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University of the Witwatersrand





Influence of strategic management practices on the entrepreneurial orientation of South African firms in the financial and business services sector.

By

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Supervisor: Professor Boris Urban

A dissertation submitted to the Wits Business School, Faculty of Commerce, Law and Management, in partial fulfilment of the requirements in candidacy for the of degree Master of Management in Entrepreneurship and New Venture Creation

University of the Witwatersrand, Johannesburg

November 2011

DESSERTATION DECLARATION

I declare this dissertation is my unaided work submitted for the degree Master of Management in Entrepreneurship and New Venture Creation at the Wits Business School, Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg. The dissertation has not been submitted before for any degree or examination at any other university.



McEdward Murimbika (Ph.D.)

15th day of March 2012

DEDICATION

To my late father, a tribute to an exceptional educationist. To my son and daughter, Tinaye and Makena, the next generation with audacious ambitions and dreams.

ABSTRACT

In this dissertation, strategic management and corporate entrepreneurship are combined in a single empirical research investigating the influence of business strategic management practices on organisational entrepreneurial orientation. Understanding this relationship has progressively become crucial in today's hypercompetitive global environment where businesses, regardless of national location, size, age and industry, are facing incessant and dynamic change. Specifically, the influence of strategic management practices on corporate entrepreneurship in medium to large corporations in the financial and business services sector in South Africa is analysed by testing hypotheses that predict the relationship between strategic management dimensions of locus of planning, scanning intensity, planning flexibility, planning horizon, and strategy control attributes, and entrepreneurial orientation. By applying factor, cluster and multiple regression statistical analyses, the study made four key findings. First, the results confirm that selected dimensions of strategic management practices influence the entrepreneurial orientation of firms. This in turn effect the position a firm occupies along a conceptual conservative-entrepreneurial continuum. Second, the study indicates that firms with perceived higher entrepreneurial orientation exhibit better performance measures. This finding supports the thesis that entrepreneurial orientation is an integral component for business performance in attaining sustainable competitive advantage, achieving above-average earnings and wealth creation. Third, a methodology that combined strategic management and corporate entrepreneurship in a single research generated new knowledge confirming that entrepreneurial orientation is a key construct in both subdisciplines. Fourth, the results show that divergent organisational entrepreneurial orientation profiles help in classifying firms along the entrepreneurial continuum. Furthermore, the research made a provisional finding that there are four possible distinct and excusive clusters of business groups along the conservative-entrepreneurial continuum in determining corporate entrepreneurial orientation in organisations.

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NOMENCLATURE

Above average returns means return in excess of what an investor expects to earn from other investments with similar amount of risk (Hoskisson, Hitt, Ireland and Harrison 2008). Returns are measured in objective accounting measures such as stock market returns, return on investments, return on assets and return on equity. In entrepreneurship, returns are also measured in nonobjective strategic measures such as turnaround speed for research and development outcomes, rate of market growth, customer satisfaction rating, etc.

Financial and business services Industry covers business consulting, accounting, audit, financial management services, etc. and depository institutions, nondepository credit institutions, securities and commodity brokers, dealers, exchange and services, insurance and reinsurance carriers, agents, brokers and services, holding and other capital and investment houses.

Competitive advantage constitutes a successful formulation and execution of strategies different from the competition and creates more value than the strategies of competitors (Hoskisson, Hitt, Ireland, and Harrison, 2008). ***Sustainable competitive advantage*** is possible only after competitors' efforts to duplicate the value-creating strategy have ceased or failed.

Corporate Entrepreneurship (CE) is entrepreneurial process that occurs within an existing business (with an individual or a team as agent). In line with Schumpeter's "creative destruction" notion, innovation is fundamental to creation of newness, renew or redefine organisations, markets or industries (also see Covin and Miles 1999: 52; Hamel, 2000; Schumpeter, 1912/1934/1983). Different terms referring to corporate entrepreneurship have been advanced in several researches. These include, intrapreneurship, organisational entrepreneurship and corporate venturing (Antonic and Hisrich 2001; 2003; Kuratko, 2002; Pinchot, 1985; Urban and Oosthuizen, 2009: 173). Like an individual entrepreneur, corporate entrepreneurship involves risk-taking, innovativeness and creativeness. Therefore, corporate entrepreneurship is organisational behaviour that exhibits *innovativeness;* healthy *risk-taking and*

proactiveness in renewal, intraorganisational innovation and new venture creation (Miller 1983; Covin and Slevin, 1991).

Entrepreneurial Orientation (EO) is conceived as organisation-level processes, practices and decision-making methods applied by business leaders in pursuit of proactiveness, innovativeness and risk-taking propensity (Khandwalla, 1977; Miller 1983; Covin and Slevin 1986, 1989, 1991). The primary objectives of entrepreneurial orientation are creating sustainable competitive advantage, above-average earnings and wealth generation for the business.

