutions (Dess et al., 2012; Rauch et al., 2009; Venter et al., 2012). My discovery reveal the levels of actions involving risk-taking, to be pro-active and develop innovativeness with the aims of fostering a culture of Innovation and performance.

Entrepreneurial Orientation results indicate that management from the sample group prefer utilising innovativeness, research and development as opposed to tried and tested methods. Major changes, radical and disruptive innovations are preferred to minor changes. These organisations perceive themselves as first movers in their industry with business units that are quick to develop innovation and competitive aggressiveness. Risk-taking is encouraged by management; high risk actions take preference to conservative behaviour and bold and aggressive action take preference to the "wait-and-see approach" in the face of uncertainty.

The positive Entrepreneurial Orientation result can be interpreted as follows:

The individual items discussed above reveal strong pro-active actions within the population organisations, high levels of pro-activity indicate that these organisations will

possess the ability to anticipate and act on future wants and needs (Dess et al., 2012; Wiklund & Shepherd, 2004) in the South African financial services market.

The preference of the population organisations to apply major and radical innovations is complimentary to the construct of risk-taking. These organisations will allocate more resources in uncertainty than taking a conservative approach (Dess et al., 2012; Wiklund & Shepherd, 2004).

Their quick innovation development with a preference toward internal innovation is indicative of the construct of innovativeness. These types of organisations would support actions of employees to create new ideas and creative processes. With a visible trend to add value, novelty and newness (Dess et al., 2012; Venter et al., 2012; Wiklund & Shepherd, 2004).

We can interpret the above collective result of increased EO within the financial services industry of South Africa that increased EO leads to increased creativity and spontaneity (Hitt et al., 2001) and provides these organisations the ability to obtain stronger performance (Alegre & Chiva, 2013; Dess & Lumpkin, 1996; Dess et al., 2012; Murimbika, 2011; Rauch et al., 2009; Sharma & Dave, 2011; Venter et al., 2012; Wiklund & Shepherd, 2004).

### 6.2.2 *Results pertaining to Innovation*

Innovation within the modern organisation is one of the key drivers of value and wealth creation (Ireland et al., 2001) and is strongly linked to successful organisational performance (Ireland et al., 2003).

The innovation value chain involves a range of actions which generates knowledge for the organisation, this knowledge is then transformed into innovations which in turn is exploited to generate performance gains and value (Hansen & Birkinshaw, 2007). The innovation value chain model designed by Hansen and Birkinshaw (2007) consist of the fields of external sourcing of ideas, selection of ideas, development of innovation, and diffusion of innovation (Carney & Ryan, 2010; Hansen & Birkinshaw, 2007).

The items for the innovation value chain and their result are interpreted as follows:

*External sourcing of ideas i*s occupied with the organisation's ability to source good ideas from outside that have been recognised as

opportunities (Hansen & Birkinshaw, 2007). The sample measured the items contributing to this factor positively, illustrating that sample employees value ideas from inside more than those derived outside their boundaries. Hansen and Birkinshaw (2004) believe that the organisation that does not look outward enough may miss opportunities and generate lower innovation productivity as result. The population organisations need to be aware of the value to be extracted by scanning the external environment continuously (Hansen & Birkinshaw, 2007). The failure of these organisations to search externally is limiting their networks and strategic alliances, decreasing the population organisation's proficiency in exploring and exploiting opportunities (Hitt et al., 2001; Ireland et al., 2001; Ireland et al., 2003; Kraus et al., 2011). The missed opportunities come in the form of information, resources, improved processes, new markets and technology (Hitt et al., 2001).

*Selection of ideas* is occupied with the ability of those in charge to identify the ideas that could be guided to become game changing innovations, to screen them and then to fund the selected ideas (Hansen & Birkinshaw, 2007). My sample experienced the procurement of funding for the ideas difficult, they also experience a stance of risk avoidance or risk-averse attitude toward change from management. Wiklund et al., (2004) have found that an increase in financial capital has the ability to stimulate an organisation's innovation. The lack of funding or difficulty in getting ideas funded should, in accordance to Wiklund et al., (2004), have an unwanted effect on the entire innovation pipeline. No matter how well screened an idea is, it still requires funding to be transformed into revenue-generating products, services and processes (Hansen & Birkinshaw, 2007).

The construct for *development of ideas,* aims to measure the capability the organisation possesses to leverage selected ideas into innovations that would generate returns (Hansen & Birkinshaw, 2007). The result indicated that the research sample is experiencing difficulty in getting concepts developed and that individuals are finding it increasingly difficult for fresh concepts to gain traction. As a result, it is to be expected that the population organisations are not reaching their full potential in getting much needed innovations to the market as quickly as potentially possible.

*Diffusion of ideas and innovations* is the rate at which an developed innovation, service or product receives commitment and reaches all intended distribution points as well as customers (Hansen & Birkinshaw, 2007). The scale revealed that the sample in

population organisations experience slow roll outs of products and agree that business does not penetrate all channels available with new products and services. Slow roll outs as measured in this study may lead to large losses in potential value (Hansen & Birkinshaw, 2007) that otherwise could have been created with a more speedy process and better applied distribution strategies.

When taking the above conclusions of each sub-construct into account it is worth noting that despite innovation being visible in the daily surroundings of the sample organisations. I found that the innovation value chain as measured by Hansen and Birkinshaw (2007) can be executed better and with more commitment within the sample organisations.

### 6.2.3 *Results pertaining to Entrepreneurial Leadership*

This research measured the presence of leaders who possess the ability to search and exploit opportunity, anticipate changes, have vision of the future, ability to maintain current output, display flexible decision making and have the ability to manage resources strategically (Gupta et al., 2004; Hitt et al., 2011; Kraus et al., 2011; Kuratko & Audretsch, 2009). This type of leader has been classed as the entrepreneurial leader (Gupta et al., 2004).

The above characteristics are summarised under two sub-constructs of Entrepreneurial Leadership: Scenario enactment and Cast enactment.

The scenario enactment outcomes suggest that the population organisations set high standards for their personnel. Their management display foresight in decision making by anticipating future events and that they give courage, confidence and hope to their followers (Gupta et al., 2004).

Cast enactment results indicate that their management have the ability to motivate followers to work together, that management challenge beliefs and attitudes and that they possess the ability to make quick decisions (Gupta et al., 2004).

The scale of Entrepreneurial Leadership, combining cast enactment and scenario enactment, measured strongly, indicating a clear presence of entrepreneurial leaders in the population organisations.

From the above we can assume that the leaders within these organisations will display the following traits commonly found with entrepreneurial leaders: They push their personnel to the limits of their ability (McGrath & MacMillan, 2000), they build scenarios and visions of possible futures and carry the responsibility of failure with themselves (Gupta et al., 2004), they have the ability to dissolve resistance and gain stakeholder support (Gupta et al., 2004; Hitt et al., 2011), they are able to display extraordinary energy toward the cause at hand, inspiring and committing their resources (Gupta et al., 2004) and finally being able to set new limits of what is possible, whilst sustaining commitment to these efforts through all of the above actions (Gupta et al., 2004; Hitt et al., 2011).

These types of entrepreneurial leaders will have a strong impact on their subordinates within the population organisations and will have the ability to increase the change management capability of their immediate environments (Gupta et al., 2004; Monsen & Boss, 2009).

### 6.2.4 *Results pertaining to Perceived Organisation Performance*

Performance is multidimensional by nature (Rauch et al., 2009). It is beneficial in uniting dissimilar dimensions of performance in empirical research (Wiklund & Shepherd, 2004). The scales of measurement for perceived organisational performance consist of growth- and profitability metrics, which include organisational growth, financial performance and overall performance indicators (Rauch et al., 2009; Yang, 2008).

The *Organisational growth* is occupied with sales expansion, growing their employment footprint, growth in relation to competitor growth and market share in relation to competitor market share (Rauch et al., 2009; Yang, 2008). In this study organisational growth measures indicate strong measurement of sales growth, moderate employee growth, positive development compared to competitors and positive growth of market share in comparison with competitors.

One should view the organisational growth results objectively from a financial performance perspective. One should be aware of the fact that strategies differ, and that an organisation could opt out to focus on long term growth, consciously sacrificing short term profit (Rauch et al., 2009) or focus on short term profits, sacrificing long term results. This positive growth result is regarded positively for the target population, illustrating that the selected organisations representing 82% of the financial services

industry are not complacent in terms of financial growth and are actively working toward expanding their footprint.

*Financial performance* measure indicators include gross profit, return on assets and return on investment (Rauch et al., 2009; Yang, 2008). These measures indicate strong levels of gross profit growth compared to previous years, steady return on assets and positive returns on investment. Collectively this construct indicate positive financial growth for the population organisations.

The implications of increased financial performance measures will provide these organisations leverage for accelerating performance in future, through the increased ability to exploit opportunity using available financial capital (Wiklund & Shepherd, 2004).

Overall financial performance scales measured strongly positive, and respondents perceived their organisations to be in a favourable position compared to competition. With both organisational growth and organisational financial performance showing strong growth year on year one could assume that they have adapted the ability to focus on growth, long and short term, without sacrificing short term profitability.

## 6.3 Correlation analysis result

*Non-parametric: Spearman's ρ*

Spearman’s Rank order correlation coefficient

For correlation analysis non-parametric Spearman’s analysis was chosen. Most constructs were not distributed normally and originated from an ordinal scale, in the case of the selected sub-constructs within Entrepreneurial Leadership, Innovation and organisational Performance, Spearman’s works better for the analysis. A non-parametric normality technique is used when the assumption of normality is violated (Wiid & Diggines, 2013).

A positive correlation is indicative of a relationship where the values of the first variable increase, the values for the second variable would also increase.

The greater the absolute values of a correlation coefficient, the stronger the relationship between the two variables (Wiid & Diggines, 2013):

+1 = perfect correlation

+0.80 = strong correlation

+0.50= moderate correlation

+0.20= weak correlation

0 = no correlation

No negative correlations were reported. (Table 42, Appendix F)

### 6.3.1 *Hypothesis Correlation Analysis Results (Table 42, Appendix F).*

**Innovation** (total score) is positively correlated with weak to moderate strength to **Entrepreneurial Leadership** (r=0.34), and significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**Innovation** (total score) is correlated positively with moderate strength to **EO** (r=0.55), Significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**Entrepreneurial Leadership** and **EO** are correlated positively, with moderate strength (r=0.38), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**Financial performance** and **Organisational growth** are correlated positively with moderate strength (r=0.54), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**Innovation** (total score) and **organisational growth** are correlated positively with moderate strength (r=0.44), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**Innovation** (total score) and **organisational financial performance** are correlated positively measuring weak strength (r=0.20), significant at a 95% level of confidence (p<0.005) (Table 42, Appendix F).

**Entrepreneurial Leadership** and **organisational growth** are correlated positively with weak-moderate strength (r=0.25), significant at a 95% level of confidence (p<0.005) (Table 42, Appendix F).

**Entrepreneurial Leadership** and **organisational financial performance** are correlated positively with moderate strength (r=0.30), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**EO** and **organisational growth** are correlated positively with moderate strength (r=0.47), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

**EO** and **financial performance** are correlated positively with moderate to weak strength (r=0.35), significant at a 99% level of confidence (p<0.001) (Table 42, Appendix F).

## 6.4 Discussion of Hypothesis Results

This study has set out to prove a number of hypotheses. In the previous discussions I have outlined arguments and theories as well as the methodology used for the confirmation of the proposed hypotheses and the gathering of data from the target population and sample.

I will proceed to discuss the value that these results would add to the hypotheses and will relate this back to theory to build on previous theoretical studies.

### 6.4.1 *Hypothesis 1: A positive linear relationship exists between Entrepreneurial Leadership and organisational Innovation.*

Entrepreneurial leaders have been described as a catalyst in organisations who motivate employees to take risks, innovate and generate new ideas (Hitt et al., 2011).

This research set out to prove a positive linear correlation between Entrepreneurial Leadership and the levels of Innovation present within the same organisation.

Spearman's rank order correlation confirmed the hypothesis that the presence of Entrepreneurial Leadership is positively correlated with organisational level Innovation. Although the strength of correlation measured at a weak to moderate strength I am still satisfied with the result being positively correlated at a 99% confidence interval.

These findings allow us to draw the conclusion that within the dynamic South African financial services industry the presence of entrepreneurial leaders may indicate a presence of Innovation and vice-versa.

Hypothesis 1: True

### 6.4.2 *Hypothesis 2: A Positive linear relationship exists between Entrepreneurial Orientation and organisational Innovation.*

Previous scholarly works, as highlighted in the literature, predicted the presence of organisational Entrepreneurial Orientation may result in greater Innovation, creativity and novelty within an organisation (Chang & Wang, 2013; Ireland et al., 2001).

The research on this relationship set out to prove a linear correlation between Entrepreneurial Orientation and the levels of Innovation present within the same organisation.

Spearman's rank order correlation confirmed the second hypothesis that the presence of organisational Innovation is positively correlated with the presence of Entrepreneurial Orientation of an organisation. The strength of the correlation is satisfactory and measured a moderate to strong correlation between the two constructs at a confidence interval significance of 99%.

These findings allow us to draw the conclusion that within the South African financial services industry Entrepreneurial Orientation may indicate a presence of Innovation and vice-versa.

Hypothesis 2: True

### 6.4.3 *Hypothesis 3: A Positive linear relationship exists between Entrepreneurial Leadership and organisation Entrepreneurial Orientation.*

Entrepreneurial leaders have been described as key elements in growing Entrepreneurial Orientations within organisations (Hitt et al., 2011).

The research on this relationship set out to prove a positive linear correlation between Entrepreneurial Leadership and the presence of Entrepreneurial Orientation present within the same organisation.

Spearman's rank order correlation confirmed that the third hypothesis display a presence of Entrepreneurial Leadership and is positively correlated with the presence of Entrepreneurial Orientation of an organisation. The strength of the correlation is weak to moderate, and still begs the question as to what the ideal environment is which would result in a stronger correlation between these sub-constructs of SE. With this said, the measured result is still satisfactory, measuring a significance of a 99% confidence interval.

These findings allow us to draw the conclusion that within the South African financial services industry Entrepreneurial Orientation may indicate a presence of Entrepreneurial Leadership and vice-versa.

Hypothesis 3: True

### 6.4.4 *Hypothesis 4: A Positive linear relationship exists between organisational Innovation and organisational performance*

Financial performance and Organisation growth is positively and moderately correlated (0.54).

Ireland and Webb (2007), believed that competitive success is an outcome of product, process and administrative innovations as a consequence of successful exploration and exploitation (Ireland & Webb, 2007).

This research set out to prove that a clear presence of organisational Innovation would be positively correlated to organisational Performance within the same organisation.

Spearman's rank order correlation confirmed the fourth hypothesis that the presence of organisation Innovation is positively correlated with organisational Performance. Organisational Performance was measured through organisation growth and organisation financial performance. Each of these constructs has been positively correlated with each other at a moderate strength, and each sub-construct correlated positively at a weak to moderate strength with organisation Innovation.

Organisational growth measures more strongly to organisational Innovation than organisation financial performance indicators in comparison. This is contrary to some literature that describes Innovation as the primary creator of organisational wealth (Hitt et al., 2001; Ireland et al., 2001). These results are statistically satisfactory to the research at a 95% (Innovation and Organisational performance) and 99% (Innovation and growth) level of significance.

These findings allow us to draw the conclusion that within the South African financial services industry the presence of Innovation may indicate more positive organisational Performance and vice-versa.

Hypothesis 4: True

### 6.4.5 *Hypothesis 5: A Positive linear relationship exists between Entrepreneurial Leadership and organisational performance.*

Financial performance and Organisational growth are positively and moderately correlated (0.54).

Leadership that is focused on the creation of value, exploration of opportunity and unique management of resources have been positively correlated with organisational Performance (Ireland et al., 2001). Leaders displaying these attributes are labelled “Entrepreneurial Leaders” and possess the capacity to recognize opportunities and invoke actions of followers that builds performance (Gupta et al., 2004).

This research on the relationship between these two sub-constructs set out to prove a positive linear correlation between Entrepreneurial Leadership and organisational Performance within the same organisation.

Spearman’s rank order correlation confirmed the hypothesis that the presence of Entrepreneurial Leadership is convincingly correlated with organisation performance. Organisational performance was measured through organisational growth and organisational financial performance. Each of these constructs has been positively correlated with each other at a moderate strength, and each sub-construct correlated positively at a weak to moderate strength with Entrepreneurial Leadership. Organisational financial performance measures were stronger correlated to Entrepreneurial Leadership than with organisation growth measures. Entrepreneurial Leadership and organisation growth measured statistical significance to a 95% degree of confidence and Entrepreneurial Leadership and organisational performance measured a statistical significance of 99 percentile.

These findings allow us to draw the conclusion that within the South African financial services industry the presence of Entrepreneurial Leadership may indicate more positive organisation Performance and vice-versa.

Hypothesis 5: True

### 6.4.6 *Hypothesis 6: A positive linear relationship exists between organisational Entrepreneurial Orientation and organisational performance.*

Financial performance and Organisational growth are positively and moderately correlated (0.54).

Studies have proven an increase in EO to be positively correlated to an increase in performance measures (Dess & Lumpkin, 1996; Dess et al., 2012; Kraus et al., 2011; Morris et al., 2011; Rauch et al., 2009; Urban & Barreira, 2010; Venter et al., 2012; Wiklund & Shepherd, 2004).

This research set out to prove a positive linear correlation between Entrepreneurial Orientation and Organisational Performance within the same organisation.

Spearman's rank order correlation confirmed the hypothesis that the presence of organisation Entrepreneurial Orientation correlates positively to organisational performance. Organisational performance was measured through organisational growth and organisational financial performance. Each of these constructs have been positively correlated with each other at a moderate strength, and each sub-construct correlated positively at a weak to moderate strength with Entrepreneurial Orientation at a statistical significance of a 99% confidence interval.

Furthermore EO had a moderate correlation with organisational growth, stronger so than the weak-moderate strength correlation with organisational financial performance. This is contrary to Rauch (2009) who predicted the relationship between EO and financial performance to be stronger than non-financial performance indicators such as organisational growth.

These findings allow us to draw the conclusion that within the South African financial services industry the presence of Entrepreneurial Orientation may indicate more positive organisational performance and vice-versa.

Hypothesis 6: True

### 6.4.7 *Strategic Entrepreneurship (EO, EL and Innovation) and their relationship with organisational Performance*

It was important for the research to group this theoretical sub-construct of SE together and correlate them as one construct with Performance (organisational growth and organisational financial performance).

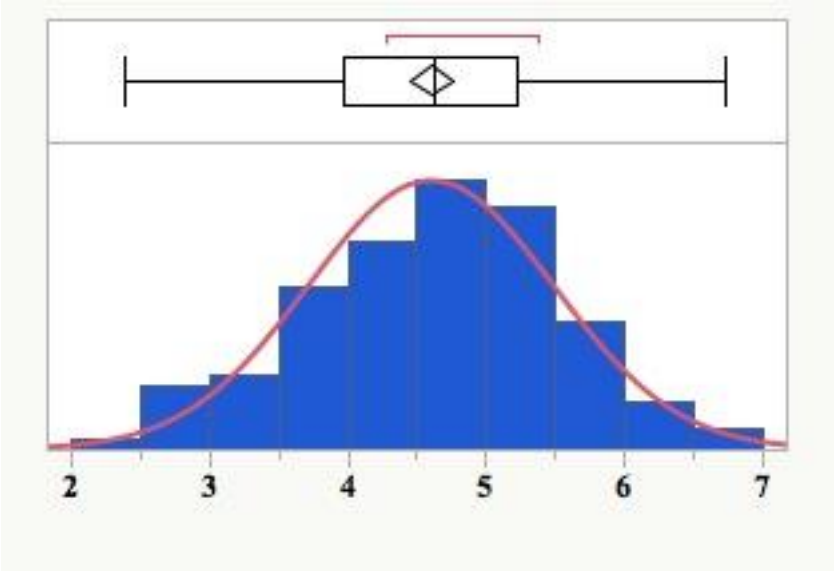


**Figure 7: Strategic Entrepreneurship and Performance**

Figure 7, (p77) illustrates a normal distribution, indicating a collective propensity of financial services industry in South Africa toward applying Strategic Entrepreneurship. The strength of this orientation measured a mean of 4.6 and a median of 4.63 indicative of moderate positive propensity toward the actions of Strategic Entrepreneurship.

When grouping the three chosen constructs together to measure Strategic Entrepreneurship, the measurement has a lower 95% mean of 4.46 and a higher 95% mean of 4.76, standard deviation of 0.89.

The results measured a linear correlation between the Strategic Entrepreneurship and Organisational performance constructs within the financial services industry of South Africa. SE correlated positively with a moderate strength to growth ($r=0.54$), ($p<0.001$) and financial performance ($r=0.34$) with a statistical significance of a 99% degree of confidence ($p<0.001$).

These findings allow us to draw the conclusion that within the South African financial services industry the presence of Strategic Entrepreneurship (EO, EL and Innovation) may indicate more positive organisational performance and vice-versa.

## 6.5 Theoretical implications

As reviewed in the literature, Strategic Entrepreneurship is positively correlated with organisational performance (Hitt et al., 2011; Ireland et al., 2001; Ireland et al., 2003; Ketchen et al., 2007; Kraus et al., 2011; Monsen & Boss, 2009; Siren et al., 2012). It has however become clear that more research is required on the influential relationships between the individual constructs.

It is important for this research to scrutinise the individual relationships of each sub-construct of SE (EO, EL and Innovation) with Organisational Performance as well as measuring their collective relationship with organisational performance. This positive result would serve as a way of confirming that the three chosen sub-constructs are key components to the theory and dimension of Strategic Entrepreneurship.

**Implications to Theory**

The significance of this research lies within the expansion of theory to better understand the influence of Strategic Entrepreneurship actions on the other SE dimensions as well as on performance in the specific environmental context of financial services.

*Theoretical implications can be highlighted as follows:*

**Strategic Entrepreneurship Implications**

This analysis extends the conceptualisation of a Strategic Entrepreneurship construct made up of Entrepreneurial Orientation, Entrepreneurial Leadership and Innovation. Earlier arguments identified numerous dimensions that are believed by various scholars to be important to the construct of SE. Hitt et al., 2001, Hitt et al., 2011, Ireland et al., 2003, Ireland & Webb, 2007, Kraus et al., 2011, Monsen & Boss, 2009, allude that the three most influential dimension to Strategic Entrepreneurship are: Entrepreneurial Orientation, Entrepreneurial Leadership and Organisational Innovation. Each of the proposed dimensions have proven positive relationships with performance and proven positive relationships as a collective construct (Figure 6, p30). These

suggest that EO, EL and Innovation could be used as three primary constructs of SE for future research.

**Entrepreneurial Orientation Implications (EO)**

The strength of construct correlation have shown Entrepreneurial Orientation and Innovation (hypothesis #2) to measure the strongest relationship and significance with Innovation and organisational growth (hypothesis #4) in second place, EO and organisational growth (hypothesis #6) third and EO and Entrepreneurial Leadership (hypothesis #3) in fourth place. This simple ranking displays EO as the construct correlating most strongly to each of the value creating efforts within my larger SE construct.

I would go as far as to state that in this case, EO is perceived to be paramount to Strategic Entrepreneurship, and as a construct contributes a major part in the levels of Entrepreneurial Leadership, organisational Innovation, growth and Performance of a given organisation. In support of this, Ireland (2001) stated that SE is the strategic framework within which the spontaneous activities of EO occur. My conclusion supports the principle that the introduction of Entrepreneurship into strategy significantly increases the organisation's ability to create value (Kuratko & Audretsch, 2009) as well as the resulting Innovation's further ability to increase the possible levels of value to be created (Hansen & Birkinshaw, 2007).

Given the positive measurement of the chosen EO construct we agree and tend to strengthen popular theory indicating a clear relationship between organisational EO and Innovation (Chang & Wang, 2013; Drucker, 1985; Ireland et al., 2001), Entrepreneurial Leadership (Gupta et al., 2004; Ireland et al., 2003; Kuratko & Audretsch, 2009; Yang, 2008) and organisational Performance (Hitt et al., 2011; Kraus et al., 2011; Rauch et al., 2009; Urban, 2012; Urban & Barreira, 2010; Wiklund & Shepherd, 2004).

**Entrepreneurial Leadership implications (EL)**

Entrepreneurial mind-set builds Entrepreneurial Leadership and builds entrepreneurial culture (Chang & Wang, 2013).

Strong cast enactment and scenario enactment were measured in the population organisations indicating a strong presence of entrepreneurial leaders.

This result is coherent with various authors who provided direction to this research, strengthening previous studies that determined Entrepreneurial Leadership to be correlated with Entrepreneurial Orientation (Gupta et al., 2004; Ireland et al., 2003; Kuratko & Audretsch, 2009; Yang, 2008), Innovation (Carlback, 2012; Chang & Wang, 2013; Hitt et al., 2001; Ireland et al., 2001; Kraus et al., 2011) and organisational Performance (Gupta et al., 2004; Ireland et al., 2001; Yang, 2008).

**Innovation implications**

Innovation Value Chain theory argues that Innovation can only be achieved through a series of aligned actions (Hansen & Birkinshaw, 2007), however, the measurement of these actions were low in the population organisations yet these organisations still measured high levels of perceived innovation. Funding for Innovation is limited; they maintain a risk-averse stance, experiencing difficulty in developing ideas and getting traction from business. Slow roll outs of innovations, and their innovations are not penetrating all available areas.

The younger age of employees and more frequent movement between organisations infer an increasing amount of new knowledge and abilities moving in and out of organisations. These knowledge fluctuations have the potential to impact positively on organisational learning which may influence the generation of innovations of an organisation positively (Alegre & Chiva, 2013).

For this research two sub-dimensions of the Innovation scale borrowed from Hansen and Birkinshaw (2007) were excluded due to unreliability in the correlations. This provides enough grounds to recommend this applied instrument be reviewed and improved upon as tool for measuring the innovation value chain and that its continued use be limited as an informal measurement apparatus.