Entrepreneurship in this study is closely tied to Schumpeter's notion of innovation applied towards the creation of newness, the assumption of risk and rewards of the new venture (Hisrich and Peters, 1998). Entrepreneurial attitudes and behaviour includes the motivation to achieve and compete, taking ownership and accountability. They also include being open to new information, people, practices, and ideas; tolerance to ambiguity and uncertainty; creative and flexible thinking, problem-solving and decision making; the ability to see and capture opportunities; awareness of the risks attached to choices and actions; and the capacity to manage and ultimately reduce risks (Timmons and Spinelli, 2007). Therefore, entrepreneurship is a dynamic process of vision, change and creation (Kuratko and Audretsch, 2009: 5).

Strategic entrepreneurship refers to broader array of entrepreneurial phenomena, which, may result in new business being added to the corporation through innovations adopted in the pursuit of competitive advantage (Ireland, and Webb. 2007; Kuratko and Audretsch, 2009:7-8). It fuses the insights of entrepreneurship and strategic management.

Strategic management is the full set of commitments, decisions, and actions a firm requires to carry out its strategy to gain sustainable competitive advantage (Wheelan and Hunger, 2002). Strategic management guides how the basic work of the organisation is approached; ensures the continual renewal and growth of the firm, and provides a context for developing and carrying out the strategy that drives the firm's operations (Schendel and Hofer, 1979; Kuratko and Audretsch, 2009).

Strategic management practices are organisational level activities that dictate the business's mission and goals, explore the competitive environment, analyse strategic alternatives and coordinates implementation activities through the organisation's entire value chain (Anderson, 2004).

Strategy refers to theory of how an organisation sustainably competes and out-competes (Porter, 1980). Strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage (Barney, 2002; Hitt, Ireland and Hoskisson, 2001; Miller, 1989), drive above average earnings and sustainable wealth generation.

CHAPTER 1

INTRODUCTION

1.1. BACKGROUND TO THE STUDY

The global business environment has transformed in the past three decades more so in the last one. This has left business organisations faced with the challenge of continuous and dynamic change. Traditional organisational drivers for success have started loosing relevance and in some cases have failed completely. The 2008 global financial meltdown and the on-going Eurozone sovereign debts crises are immediate examples of the failures of traditional approaches to business environment, organisational success and sustainable competitiveness. Amid this hypercompetitive environment, a distinct paradigm is emerging that recognises entrepreneurship as the key dynamic that drives sustainable competitive advantage and growth in corporations. The need for internal innovation has intensified now more than ever. A quarter century ago, Peter Drucker published his ground-breaking book titled *Innovation and Entrepreneurship: Practice and Principles* (1985). He proclaimed the age of entrepreneurial management. Since then successful organisations in the globalised economy have found an answer in the entrepreneurial sector of the economy. Gifford Pinchot, in line with Drucker, published *Intrapreneuring* (1985) in which he described intrapreneurship as entrepreneurial process in existing organisations. A year later, Steven Brandt (1986) addressed the question of entrepreneurial behaviour and innovation within organisations. By the beginning of the 1990s, corporate entrepreneurship had become a dedicated subdiscipline of entrepreneurship scholarship.

Corporate entrepreneurship and strategic management are at the core of organisational growth and organic wealth creation (Amit and Zott, 2001; Hitt, Ireland, Camp and Sexton, 2002; Ireland, Hitt and Sirmon, 2003: 963-4; Morris, 1998). A review of recent studies in the business science indicates growing focus on strategic management practices and corporate entrepreneurship and their inter-relatedness (for

example Covin, Green, and Slevin, 2006; Hitt, Ireland, Camp and Sexton, 2001; Ireland, Covin and Kuratko, 2009; McGrawth and MacMillan, 2000; Morris, Kuratko and Covin, 2008; Wang, 2008). However, the development of a cumulative body of combined knowledge in these fields remains balkanised and limited. Key questions remains on what are the main drivers of sustainable competitive advantage in an era when traditional logic of management seem to be failing. Pressure in mounting on corporations to consider strategies for entrepreneurship and entrepreneurial strategies that stimulate performance growth, competitive advantage and wealth creation - regardless of firm age, size and industry - in emerging, developing or developed economies (Ireland, et. al. 2003; Morris, et. al., 2008; Peng, 2001; 2009; Zahra, Ireland; Gutierrez and Hitt, 2000). Equally important is the observation that strategic management has long been associated and concerned with intra-organisational activities that direct the mission, vision and goals that dictate how the business competes in wealth creating activities (Farjoun, 2002). Wealth creation is an outcome of business growth that results from building economies of scale and market power based on achieving competitive advantage (Ireland, et. al. 2003: 964).