In spite of the above observation the construct of Innovation as the sum of its parts still measured positively in the chosen sample, leaving me to agree with popular theory arguing for a clear connection between organisational Innovation and EO (Chang & Wang, 2013; Drucker, 1985; Ireland et al., 2001), organisational performance (Hitt et al., 2001; Ireland et al., 2001; Venter et al., 2012) and Entrepreneurial Leadership (Carlback, 2012; Chang & Wang, 2013; Hitt et al., 2001; Ireland et al., 2001; Kraus et al., 2011). Carlback (2012) strengthens my findings by stating that continuous

Innovation serves as an enabler for organisations in succeeding and maintaining competitive advantage.

In spite of the slowing GDP growth, the South African banking sector has been seen as one of the world leaders (WeForum, 2015). The mere fact of this superior performance in spite of the South African environments and circumstance, leaves me to consider the possibility that the reason the South African Banking industry is doing so well may be directly related to the challenges faced in South Africa instead of in spite of it? The top banking organisations were forced by their environment to adapt, innovate and advance their products and services to better serve a market unique to itself.

Research results showed support for Figure 6 (p30), illustrating the theory identifying key strategic entrepreneurial constructs. Entrepreneurial Leadership, Entrepreneurial Orientation and Innovation not only relate and build positively on each other but also have a strong positive relationship with organisational growth and financial performance, both as individual dimensions of SE and as a collective construct.

This study can be seen as the first step toward establishing causal links within Strategic Entrepreneurship (EO, Entrepreneurial Leadership and Innovation) and with Performance in the South African financial industry, serving as a future predictor of performance.

## 6.6 Concluding Remarks

All organisations have EO, only the level of EO each organisation possesses differs (Urban & Barreira, 2010). When EO and EL are applied in unison the level of output of innovation increases substantially (Ireland et al., 2001) in support of this Hitt et al. (2011) have named Organisational culture and leadership the two most vital organisational resources.

From the literature review, Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and organisational Performance are theoretically positively correlated. The result is supportive of a theory from Ireland et al. (2003) that Entrepreneurial Orientation and culture are correlated with Entrepreneurial Leadership. This study also confirms the Monsen and Boss (2007) findings that Innovation, Entrepreneurial Leadership, Entrepreneurial Orientation and Organisational Performance are some of the key inputs to establishing Strategic Entrepreneurship. Entrepreneurial leaders have been tasked

with preserving long term organisational goals that enhance the organisation's chances of survival (Kuratko & Audretsch, 2009) and also confirm that SE may correlate with an increase in organisational performance (Monsen & Boss, 2009).

This research set out to confirm that Strategic Entrepreneurship can be measured accurately using the sub-constructs of Strategic Entrepreneurship namely: Entrepreneurial Orientation, Entrepreneurial Leadership and Innovation. Furthermore I set out to prove a linear correlation between each of these constructs with each other individually, as well as an individual correlation of each construct and organisational performance, measured in both organisational growth and organisational financial performance.

The results measured from the population group confirmed the hypotheses and supports the argument that the application of Strategic Entrepreneurship has the capability of fostering continuous Innovation (Ketchen et al., 2007) and may assist an organisation in achieving competitive advantage (Ireland & Webb, 2007). The results allowed the researcher to accept hypotheses 1-6, proving that there is a positive linear relationship between SE and organisation performance and further linear relationships between EO, EL, Innovation and organisation Performance (growth and financial performance). This supports literature that SE is primarily concerned with creating value, performance and wealth (Hitt et al., 2011).

In brief EO, EL, Innovation and organisation performance are moderately and linearly correlated, and a strong presence of one of these constructs provides sufficient reason to believe that one of the other constructs will also measure positively. These findings in combination may contribute a substantial amount to knowledge about Strategic Entrepreneurship research and the internal relationship between sub-constructs. It goes on to prove that the proposed relationship of these constructs and dimensions holds true for the financial services industry in an emerging market country such as South Africa as much as it does for other industries in developed countries.

The final chapter presents the conclusion for this research study and will elaborate on the significance of the result on current management practices as well as suggestions for future research on this topic.

# CHAPTER 7. CONCLUSIONS and RECOMMENDATIONS

## 7.1 Introduction

The results obtained are relevant to literature pertaining to perceived Strategic Entrepreneurship in organisations employing SE actions in the South African Financial services industry. The data retrieved from major banking institutions suggest that the levels of EO, EL, Innovation and performance each have positive, direct linear relationships with each other.

This chapter contains practical and managerial considerations, concluding remarks and suggestions for prospective research. Findings will now be fed back into the stock of theory reviewed earlier on.

## 7.2 Managerial and Practical Considerations

The mental model of the organisation fostered through organisational culture, determines the strategic direction the organisation will be able to pursue (Ireland et al., 2003). Organisational performance and wealth is achieved when an organisation successfully combines effective opportunity seeking behaviour in combination with effective advantage seeking behaviour (Hitt et al., 2001; Hitt et al., 2011; Ireland et al., 2003; Ireland & Webb, 2007; Ketchen et al., 2007; Kraus et al., 2011; Kuratko & Audretsch, 2009).

The present business conditions are ever-changing, self-propelled, fast-paced, intricate, and plagued with condensed product life cycles, increased global competitiveness and exponential bursts of technology (Murimbika, 2011). South African organisations are no exception to such external influences.

The organisation and management may gain from the achievement of strategies that spur on and advance the organisation’s level of strategic entrepreneurial activity. These strategies should be broken down to the simplest level, adopted in the form of actions that can be embraced by employees on all levels.

Some of the practical applications are as follows:

***Entrepreneurial Orientation***

- Innovativeness

  Can be achieved through the application of creativity, conscious efforts to experiment and bringing new products and services to market (Dess & Lumpkin, 1996; Dess et al., 2012; Rauch et al., 2009; Sharma & Dave, 2011; Wiklund & Shepherd, 2004).
- Risk-taking

  Can be achieved if an organisation and its managers act on transient opportunities, venture into the unknown, commit serious resources and are willing to accept failure (Dess & Lumpkin, 1996; Dess et al., 2012; Rauch et al., 2009; Sharma & Dave, 2011; Wiklund & Shepherd, 2004).
- Pro-activeness

  Is achievable for the organisation who encourages opportunity seeking behaviour, with a forward looking orientation (Dess & Lumpkin, 1996; Dess et al., 2012; Rauch et al., 2009; Sharma & Dave, 2011; Wiklund & Shepherd, 2004).

***Entrepreneurial Leadership***

Entrepreneurial leaders can be fostered by management through the development of leaders who can apply the dimensions of scenario enactment and cast enactment.

- Scenario Enactment

  Is firstly concerned with the actions of framing the challenge through the setting of high standards for employees and leaders and managers who lead by example and work hard (Gupta et al., 2004; Hitt et al., 2011; Yang, 2008).

  Secondly leadership should develop the ability to absorb uncertainty. This involves the actions of envisioning an accurate future, building confidence in their actions and anticipating and preparing for possible future events (Gupta et al., 2004; Hitt et al., 2011; Yang, 2008).

  The final trait of scenario enactment involves the actions of path clearing. These actions involve the ability of leadership to negotiate and transact strongly, to be persuasive and to provide hope, courage and confidence (Gupta et al., 2004; Hitt et al., 2011; Yang, 2008).
- Cast Enactment

  The actions of cast enactment lies with building commitment of followers to achieve the scenarios generated in the first part of Entrepreneurial Leadership (Gupta et al., 2004). For

this to be achieved management need to inspire and motivate others, have the ability to build enthusiasm, effectively induce teamwork, seek continuous performance improvement, actively specify the limits of what is achievable, take quick and firm decisions, build optimistic and positive attitudes and lastly have the ability to encourage personnel to change beliefs and encourage followers to apply their minds (Gupta et al., 2004; Hitt et al., 2011; Yang, 2008).

***Innovation***

For Managers of modern day organisations need to realise Innovation in the shape identified in this research. They will need to create business units with the ability to generate ideas, convert those ideas into innovations and diffuse those ideas throughout the organisation and clientele (Dess et al., 2012; Hansen & Birkinshaw, 2007)

- The idea rich organisation should be able to generate ideas in house. This is achievable by cultivating a culture which encourages new ideas, and an environment where team members involve members from other business units in coming up with new ways forward. These units need to gain the ability to collaborate horizontally in ideas and innovations and in addition regard the sourcing of ideas from outside as valuable (Hitt et al., 2001; Ireland et al., 2001; Ireland et al., 2003; Kraus et al., 2011).
- The conversion rich organisation will focus on the appropriate section through the application of semi-standardised processes which may allow added freedom in the selection process. This goes hand in hand with encouragement of employees to take more risks (Dess et al., 2012; Ireland et al., 2001; Ireland et al., 2003; Kuratko & Audretsch, 2009). Once appropriate ideas have been selected, they need to be developed into viable innovations, development should strive to be efficient and punctual and increase buy in, development capacity and efficiency in innovation output (Hansen & Birkinshaw, 2007)
- The diffusion rich organisation should develop the capability to roll out new products quickly. They should strive to be ahead of competitors, and quick to copy new capabilities in the market and finally exploit all possible channels in getting the innovation to all end points (Dess et al., 2012; Hansen & Birkinshaw, 2007; Ireland et al., 2001; Ireland et al., 2003; Kuratko & Audretsch, 2009).

In conjunction sharing the view of Kuratko et al., (2009) that Innovation is the approach through which opportunity is seized and that the application of Strategic Entrepreneurship would position the organisation favourably (Ketchen et al., 2007), there must be symmetry between exploration and exploitation brought on by the application of efficient Strategic Entrepreneurship (Ireland et al.,

2001; Ireland & Webb, 2007; Ketchen et al., 2007). I would argue that the organisations embracing this balance hold the key to unlocking a potential source of global competitiveness and value creation.

Supplementary concerns for supervising roles arise from risk-taking and the pro-activeness functions of an Entrepreneurial Orientation. It is important for management to keep in mind that an Entrepreneurial Orientation and strategic entrepreneurial behaviour generally lead to increased wealth creation. This said, there are instances where the amount of risk-taking resulted in large losses that some organisations never recovered from.

For organisations to outlast competitors in the current hypercompetitive business environments, business need to be adaptable and capable of rapid response to environmental opportunities and threats (a state of readiness)(Hitt et al., 2001; Hitt et al., 2011; Ireland et al., 2003; Ireland & Webb, 2007; Ketchen et al., 2007; Kraus et al., 2011; Kuratko & Audretsch, 2009). Some management could be intimidated by the concept of chasing radical innovations that veer off from the organisation's current paths (Monsen & Boss, 2009) and may exert resistance to an active SE strategy. Entrepreneurial leaders at the helm of an organisation are key to the achievement of a balance between exploration and exploitation (Ireland et al., 2001; Ireland & Webb, 2007; Ketchen et al., 2007; Kraus et al., 2011) whilst mitigating the latter fears associated with disruptive innovation.

The effective use of SE strategies through the application of a combination of SE actions from the five types of SE as identified by Kuratko and Audretsch (2009) is one of the solutions for South African organisations to create a pipeline of transient advantages. Creativity and Innovation are seen as critical outcomes of SE (Ireland et al., 2003) which have been established to be correlated with increased Entrepreneurial Orientation, Entrepreneurial Leadership and organisational Performance.

I would like to conclude the value to management by paraphrasing Ireland, Hitt and Tramhs (2003) in stating that Innovations result from unique configurations of resources, production methods and services paramount to an organisation's wealth creating endeavours. Innovations are viewed as the lifeblood of Strategic Entrepreneurship and are vital to the modern day organisation.

## 7.3 Limitations of the study

The study intends to measure Strategic Entrepreneurship perspectives flowing from the perspectives of strategy and entrepreneurship only. As a study of SE in organisations and business units in South Africa there may be some practical and theoretical differences in results from the dominant models that the theory is built on.

Note that this study intends to prove correlation of constructs and not the causality thereof.

Perceived financial performance could be prone to social desirability bias, memory decay and or common method variance (Rauch et al., 2009).

Parts of the boundaries are the organisation population as well as the sole sample participants. The population organisations were intentionally selected due to their combined market share of 82% of the financial services industry. From this population of organisations a convenience sample was taken of available employees working in the various head offices of the population organisations. Precaution should be applied when generalising the findings of this study due to the competitive environment and growth patterns associated with large financial services activity in Gauteng possibly differing from other parts of the country.

An additional limitation relates to the measurement of Innovation using the Hansen and Birkinshaw (2007) innovation value chain instrument. After use of the instrument it became apparent that the instrument was not designed by Hansen and Birkinshaw (2007) for rigorous statistical analysis, and therefore had some limitations with regard to extracting strong correlations from sub-constructs.

Survivor bias (McGrath & MacMillan, 2000) where I only include the top 3 organisations representing 82% of the market, excluded the less successful organisations or those that have failed. It is therefore that I can only generalise the results to current surviving banks in the financial services industry. It is a possibility that the hazards associated with risk-taking within EO could increase the odds of chances of failure and one should entertain the possibility that the traits that lead to certain organisation's higher performance, may lead to other organisation's failure (Wiklund & Shepherd, 2004). For this question further research within Strategic Entrepreneurship in the South African Financial Services Industry is required within a population of failed and successful organisations.

## 7.4 Conclusions of the study

The researcher hypothesised the existence of a possible linear association between Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and organisational Performance. Factor and non-parametric Spearman's p correlation analyses supported the desired relationship between all of the strategic entrepreneurial variables with each other as well as with organisational Performance. More specifically, the summary results indicate a strong correlation between all four of the measured constructs.

This research evaluated the levels of EO, EL, Innovation and Performance in the sample population and extracted learning to be utilised by management in the banking industry when deciding on future actions aligned with value and wealth creation.

The results allude to a number of conclusions:

1. Strategic Entrepreneurship is linear and positively correlated with financial Performance (Figure 7, p77).
2. Entrepreneurial Orientation is linear, positive and significantly correlated with organisational Performance, Innovation and Entrepreneurial Leadership (Table 42, Appendix F).
3. Entrepreneurial Leadership is linear and positive and significantly correlated with organisational Performance, Innovation and Entrepreneurial Orientation (Table 42, Appendix F).
4. Innovation is positive and significantly correlated with organisational Performance, Entrepreneurial Orientation and Entrepreneurial Leadership (Table42, Appendix F).

This research found Entrepreneurial Orientation to correlate the strongest to all other sub-constructs of SE and with performance. These findings lead me to conclude that EO is complimentary to Innovation, Entrepreneurial Leadership and Performance and is perceived to be the most valuable component of an effective Strategic Entrepreneurial approach.

EO in isolation may result in risk-taking, innovativeness and pro-activeness, which require the acceptance of failure to be part of the organisation's mental model. The increase in risk for the organisation could result in sporadic financial returns, hinging on the performance or collapse of attempted ventures. The introduction of EO as part of a balanced scale of SE attributing to opportunity seeking and advantage seeking behaviour has the potential to reduce this risk. Strategic Entrepreneurship has the ability to better an organisation's strategic management which in return has been proven to increase the organisation's Entrepreneurial Orientation (Monsen &

Boss, 2009) simulating a symbiotic relationship. SE assists organisations in taking calculated risk and becoming more risk averse (Ireland et al., 2003) but even in conjunction with well-planned SE, maintaining a balance is still very difficult (Ireland & Webb, 2007).

This study advances the knowledge base for the relationships between Entrepreneurial Orientation, Entrepreneurial Leadership, Innovation and Performance. It shed some new light on how explicit dimensions of Strategic Entrepreneurship practices sway organisational performance.

This study not only contributes to the understanding of the relationship between the key sub-constructs of SE with regards to each other, but also to the understanding that each sub-construct on its own still has the ability to impact positively on financial performance.

The contribution to empirical business literature on Strategic Entrepreneurship and performance suggests that established businesses stand to benefit from investment into the building and establishment of Strategic Entrepreneurial capability, an active pursuit for Entrepreneurial Orientation, Entrepreneurial Leadership and Innovation. These efforts will most probably impact the organisation's state of readiness to explore and exploit opportunities, therefore positioning the organisation favourably to create wealth (Ketchen et al., 2007).

An unexpected finding in contradiction to the work of Rauch (2009), predicts EO and financial performance indicators to have stronger ties than non-financial performance indicators (i.e. organisational growth). This study's EO had a stronger correlation with organisational growth than the correlation with organisational financial performance which could mean that the sample group of financial organisations place more value on non-financial growth measures than financial measures and objectives.

Pertaining to my statement of problems, we now know that EO, EL, Innovation and performance is positively, linearly correlated. The presence of any of these constructs would warrant the presence of another. We also established EO, EL and Innovation to be complimentary in the pursuit of organisational performance, including positive organisation growth and financial performance. When grouping EO, EL and Innovation together under the construct of SE, it was confirmed in the deduced theory that the construct of SE has a positive association to organisational performance and serves as a tool for the modern organisation to create value, wealth and competitive advantage (Fig 6, p30).

Strategic Entrepreneurship is the tool of choice for externally focused organisations purposed with creating value through Innovation. It is a peculiar construct to be applied by organisations in the

pursuit of wealth, value and competitive advantage (Dess et al., 2012; Hitt et al., 2001; Hitt et al., 2011; Ireland et al., 2003; Ireland & Webb, 2007; Kuratko & Audretsch, 2009).

## 7.5 Suggestions for further research

The sample population was drawn from multinational organisations with their South African headquarters located in Gauteng. Due to the sample population being limited to Gauteng for this study, various geographical areas should be examined in future studies to determine outcome similarities or differences across the entire country.

A true reflection of all outcomes of SE can only be achieved in a study on Strategic Entrepreneurship in the South African Financial Services Industry within a population of failed and successful organisations.

Another research suggestion would be to determine the ideal amount of exploration and exploitation present in successful organisations today. One would explore the theory of Siren et al. (2012) that the optimal combination of exploration and exploitation would consist of medium levels of opportunity seeking (entrepreneurial behaviour) and high levels of advantage seeking (strategic behaviour) to determine if the levels suggested by Siren (2012) hold true to modern business in South Africa.

A final research suggestion is to expand the scope of sub-constructs within SE to include additional constructs such as Internationalisation, networking, organisational learning, the management of resources, environmental factors, individual resources and the impact of organisational structure. Measuring some of these with the current three sub-constructs, one should be able to derive value from comparing the strength and correlation of each sub-construct as a complete construct of SE.

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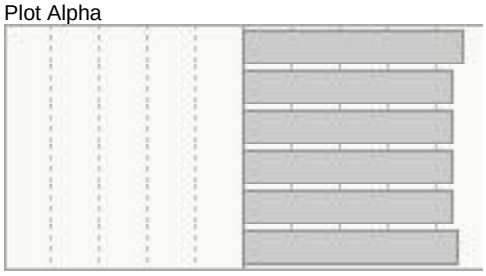
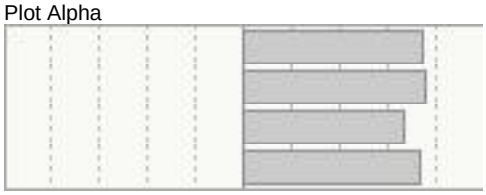
# APPENDIX A

## Reliability testing:

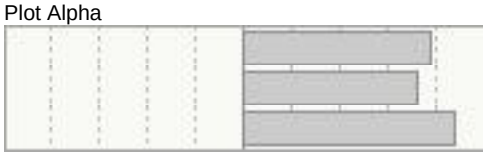
### Table 2: Entrepreneurial Leadership Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.9015 |  |
| Excluded Col | α | Plot Alpha |
| Q22 | 0.9164 |  |
| Q23 | 0.8756 | |
| Q24 | 0.8711 | |
| Q25 | 0.8709 | |
| Q26 | 0.8722 | |
| Q27 | 0.8924 | |

### Table 3: Organisational Performance: Growth, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.7838 |  |
| Excluded Col | α | Plot Alpha |
| Q28 | 0.7496 |  |
| Q29 | 0.7617 | |
| Q30 | 0.6748 | |
| Q31 | 0.7354 | |

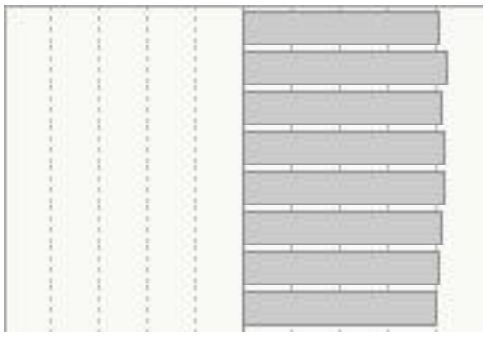
### Table 4: Organisational Performance: Financial, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.8562 |  |
| Excluded Col | α | Plot Alpha |
| Q32 | 0.7769 |  |
| Q33 | 0.729 | |
| Q34 | 0.8788 | |

### Table 5: Collective EO Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.8463 |  |

## Table 6: Individual EO Cronbach's Alpha

| Excluded Col | α | Plot Alpha |
|---|---|---|
| Q1 | 0.8141 |  |
| Q2 | 0.8442 | |
| Q3 | 0.8314 | |
| Q4 | 0.8369 | |
| Q5 | 0.8398 | |
| Q6 | 0.8269 | |
| Q7 | 0.8189 | |
| Q8 | 0.8097 | |

## Table 7: In house idea generation Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.495 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q9 2 | . |  |
| Q10 | . | |

## Table 8: Cross pollination of ideas, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.079 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q11 2 | . |  |
| Q12 | . | |

## Table 9: External sourcing of ideas, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.632 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q13 P | . |  |
| Q14 P | . | |

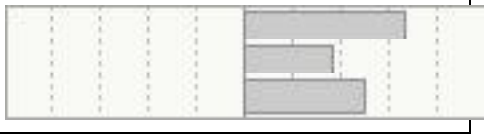
## Table 10: Selection of ideas, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.675 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q15 | . |  |
| Q16 | . | |

## Table 11: Development of Ideas, Cronbach's Alpha

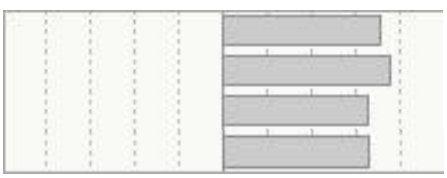
| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.827 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q17 | . |  |
| Q18 | . | |

## Table 12: Diffusion of Innovation, Cronbach's Alpha

| Cronbach's α | α | Plot Alpha |
|---|---|---|
| Entire set | 0.627 |  |
| **Excluded Col** | **α** | **Plot Alpha** |
| Q20 | 0.671 |  |
| Q19 2 | 0.367 | |
| Q21 2 | 0.501 | |

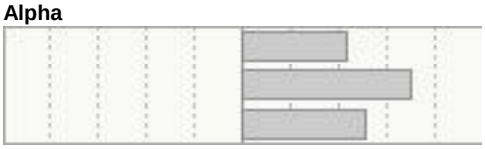
## Table 13: Complete Innovation construct, Cronbach's Alpha

| Cronbach's α | A | Plot Alpha |
|---|---|---|
| Entire set | 0.759 |  |

| Excluded Col | α | Plot Alpha |
|---|---|---|
| Innovation: Diffusion | 0.712 |  |
| Innovation: External sourcing REVERSED | 0.757 | |
| Innovation: Selection | 0.663 | |
| Innovation: Development | 0.662 | |

## Table 14: Cronbach's Alpha, Complete SE construct

| Cronbach's α SE | α | Plot Alpha |
|---|---|---|
| Entire set | 0.6491 |  |

| Excluded Col | A | Plot Alpha |
|---|---|---|
| EO score | 0.435 |  |
| EL total score | 0.6998 | |
| Innovation total score | 0.5181 | |

# APPENDIX B

## Actual Research Instrument

***MEASUREMENT SCALES THE SELF-REPORT SURVEY***[1]

WITS BUSINESS SCHOOL MASTER OF BUSINESS ADMINISTRATION SURVEY

SELF-REPORT SURVEY

Thank you for taking the time to assist me in the completion of this survey

I am conducting research on the relationships of Entrepreneurial Orientation and Entrepreneurial Leadership within the South African Financial Services industry and their correlation to the outputs of Organisation innovation/Novelty and Financial performance. These variables will be measured within the construct of the growing field of Strategic Entrepreneurship and forms part of the future of business strategy.

This survey consists of one page of multiple choice questions and should take approximately 8 minutes to complete.

Your responses are voluntary, will be confidential and will be used for academic purposes only. Responses will not be identified by individual. All responses will be compiled together and analysed as a group.

Yours sincerely,



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## RESPONDENT INFORMATION

Please indicate your age group:

| | |
|---|---|
| 18-29 | |
| 30-39 | |
| 40-54 | |
| 55< | |

Please specify your gender:

| | | | |
|---|---|---|---|
| Male | | Female | |

How long have you been employed by your current organisation?

| | | | | | |
|---|---|---|---|---|---|
| 0-6 months | | 6 months – 2 years | | 2 – 5 years | |
| 5 – 10 years | | 10 – 20 years | | More than 20 years | |

How long have you been employed in your current position at your organisation?

| | | | | | |
|---|---|---|---|---|---|
| 0-6 months | | 6 months – 2 years | | 2 – 5 years | |
| 5 – 10 years | | 10 – 20 years | | More than 20 years | |

What is your current job title?

……

*Please mark the number in the following scales which best describes your view of your business unit/management, with the number "1" describing the statement on the left of the scale the most and the number "7" describing the statement on your right hand side the most.*

| | **ENTREPRENEURIAL ORIENTATION** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Managers in my organisation prefer tried and true products or services | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Managers in my organisation prefer a strong emphasis on RandD, technological leadership and innovation |
| 2 | Changes to product lines is mostly a minor nature | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Changes to product lines is mostly major in nature |
| 3 | In dealing with competitors my business unit typically responds to actions that competitors take | 1 | 2 | 3 | 4 | 5 | 6 | 7 | In dealing with competitors my business unit typically (moves first) initiates actions to which competitors then respond |
| 4 | My business unit is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, processes, etc. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | My business unit is very often the first business to introduce new products/services, administrative techniques, operating technologies, processes, etc. |
| 5 | When dealing with competitors my business unit typically seeks to avoid competitive clashes, preferring a "live and let live" posture | 1 | 2 | 3 | 4 | 5 | 6 | 7 | When dealing with competitors my business unit typically adopts a very competitive "undo the competitors" posture |
| 6 | Top managers in my organisation have a strong proclivity for low risk projects (with normal rates of return) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Top managers in my organisation have a strong proclivity for high risk projects (with chances of very high rates of return) |
| 7 | Top managers of my business unit believe it is best to explore environments gradually via cautious, incremental behaviour | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Top managers of my business unit believe it is best to explore environments with bold, wide-ranging acts to achieve the organisation's objectives. |
| 8 | When confronted with decision making situations involving uncertainty, my business unit typically adopts a "wait and see" approach to minimize the probability of making costly decisions | 1 | 2 | 3 | 4 | 5 | 6 | 7 | When confronted with decision making situations involving uncertainty, my business unit typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities |

*Please indicate the extent to which you agree or disagree with each statement as it applies to your business unit's conduct. The following scale applies to all items: 1 = your strongly disagree with the statement; 7 = you strongly agree with the statement. Circle numbers "2" through "6" depending upon your best estimate of an intermediate position.*

| | **INNOVATION / NOVELTY** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 9 | Our culture makes it hard for people to put forward novel ideas | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 10 | People in our unit come up with lots of good ideas on their own | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 11 | Few of our projects involve team members from different units or subsidiaries | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 12 | Typically, our people collaborate on projects internally, across units, businesses or subsidiaries | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 13 | Our people consider ideas from outside more valuable than the ones invented within | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 14 | Lots of good ideas for new products and businesses come from outside the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 15 | We have tough rules for investment in new projects - it's often too hard to get ideas funded | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 16 | We have a risk-averse attitude toward investing in novel ideas | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 17 | New product development often don't finish on time | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 18 | Managers often have a hard time getting traction developing new businesses | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 19 | Our business unit/organisation are slow to roll out new products | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20 | Competitors are slow to copy our product introductions | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21 | We don't penetrate all possible channels, customer groups and regions with new products and services. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| | **ENTREPRENEURIAL LEADERSHIP** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 22 | Your management sets high standards of performance within the team/department | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23 | Managers display foresight in decision making by anticipating possible future events | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 24 | Your management gives courage, confidence, or hope through reassuring and advising personnel frequently | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 25 | Your Management are able to effectively induce group members to work together | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 26 | Your management encourages others to use their mind - challenges beliefs, stereotypes, and attitudes of others | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 27 | Your management have the ability to make decisions firmly and quickly | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

*Please mark the number in the following scales which best describes your view of your business unit/management, with the number "1" describing the statement on the left of the scale the most and the number "7" describing the statement on your right hand side the most.*

| | **PERCEIVED FINANCIAL PERFORMANCE** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 28 | The demand for our Business Unit's product and services have decreased substantially over the past year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | The demand for our Business Unit's product and services have increased substantially over the past year |
| 29 | The Business Unit's employees have been reduced over the past year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | The Business Unit's employees have increased in size over the past year |
| 30 | Our Business Unit have been growing slower than our competitors | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our Business Unit have been growing faster than our competitors |
| 31 | Our Business Unit service less clientele compared to our competitor | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our Business Unit service more clientele than our competitor |
| 32 | Our Business Unit is less profitable than in previous years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our Business Unit is more profitable than in previous years |
| 33 | Our business Unit is making a smaller returns on our Assets (Invested Cash, inventory, buildings, systems and resources) than in previous years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our business Unit is making larger returns on our Assets (Invested Cash, inventory, buildings, systems and resources) than in previous years |
| 34 | Our products and services yield a low return compared to the cost of implementation | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our products and services yield a high return compared to the cost of implementation |
| 35 | The current overall performance of our Business Unit is in decline compared to previous performance | 1 | 2 | 3 | 4 | 5 | 6 | 7 | The current overall performance of our Business Unit is growing strongly compared to previous performance |

**Table 15: Research instrument; scales and corresponding literature report**

| Scale | **Description** | **Literature support** |
|---|---|---|
| Entrepreneurial Orientation [Innovation, Risk-taking and Pro-activeness Scales] (8-items). | EO involves innovativeness (creativity and experimentation), risk-taking and pro-activeness (Covin. & Miles, 1999; Rauch et al., 2009; Urban & Barreira, 2010; Venter et al., 2012; Wiklund & Shepherd, 2004; Yang, 2008).<br><br>The three dominant dimensions of EO as identified over the years are innovativeness, pro-activeness and risk-taking behaviour<br><br>The above sub-constructs collectively form the dimension of EO.<br><br>This Scale is a slight adaptation of the Entrepreneurial Orientation Questionnaire developed by Covin and Slevin (1989) based on the earlier study of Khandwala (1976/1977) and Miller and Friesen (1982).<br><br>Respondents used a seven-point Bi-polar Likert scale – 1= complete agreement with statement on the left side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1). | Khandwalla(1977); Miller and Friesen (1982); Covin and Slevin (1989); Lumpkin and Dess, (1996); Wiklund and Shepherd (2004); Todorovic and Schlosser (2007); Yang (2008); Rauch, Wiklund, Lumpkin and Frese (2009); Urban and Barreira (2010); Morris, Covin and Kuratko (2011); Urban (2012) |

| | | |
|---|---|---|
| Innovation Scale (12 items). | Organisations are increasingly identifying innovation as a leading catalyst for growth and wealth creation (Ireland et al., 2001). The scale has been borrowed from the work of Hansen and Birkinshaw (2007) on the scale purposed with measuring an organisation's innovation value chain (Hansen & Birkinshaw, 2007). Respondents used a seven-point Likert scale – 1= strongly disagree with the statement and 7 = completely agree with statement (see Appendix 1). | Carney (2010); Gamal (2011); Hansen and Birkinshaw (2007); Ireland, Hitt, Camp and Sexton (2001,2003); Dess, Lumpkin, Eisner, McNamara and Kim (2012); Kuratko and Audretsch (2009) |
| Entrepreneurial Leadership (6 items). | This scale has been adapted and simplified from Gupta et al., 2004's entrepreneurial leadership instrument. Respondents used a seven-point Likert scale – 1= strongly disagree with the statement and 7 = completely agree with statement (see Appendix 1). | Ireland, Hitt and Sirmon (2003); Yang (2008); Gupta, MacMillan and Surie (2004); Kraus Kauranen, Reschke (2011); Kuratko and Audretsch (2009); Hitt, Ireland, Sirmon and Trahms (2011) |
| Perceived Performance (8 items) | Our fourth and final scale designed for measuring organisational performance measures was designed using the workings of Lumpkin and Dess (1996), Wiklund (1999) and Yang (2008), evaluating the indicators of growth, financial performance and overall performance.<br><br>Respondents used a seven-point Bi-polar Likert scale – 1= complete agreement with statement on the lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1). | Lumpkin and Dess (1996); Wiklund; (1999); Hitt, Ireland, Camp and Sexton (2001), Wiklund and Shepherd (2004) |

# APPENDIX C

## Consolidation of Past studies

B1: Entrepreneurial Leadership_ Table 16

B2: Entrepreneurial Orientation_ Table 17

B3: Innovation_ Table 18

**Table 16: Entrepreneurial Leadership; Consolidation of past studies**

| Focus of Past Studies on Entrepreneurial Leadership | Author |
|---|---|
| Ireland, Hitt, Camp and Sexton (2001) evaluated the fields of strategic management and entrepreneurship and found that both fields are involved with decisions made by leaders. Leaders impact their organisation's capability to create prolonged streams of income. In addition they called for an improved comprehension of the intersections of innovation, internationalization, organisational learning, top management, governance and growth. Management support and leadership is critical to achieve innovations through entrepreneurial and strategic actions. Top management and leaders are ultimately responsible for the selection of the organisation's strategies and to secure the creation of wealth. Ireland et al. (2001) concluded that organisations have the ability to produce more growth when organisations apply strategic formulation through which entrepreneurial actions are made possible. | Ireland, Hitt, Camp and Sexton (2001) |
| Ireland et al., (2003) believe that all organisations need to participate in opportunity seeking and advantage seeking behaviour. That SE integrates multiple disciplines, with the majority of influence stemming from entrepreneurship and strategic management. Ireland et al., (2003) viewed Strategic Entrepreneurship along with collaborative innovation as the key resources for creating wealth. They further specify that the organisation is far more complex than other scholars believe and that leaders with their sights set on growing organisational fortunes will face challenges in both fields of strategy and entrepreneurship where the focus on strategic management or entrepreneurship alone will present an incomplete picture and increase the organisation's chances of failure. Leaders of these organisations will need to develop the ability to oversee efforts in inventive opportunity seeking and rigorous advantage seeking concurrently. | Ireland, Hitt and Sirmon (2003) |

| | |
|---|---|
| Gupta, MacMillan and Surie (2004) broke down the construct of entrepreneurial leadership. They defined entrepreneurial leadership as the leader's challenge of creating commitment in employees that will foster entrepreneurial value creation. They identified two main actions with this, one of instilling vision of what can be achieved within followers and one that creates competent and committed following to pursue the vision. They believe that the addition of entrepreneurship to any action can shape the foundation required for a competitive advantage. In their opinion organisations need leadership adept at maintaining innovation and customization in high velocity and unpredictable environments. | **Gupta, MacMillan and Surie (2004)** |
| Yang (2008) led a study focused on leadership, entrepreneurial orientation and business performance. He believes that the modern organisation requires leaders who grasp the intricacies of the rapidly changing environments. He agreed with previous research that transformational leadership, very similar to entrepreneurial leadership, is convincingly correlated to increased productivity and performance. Entrepreneurial leaders play a crucial function in the prosperity of young ventures and are the required leadership to mitigate the unprecedented and uncharted domains that lie ahead for business in today's unpredictable markets. | **Yang (2008)** |
| Kuratko and Audretsch (2009) believe that it is important to accommodate a diverse range of views on SE. They attribute the way in which an organisation acts entrepreneurially with special reference to innovativeness, risk-taking and pro-activity associated with the dimensions of strategic management. They further believe that an entrepreneurial type of leadership is a crucial catalyst for creating and growing Strategic Entrepreneurship within an organisation. They go on to state that if the entrepreneurial leadership displayed is challenging for competitors to understand, it would create a competitive advantage for the organisation. Growth orientated organisations need to adopt an orientation comprised of flexibility, speed, innovation and strategic leadership; this mindset will provide the organisation the ability to exploit emerging opportunities within the new competitive landscape. This type of mindset is achieved the entrepreneurial leadership. | Kuratko and Audretsch (2009); |

| | |
|---|---|
| Hitt, Ireland, Sirmon and Trahms (2011) argue that all organisations need to know how to create value, and that this is the end goal of both strategic management and entrepreneurship. Hitt et al. (2011) expanded on a previous model of SE, Hitt et al. (2003), which identified an entrepreneurial mind-set as one of the key inputs to Strategic Entrepreneurship that creates value. Their model focused on the creation of value not only for the organisation, but also for the individual and society. They stated that in a dynamic environment individuals need to act entrepreneurially using knowledge stocks and their ability to deal with uncertainty. For this an entrepreneurial mind-set is required, one of alertness, reasoning and opportunity recognition. The recognition of opportunity through the application of an entrepreneurial mind-set is not sufficient, they go on to state that the application of strong leadership in conjunction with this is required to ensure that the full benefit can be realised from the identified opportunity. | Hitt, Ireland, Sirmon and Trahms (2011) |

**Table 17: Entrepreneurial Orientation; consolidation of past studies**

| Focus of Past Studies on Entrepreneurial Orientation | Author |
|---|---|
| Lumpkin and Dess (1996) set out to shed light on the nature of the entrepreneurial orientation (EO) construct, investigating the association between EO and organisational performance with the aim of providing a consolidated foundation for our inquiry into the association between EO and performance. They viewed EO as a multi-dimensional construct for testing the EO-performance relationship. They believe that entrepreneurship in new and existing organisations stimulates business expansion, technological enhancement and wealth creation and that entrepreneurship is an indispensable attribute of top performing organisations. The five dimensions of EO: autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness have been characterised as essential attributes for the entrepreneurial processes. The authors proceed to divide new entry, which explain what entrepreneurship consists of and the execution of entry in to new arenas, explaining the content of entrepreneurial orientation. They deemed this process as multi-dimensional, stemming from complex elements and unique combinations utilised in the creation of new ventures. The authors argue that the relationship between EO and performance is environment specific and that the constructs of EO may vary free of one another in a given framework.<br><br>Lumpkin and Dess (1996) have labelled the first three dimensions of pro-activeness, risk-taking and innovativeness as a basic, one-dimensional strategic orientation. | Lumpkin and Dess (1996); |
| Wiklund and Shepherd (2004) have searched the realms of EO in small businesses to determine if the levels of EO in this population will shed light on an array of mixed results. Many explorations could not prove an absolute correlation concerning EO and Performance. The authors question EO's suitability as strategic orientation in its own right, or a possibly more complex relationship with organisational performance. They added that a high EO equips organisations with the ability to explore emergent opportunities which could distinguish them from other organisations, creating a competitive | Wiklund and Shepherd (2004); |

| | |
|---|---|
| advantage. Wiklund and Shepherd (2004) extended these thoughts noting that the external environments and the internal attributes of the organisation affect the interactions and influences between EO and organisational performance, leading them to admit that a simple input- output relationship model for EO and performance may be lacking. Wiklund and Shepherd (2004) expect the alignment of EO and a changing environment to have positive performance implications. They also note that access to financing would stimulate a organisation's innovativeness positively and finally that emerging opportunities that arise in dynamic environments are more likely to be pursued by organisations with a high EO. They conclude that EO can be utilised to suppress environmental and resource limitations and have confirmed their hypothesis that a configuration of high EO, easy access to capital and a dynamic environment would be connected to leading small business performance. | |
| In their study Todorovic and Schlosser (2007) set out to build an improved comprehension of the part that leadership plays in the correlation of EO and Performance. Building on former analyses demonstrating associations between EO and organisational performance, they summarised that the addition of EO to an organisation makes the organisation more adaptive giving them better chances of achieving competitive advantage. Examining the roots of EO in research on strategy they described EO as senior management's actions to compute acceptable risk, to be innovative and to exhibit pro-active behaviour. Todorovic et al. (2007) deduced that EO would allow the organisation to continuously re-adjust its capabilities (levels of innovativeness, pro-activeness and risk-taking) as a dynamic capability within the resource based view framework. Todorovic et al. (2007) concluded that a charismatic leadership style would amplify the EO-Performance relationship. | Todorovic and Schlosser (2007) |
| Yang (2008) led a study focused on leadership, entrepreneurial orientation and business performance. They defined EO as the presence of the organisational level of entrepreneurship that can be attributed to higher levels of innovation, pro-activeness and risk-taking. Citing Thornberry (2006) directly that "EO assumes that the entrepreneurial organisation differs from other types of businesses". Yang (2008) made use of the EOQ (entrepreneurial orientation questionnaire) developed by Covin and Slevin (1989), based on the prior study by Khandwalla (1976/1977) and Miller and Friesen (1982). Yang (2008) concluded with a positive relationship between measured performance and measured levels of Entrepreneurial | Yang (2008) |

| | |
|---|---|
| Orientation of population organisations, but more specifically found that risk-taking was not as strongly correlated with performance as innovativeness and pro-activeness. | |
| Monsen and Boss (2009) evaluated Strategic Entrepreneurship within the organisation. They started off their study by stating that even though Entrepreneurial Orientation has been viewed in the context of corporate entrepreneurship in previous workings, the roots of EO are firmly planted within strategic management and therefore are well suited to form part of the study of Strategic Entrepreneurship. Defining EO as when an organisation applies strategic formulation to the tasks that make an organisation act entrepreneurially. They also identified the working parts of EO as risk-taking, innovativeness and pro-activeness and stated that the sub-constructs may vary from one another independently. They argued that the degree of EO within an organisation could be the direct result of strategic management. | Monsen and Boss (2009) |
| Rauch, Wiklund, Lumpkin and Frese conducted research into the links between entrepreneurial orientation and organisational performance, defining EO as the strategy making process that provides the organisation with groundwork for entrepreneurial resolutions and conduct, whilst identifying the key purpose of EO as the creation of competitive advantage. The key dimensions of EO utilised in their study are innovativeness, risk-taking, pro-activeness, competitive aggressiveness and organisational level of autonomy. They found that the relationship between EO and organisational performance have similar levels of measurement regardless of whether it was evaluated using perceived financial measures, perceived non-financial measures or archival financial data. Their study concluded that business will benefit more from higher EO levels and that EO can be used as a single dimension variable to realise similar results. | Rauch, Wiklund, Lumpkir and Frese (2009) |
| The study of Urban and Barreira (2010) was performed in South Africa, a fast growing emerging market. Their research stated that the development of a strong EO has the ability to give the edge to South African with which they could gain the ability to challenge first world industries. They identified EO as a vital part in organisational performance, and their theoretical basis for EO assumes that all organisations possess an entrepreneurial orientation, and that only the levels of it differ, stating that organisations may only be classed as entrepreneurial if they are innovative, pro-active and taking risks concurrently. They identified the 3 constructs of EO as risk-taking, pro-activeness, innovativeness, and made use of a | Urban and Barreira (2010) |

| | |
|---|---|
| modified Covin and Slevin (1989) scale for measuring EO in their study. | |
| The research of Urban (2012) has described EO as a key ingredient to achieve organisational success, and has placed EO on its own as a possible organisational strategy. Urban identified the 3 constructs of EO as innovativeness, risk-taking and pro-activeness and made use of the EOQ (entrepreneurial orientation questionnaire) developed by Covin and Slevin (1989), based on the prior study of Khandwalla (1976/1977) and Miller and Friesen (1982) in his study of Technopreneurship in a South African context. | Urban (2012) |

**Table 18: Innovation: Consolidation of past studies**

| Focus of Past Studies on Innovation | Author |
|---|---|
| Ireland, Hitt, Camp and Sexton (2001) called for the integration of entrepreneurial and strategic standpoints to examine entrepreneurial strategies that would build wealth. In addition they called for a better understanding of the intersections of innovation, internationalization, organisational learning, senior management, governance and growth within the realms of strategy and entrepreneurship. They identified a key value creation instrument as novelty and described it as the entry point of novel products and services to the market place. Radical innovations have been said to be at the centre of entrepreneurship and wealth creation and that organisations can enlist robust innovative capabilities to execute entrepreneurial strategies with the ability to create wealth. | Ireland, Hitt, Camp and Sexton (2001) |
| Ireland, Hitt and Sirmon (2003) developed a model of SE that incorporated an entrepreneurial mind-set, entrepreneurial culture and entrepreneurial leadership, the strategic management of resources and the application of creativity in innovation advancement as important dimensions of SE, viewing Strategic Entrepreneurship along with collaborative innovation as the key resources for creating wealth.<br><br>From the mentioned important dimensions of SE highlighted in their model they focused on the development of innovation and the role it needs to fulfil in the organisation: Innovations need to eliminate obsolete goods and services, Innovation stems from new combinations of resources and is linked to successful organisational performance. Disruptive innovations possess the ability to develop unique exchanges and business models. They added that successful streams of innovation can only be possible through opportunity seeking and advantage seeking behaviour, stemming from successful Strategic Entrepreneurship.<br><br>In conclusion they stated that without effective SE an organisation may focus too much on sustaining innovation, failing to recognize and exploit new opportunities. | Ireland, Hitt and Sirmon (2003) |

| | |
|---|---|
| Gamal, Salah and Elrayyes (2011) set out to measure organisational innovativeness. They discuss the five different innovation measurement models in popular use across the globe. After weighing up the effectiveness of these models they concluded that they are each more suited to be used in differing situations; the innovation value chain developed by Hansen and Birkinshaw (2007) is best suited to measure idea generation, idea conversion, diffusion of innovation, knowledge acquisition, creating innovation and commercializing innovation within an organisation. They conclude by stating that the Hansen and Birkinshaw (2007) innovation value chain questionnaire emphasises the assessment of the output of the innovation process. | Gamal, Salah and Elrayyes (2011) |
| Hansen and Birkinshaw (2007) developed their model for the innovation value chain, viewing innovation as a multiple tiered action. This process consists of idea generation, idea development and the diffusion of developed concepts. They further expanded each process and argued that an organisation built to generate, convert and diffuse good ideas and innovation would actively strive to establish external networks, internal cross unit networks, collaboration across units, improved selection of ideas and methods for quicker diffusion of ideas through the organisation. They developed an innovation value chain questionnaire, to gauge the levels of participation within an organisation, on all levels of the process. | Hansen and Birkinshaw (2007) |
| Kuratko and Audretsch (2009) believe that it is important to accommodate a diverse range of views on SE. Their view is that the extent an organisation would act entrepreneurially through innovativeness, risk-taking and pro-activity is associated with the attributes of strategic management. They describe innovation as the actions through which opportunity is seized. They go on to identify five forms of Strategic Entrepreneurship namely; strategic renewal, sustained regeneration, domain redefinition, organisational rejuvenation and business model reconstruction. They postulated that all forms of Strategic Entrepreneurship embrace the display of organisationally significant innovations in the search for competitive advantage. | Kuratko and Audretsch (2009 |

# Appendix D

## VALIDITY

### Table 19: Entrepreneurial Leadership EFA validity

| Number | Eigenvalue | Percent | | Cumulative Percentage |
|---|---|---|---|---|
| 1 | 4.0549 | 67.582 |  | 67.582 |
| 2 | 0.7762 | 12.937 | | 80.519 |
| 3 | 0.4826 | 8.044 | | 88.563 |
| 4 | 0.3084 | 5.14 | | 93.703 |
| 5 | 0.2365 | 3.941 | | 97.644 |
| 6 | 0.1414 | 2.356 | | 100 |

### Table 20: Entrepreneurial Leadership Loadings

| | Q | Factor 1 | Factor 2 |
|---|---|---|---|
| Cast Enactment | Q22 | 0.22 | 0.84 |
| | Q23 | 0.67 | 0.49 |
| | Q24 | 0.92 | 0.19 |
| Scenario Enactment | Q25 | 0.86 | 0.24 |
| | Q26 | 0.8 | 0.29 |
| | Q27 | 0.6 | 0.33 |

### Table 21: Entrepreneurial Orientation EFA validity

| Number | Eigenvalue | Percent | Percent | Cumulative Percentage |
|---|---|---|---|---|
| 1 | 3.9293 | 49.116 |  | 49.116 |
| 2 | 1.007 | 12.588 | | 61.704 |
| 3 | 0.8072 | 10.09 | | 71.794 |
| 4 | 0.7498 | 9.373 | | 81.167 |
| 5 | 0.4674 | 5.842 | | 87.009 |
| 6 | 0.4291 | 5.363 | | 92.372 |
| 7 | 0.3898 | 4.872 | | 97.244 |
| 8 | 0.2205 | 2.756 | | 100 |

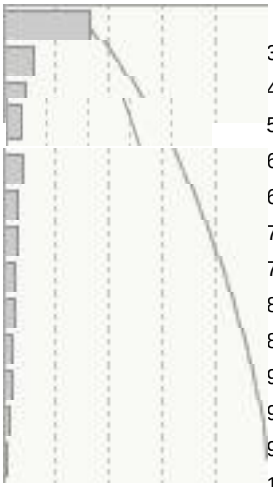
## Table 22: Entrepreneurial Orientation loadings

| Q | Factor 1 | Factor 2 |
|---|---|---|
| Q1 | 0.67 | 0.38 |
| Q2 | 0.4 | 0.23 |
| Q3 | 0.28 | 0.7 |
| Q4 | 0.21 | 0.72 |
| Q5 | 0.33 | 0.37 |
| Q6 | 0.64 | 0.21 |
| Q7 | 0.7 | 0.27 |
| Q8 | 0.88 | 0.25 |

## Table 23: Innovation EFA validity

**Eigenvalues**

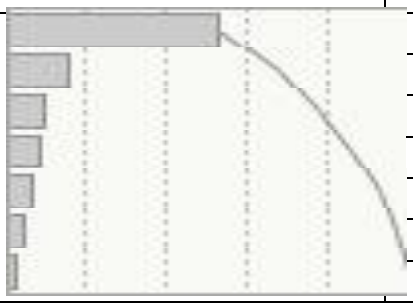
| Number | Eigenvalue | Percent | Cum Percent |
|---|---|---|---|
| 9 | 4.279 | 32.915 | 32.915 |
| 10 | 1.4675 | 11.289 | 44.204 |
| 11 | 1.1701 | 9.001 | 53.205 |
| 12 | 0.9949 | 7.653 | 60.858 |
| 13 | 0.9234 | 7.103 | 67.962 |
| 14 | 0.761 | 5.854 | 73.816 |
| 15 | 0.722 | 5.554 | 79.369 |
| 16 | 0.6412 | 4.932 | 84.302 |
| 17 | 0.5824 | 4.48 | 88.781 |
| 18 | 0.4648 | 3.575 | 92.356 |
| 19 | 0.4533 | 3.487 | 95.843 |
| 20 | 0.3 | 2.307 | 98.151 |
| 21 | 0.2404 | 1.849 | 100 |



## Table 24: Rotated Factor Loadings; Innovation

| | | Factor 1 | Factor 2 | Factor 3 |
|---|---|---|---|---|
| 9 | in house idea generation | Q9 | 0.30 | 0.25 | -0.4 |
| 10 | | Q10 | -0.1 | -0.1 | 0.60 |
| 11 | cross pollination among businesses | Q11 | -0.1 | 0.17 | -0.0 |
| 12 | | Q12 | -0.1 | 0.08 | 0.47 |
| 13 | external sourcing of ideas | Q13 | 0.28 | 0.57 | -0.1 |
| 14 | | Q14 | 0.16 | 0.64 | 0.08 |
| 15 | Selection | Q15 | 0.41 | 0.50 | -0.2 |
| 16 | | Q16 | 0.35 | 0.56 | -0.1 |
| 17 | Development | Q17 | 0.75 | 0.10 | -0.2 |
| 18 | | Q18 | 0.83 | 0.25 | -0.2 |
| 19 | Diffusion | Q19 | 0.75 | 0.23 | -0.1 |
| 20 | | Q20 | -0.3 | -0.1 | 0.14 |
| 21 | | Q21 | 0.52 | 0.02 | -0.1 |
| 22 | | | | | |

## Table 25: Organisational Performance, EFA validity

| Number | Eigenvalue | Percentage | Percentage | Cum Percent |
|---|---|---|---|---|
| 1 | 3.7184 | 53.12 |  | 53.12 |
| 2 | 1.0826 | 15.466 | | 68.586 |
| 3 | 0.6715 | 9.593 | | 78.179 |
| 4 | 0.592 | 8.457 | | 86.636 |
| 5 | 0.4407 | 6.296 | | 92.932 |
| 6 | 0.3004 | 4.292 | | 97.224 |
| 7 | 0.1943 | 2.776 | | 100 |

## Table 26: Organisational Performance Loadings

| | Q | Factor 1 | Factor 2 |
|---|---|---|---|
| Organisational Growth | Q28 | 0.19 | 0.59 |
| | Q29 | 0.23 | 0.56 |
| | Q30 | 0.25 | 0.88 |
| Organisational Performance | Q31 | 0.35 | 0.51 |
| | Q32 | 0.85 | 0.23 |
| | Q33 | 0.84 | 0.3 |
| Total Performance indicator | Q34 | 0.59 | 0.39 |

## Table 27: Non-parametric spearman's correlation

| Variable | by Variable | Spearman ρ | Prob>\|ρ\| | Plot |
|---|---|---|---|---|
| Performance score | Growth score | 0.5436 | <.0001* |  |
| Strategic Entrepreneurship | Growth score | 0.5066 | <.0001* |  |
| Strategic Entrepreneurship | Performance score | 0.3362 | <.0001* |  |

# APPENDIX E

## Demographic distributions

### Table 28: Age distribution of respondents

| Level | Count | Probability |
|---|---|---|
| 18yr – 29yr | 50 | 37.87% |
| 30yr – 39yr | 44 | 33.33% |
| 40yr – 54yr | 34 | 25.75% |
| 55yr < | 4 | 3.03% |
| Total | 132 | 100% |
| N Missing | 3 | |

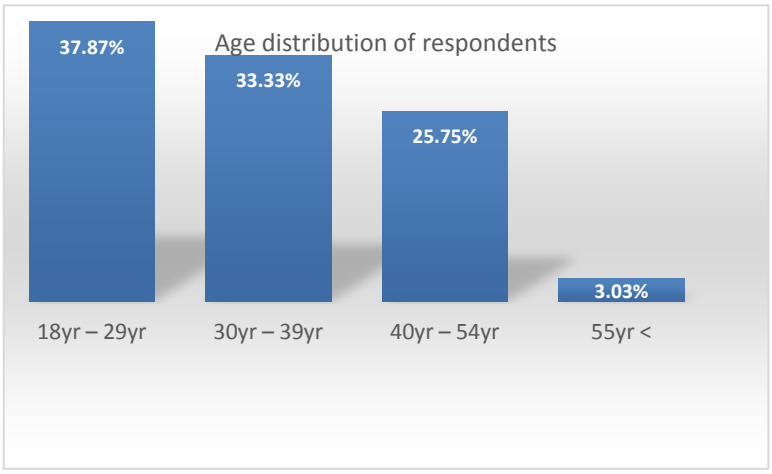



Figure 8: Age distribution of respondents

### Table 29: Gender of respondents

| Level | Count | Probability |
|---|---|---|
| Male | 73 | 55.72% |
| Female | 58 | 44.27% |
| Total | 131 | 100% |
| N missing | 4 | |

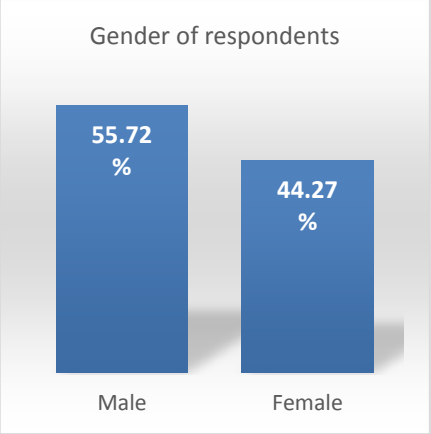



**Figure 9: Gender of respondents**

## Table 30: Time employed with current organisation

| Level | Count | Probability |
|---|---|---|
| 0 - 6months | 20 | 15.26% |
| 6 months – 2 years | 29 | 22.13% |
| 2 – 5 years | 36 | 27.48% |
| 5 – 10 years | 26 | 19.84% |
| 10 – 20 years | 6 | 4.5% |
| More than 20 years | 14 | 10.68% |
| Total | 131 | 100% |
| N Missing | 4 | |

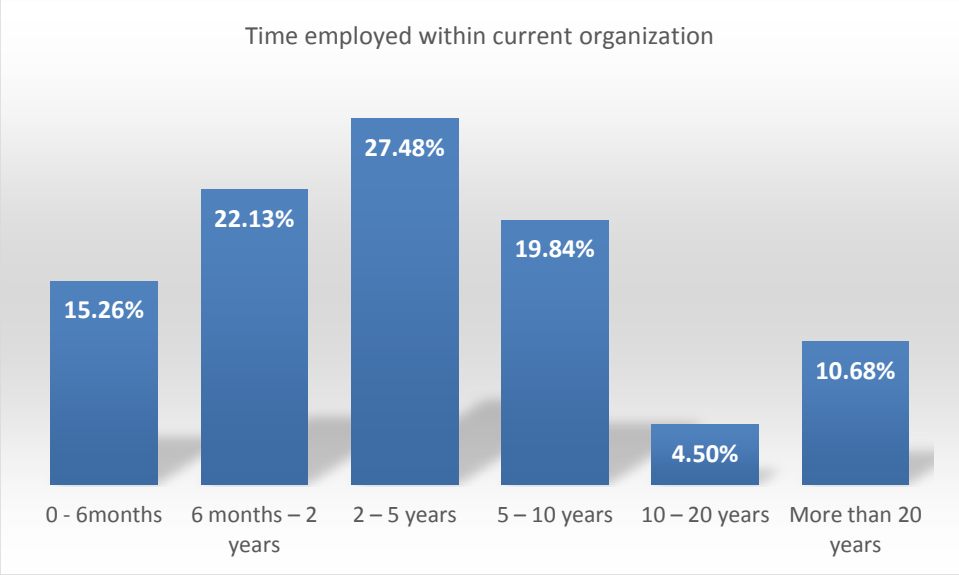



**Figure 10: Time employed with current organisation**

**Table 31: Time employed in current position at organisation**

| Level | Count | Probability |
|---|---|---|
| 0-6 Months | 29 | 22.13% |
| 6 months – 2 years | 52 | 39.69% |
| 2 – 5 years | 32 | 24.42% |
| 5-10 years | 12 | 9.16% |
| 10 – 20 years | 5 | 3.81% |
| More than 20 years | 1 | 0.76% |
| Total | 131 | 100% |
| N Missing | 4 | |

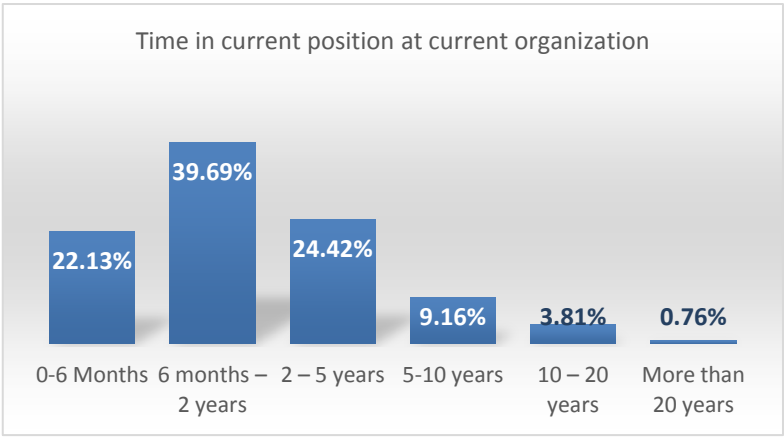



**Figure 11: Time employed in current position**

# Appendix F

## Entrepreneurial Orientation survey Result

### Table 32: EO Results

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q1 | 8 | 5.93% | 11 | 8.15% | 16 | 11.85 % | 25 | 18.52 % | 32 | 23.70 % | 30 | 22.22 % | 13 | 9.63% | 135 | 100.0 % |
| Q2 | 10 | 7.41% | 11 | 8.15% | 16 | 11.85 % | 30 | 22.22 % | 28 | 20.74 % | 29 | 21.48 % | 11 | 8.15% | 135 | 100.0 % |
| Q3 | 7 | 5.19% | 15 | 11.11 % | 13 | 9.63% | 33 | 24.44 % | 29 | 21.48 % | 24 | 17.78 % | 14 | 10.37 % | 135 | 100.0 % |
| Q4 | 8 | 5.93% | 16 | 11.85 % | 21 | 15.56 % | 15 | 11.11 % | 20 | 14.81 % | 39 | 28.89 % | 16 | 11.85 % | 135 | 100.0 % |
| Q5 | 6 | 4.44% | 13 | 9.63% | 13 | 9.63% | 37 | 27.41 % | 27 | 20.00 % | 30 | 22.22 % | 9 | 6.67% | 135 | 100.0 % |
| Q6 | 6 | 4.44% | 14 | 10.37 % | 16 | 11.85 % | 30 | 22.22 % | 38 | 28.15 % | 21 | 15.56 % | 10 | 7.41% | 135 | 100.0 % |
| Q7 | 6 | 4.44% | 19 | 14.07 % | 11 | 8.15% | 28 | 20.74 % | 33 | 24.44 % | 27 | 20.00 % | 11 | 8.15% | 135 | 100.0 % |
| Q8 | 5 | 3.70% | 16 | 11.85 % | 14 | 10.37 % | 30 | 22.22 % | 34 | 25.19 % | 24 | 17.78 % | 12 | 8.89% | 135 | 100.0 % |

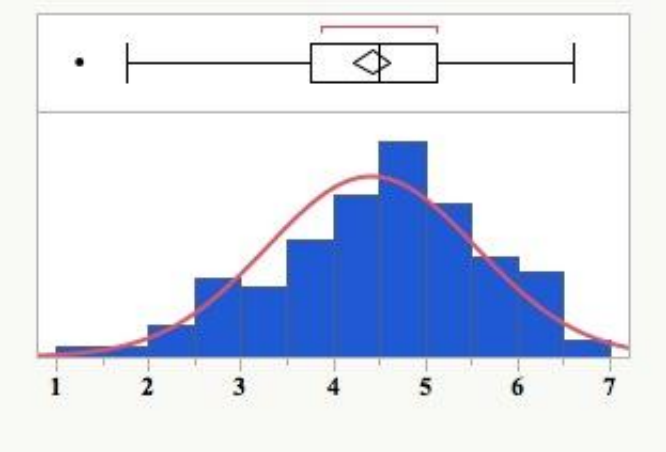



**Figure 12: EO score distribution**

## *Innovation; Results*

### Table 33: Innovation Result; External sourcing of ideas (reverse scale)

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q13 | 17 | 12.59% | 30 | 22.22% | 28 | 20.74% | 35 | 25.93% | 11 | 8.15% | 11 | 8.15% | 3 | 2.22% | 135 | 100.0% |
| Q14 | 22 | 16.30% | 25 | 18.52% | 31 | 22.96% | 36 | 26.67% | 8 | 5.93% | 10 | 7.41% | 3 | 2.22% | 135 | 100.0% |

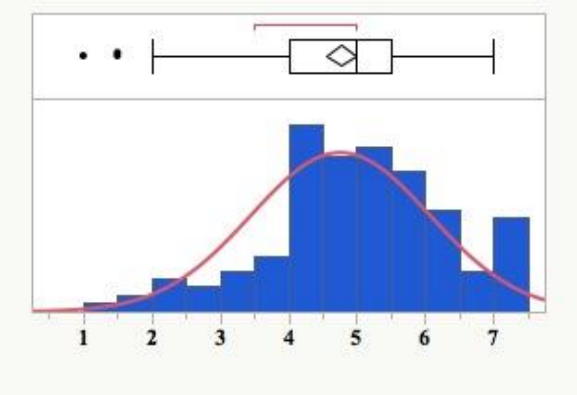



**Figure 13: External sourcing of ideas score distribution (reversed)**

### Table 34: Innovation Result; Idea selection

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | 5 | | 6 | | 7 | | All | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q15N | 10 | 7.41% | 14 | 10.37% | 23 | 17.04% | 24 | 17.78% | 32 | 23.70% | 18 | 13.33% | 14 | 10.37% | 135 | 100.0% |
| Q16N | 7 | 5.19% | 15 | 11.11% | 20 | 14.81% | 40 | 29.63% | 27 | 20.00% | 16 | 11.85% | 10 | 7.41% | 135 | 100.0% |

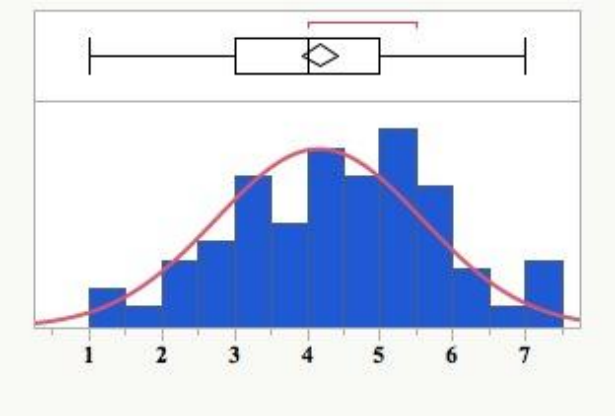



**Figure 14: Selection of ideas score distribution**

## Table 35: Innovation Result; development of ideas

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | 5 | | 6 | | 7 | | All | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q17N | 19 | 14.07% | 18 | 13.33% | 21 | 15.56% | 30 | 22.22% | 19 | 14.07% | 19 | 14.07% | 9 | 6.67% | 135 | 100.0% |
| Q18N | 7 | 5.19% | 11 | 8.15% | 24 | 17.78% | 30 | 22.22% | 27 | 20.00% | 26 | 19.26% | 10 | 7.41% | 135 | 100.0% |

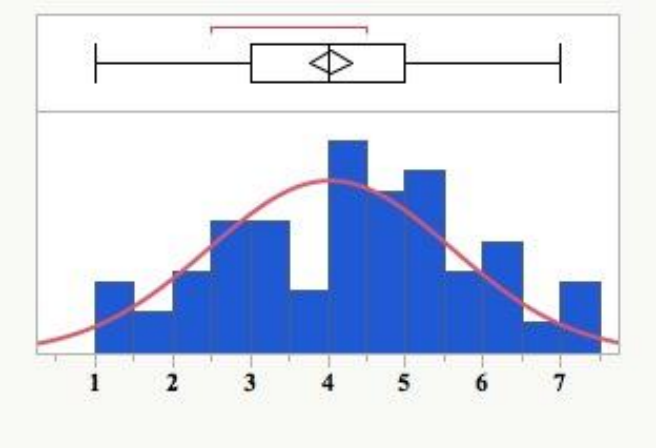



**Figure 15: Development of ideas score distribution**

## Table 36: Innovation Result; diffusion of ideas

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | 5 | | 6 | | 7 | | All | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q19N | 9 | 6.67% | 17 | 12.59% | 15 | 11.11% | 23 | 17.04% | 30 | 22.22% | 28 | 20.74% | 13 | 9.63% | 135 | 100.0% |
| Q20 | 11 | 8.15% | 14 | 10.37% | 19 | 14.07% | 38 | 28.15% | 25 | 18.52% | 22 | 16.30% | 6 | 4.44% | 135 | 100.0% |
| Q21N | 12 | 8.89% | 15 | 11.11% | 27 | 20.00% | 23 | 17.04% | 26 | 19.26% | 21 | 15.56% | 11 | 8.15% | 135 | 100.0% |

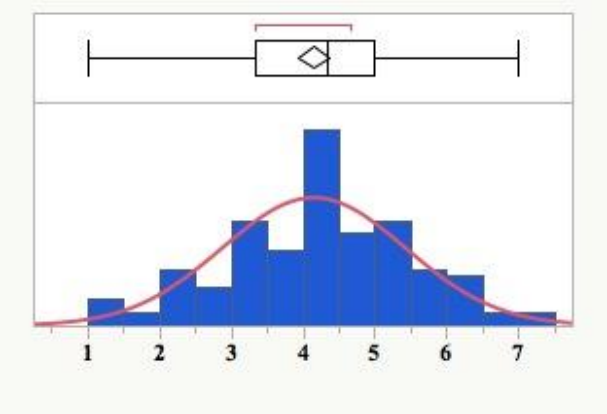



**Figure 16: Diffusion of ideas score distribution**

### *Total Innovation Score*

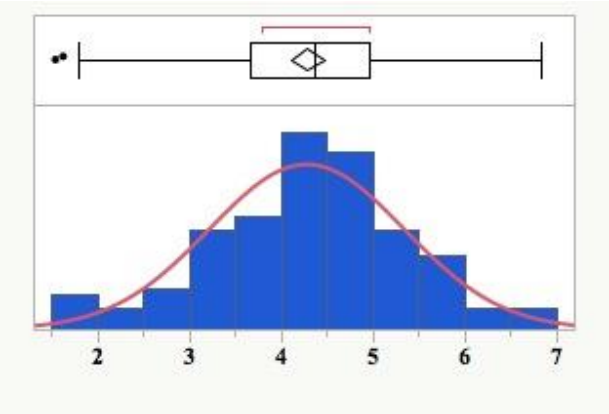



**Figure 17: Innovation total score distribution**

## *Entrepreneurial Leadership*

### Table 37: Entrepreneurial Leadership Result: Scenario enactment

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q22 | 4 | 2.96% | 4 | 2.96% | 6 | 4.44% | 5 | 3.70% | 21 | 15.56% | 55 | 40.74% | 40 | 29.63% | 135 | 100.0% |
| Q23 | 6 | 4.44% | 5 | 3.70% | 13 | 9.63% | 11 | 8.15% | 37 | 27.41% | 40 | 29.63% | 23 | 17.04% | 135 | 100.0% |
| Q24 | 7 | 5.19% | 4 | 2.96% | 17 | 12.59% | 19 | 14.07% | 25 | 18.52% | 44 | 32.59% | 19 | 14.07% | 135 | 100.0% |

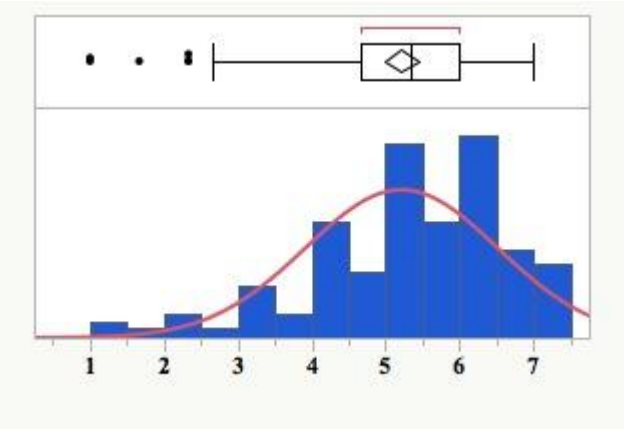



**Figure 18: EL scenario enactment score distribution**

### Table 38: Innovation Result: Cast enactment

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q25 | 5 | 3.70% | 7 | 5.19% | 17 | 12.59% | 16 | 11.85% | 34 | 25.19% | 39 | 28.89% | 17 | 12.59% | 135 | 100.0% |
| Q26 | 5 | 3.70% | 6 | 4.44% | 9 | 6.67% | 20 | 14.81% | 33 | 24.44% | 37 | 27.41% | 25 | 18.52% | 135 | 100.0% |
| Q27 | 5 | 3.70% | 6 | 4.44% | 12 | 8.89% | 18 | 13.33% | 33 | 24.44% | 33 | 24.44% | 28 | 20.74% | 135 | 100.0% |

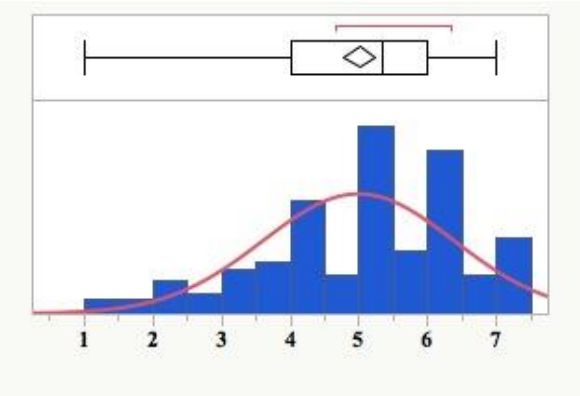



**Figure 19: Cast enactment score distribution**

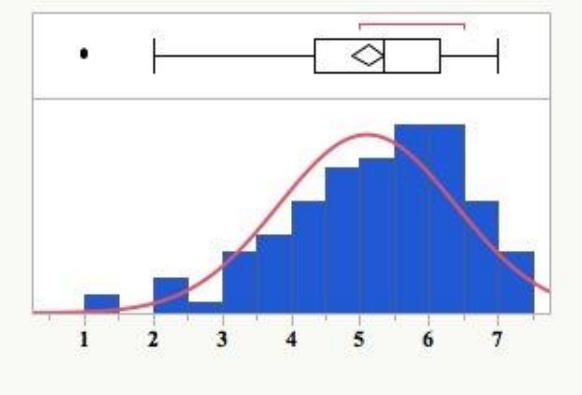



**Figure 20: Entrepreneurial Leadership construct; score distribution**

### *Organisational Perceived Performance*

**Table 39: Organisational Performance Result; Organisational growth**

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** | **N** | **% of Total** |
| Q28 | 8 | 5.93% | 7 | 5.19% | 9 | 6.67% | 15 | 11.11% | 20 | 14.81% | 44 | 32.59% | 32 | 23.70% | 135 | 100.0% |
| Q29 | 11 | 8.15% | 13 | 9.63% | 9 | 6.67% | 24 | 17.78% | 26 | 19.26% | 24 | 17.78% | 28 | 20.74% | 135 | 100.0% |
| Q30 | 8 | 5.93% | 12 | 8.89% | 18 | 13.33% | 42 | 31.11% | 19 | 14.07% | 16 | 11.85% | 20 | 14.81% | 135 | 100.0% |
| Q31 | 7 | 5.19% | 9 | 6.67% | 9 | 6.67% | 36 | 26.67% | 26 | 19.26% | 30 | 22.22% | 18 | 13.33% | 135 | 100.0% |

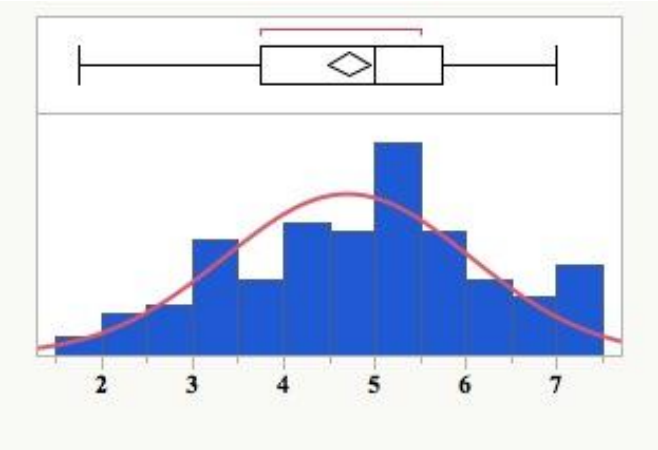



Figure 21: Organisational growth score distribution

**Table 40: Organisational Performance Result: Financial performance**

| c | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | All | |
| | N | % of Total | N | % of Total | N | % of Total | N | % of Total | N | % of Total | N | % of Total | N | % of Total | N | % of Total |
| Q32 | 3 | 2.22% | 8 | 5.93% | 10 | 7.41% | 28 | 20.74% | 36 | 26.67% | 33 | 24.44% | 17 | 12.59% | 135 | 100.0% |
| Q33 | 5 | 3.70% | 7 | 5.19% | 12 | 8.89% | 38 | 28.15% | 27 | 20.00% | 31 | 22.96% | 15 | 11.11% | 135 | 100.0% |
| Q34 | 3 | 2.22% | 7 | 5.19% | 16 | 11.85% | 25 | 18.52% | 36 | 26.67% | 32 | 23.70% | 16 | 11.85% | 135 | 100.0% |

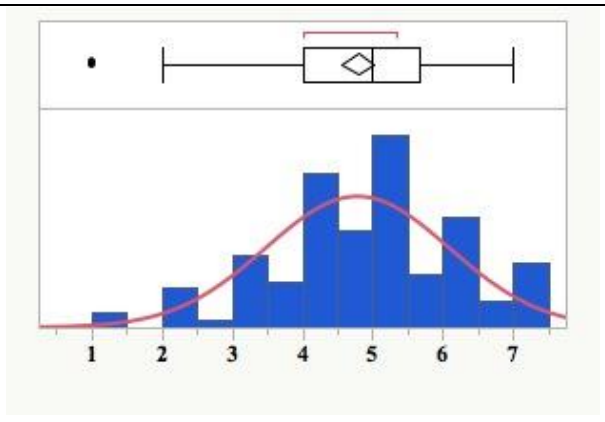



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Figure 22: Organisational financial performance score distribution

## Table 41: Organisational Performance Result: General performance

| | Very Strongly disagree | | Strongly disagree | | Disagree | | Neither Agree nor Disagree | | Agree | | Strongly Agree | | Very Strongly Agree | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | | **2** | | **3** | | **4** | | **5** | | **6** | | **7** | | **All** | |
| Q35 | 3 | 2.22% | 6 | 4.44% | 9 | 6.67% | 16 | 11.85% | 28 | 20.74% | 49 | 36.30% | 24 | 17.78% | 135 | 100.0% |

## *Summary of Correlation analysis (Section 5.7)*

## Table 42: Construct correlation analysis

| **Variable** | **by Variable** | **Spearman ρ** | **Prob>\|ρ\|** |
|---|---|---|---|
| Financial Performance score | Growth score | 0.5436 | <.0001* |
| EO score | Growth score | 0.4771 | <.0001* |
| EO score | Performance score | 0.3469 | <.0001* |
| EL total score | Growth score | 0.2506 | 0.0034* |
| EL total score | Performance score | 0.3009 | 0.0004* |
| EL total score | EO score | 0.3788 | <.0001* |
| Innovation total score | Growth score | 0.4384 | <.0001* |
| Innovation total score | Performance score | 0.1927 | 0.0251* |
| Innovation total score | EO score | 0.5475 | <.0001* |
| Innovation total score | EL total score | 0.3421 | <.0001* |