This raises a problem rarely addressed in both strategy management and corporate entrepreneurship studies: the influence of strategic management practices on organisational entrepreneurial orientation. The influential-relationship dimension of strategy and entrepreneurship is important in understanding how businesses can promote viable growth, build competitive advantage and create wealth in hypercompetitive and dynamic environments. The connection between strategic management and entrepreneurship may be understood through examining internal business processes that enable entrepreneurial behaviour within organisations (Covin and Slevin, 1991; Miller 1983; 1989; Zahra 1993). It follows that organisational entrepreneurial behaviour is largely determined by the application of compatible management practices with purposeful entrepreneurial goals aimed at attaining strategic competitive advantage and sustainable performance (Murray 1984, Zahra 1991). Therefore, this study empirically investigates the conceptual influence of strategic management practice constructs on organisational entrepreneurial orientation construct. The sample for this research is drawn from South African medium to large corporations in the financial and business services sector.

1.2. STATEMENT OF THE PROBLEM

The hypercompetitive global environment is pushing businesses to limits dictating the need to adopt organic strategic management practices that support plans, choices and decisions that will lead to competitive advantage and to archive profitability, success and wealth creation (Kourdi 2009). Three factors are key to this research problem. First, the rate of change in industry life cycles, new products, and new technology and customer preferences has increased exponentially. Second, industrial boundaries are blurring as industries converge or overlap. Achieving corporate competitive advantage requires identifying new and emerging opportunities in the marketplace where the traditional strategic thinking based on stable industries has long cased to be as effective (Hoskisson, Hitt, Ireland and Harrison 2008; Ireland and Hitt 1999; Peng, 2009). In this context, concentration on either competitiveness or opportunity generation to the exclusion of the other lead to increased probability of firm stagnation, decline, and ineffectiveness and possible complete failure. Third, the hypercompetitive economic environment demands that businesses be innovative, proactive and act with increased risk propensity. This suggests that businesses should look inward for strategic opportunities and seek to adopt strategic management practices that promote an entrepreneurial posture that simultaneously captures existing organisational competitive advantages while at the same time exploring future needs that will enable sustainable competitiveness in the future.

A growing number of scholars have proposed new concepts to study the interrelatedness of strategic management and entrepreneurship. Studies by Barringer and Bluedorn, (1999), Covin, et. al., (2006), Ireland, Covin and Kuratko, (2009), McGrath and MacMillan (2000), Meyer and Heppard (2000), Morris, et. al., (2008), and Wang, (2008), show measureable and valid interrelationship between strategic and entrepreneurial thinking concerning business performance and competitive advantage. Furthermore, a growing body of literature has shown that viable competitive advantage and wealth creation are at the core of both entrepreneurship and strategic management (Hitt, et. al., 2001; Hitt and Ireland, 2000, Morris and Kuratko 2002, Venkatraman and Sarasvathy 2001). Therefore, the researcher investigates the relationship between strategic management practices and organisational entrepreneurial orientation.

1.3. PURPOSE OF THE RESEARCH

The purpose of this study is to extend empirical research knowledge and literature in corporate entrepreneurship by examining the influence of strategic management practice dimensions on the entrepreneurial orientation construct. The research is consistent with the universal notion that strategic management practices are designed to support the business objectives and context (Barringer and Bluedorn, 1999: 421). Organisational strategic planning processes should integrate the business' overall mission, vision, goals and action plans across the firm's value chain (De Toni and Tonchia, 2003; Lei and Slocum, 2005). The study extends previous work on the entrepreneurial orientation construct (Covin and Slevin, 1989; Ginsberg, 1985; Barringer and Bluedorn, 1999; Wiklund and Shepherd, 2005) to contribute to our understanding of the effect and influence of strategic management practices on how organisational entrepreneurial orientation is achieved thereby contributing to continuous theory building on corporate entrepreneurship. Knowledge generated from this type of research is particularly useful in conceptualising models for sustainable organisational performance due to competitive advantage and wealth creation in continuous and dynamic environmental change.

Entrepreneurial orientation is a construct of corporate entrepreneurship (Lumpkin, and Dess, 2005). Corporate entrepreneurship refers to exploration and exploitation of opportunities occurring in an existing business focusing on the creation of newness, renewal or redefinition of the organisation, its markets or industries (Antonic and Hisrich 2001, 2003; Covin and Miles 1999: 52; Hamel, 2000; Morris and Kuratko, 2002; Urban and Oosthuizen, 2009: 173). Effective corporate entrepreneurship culminates in sustained organisational regeneration, rejuvenation, strategic renewal, and domain redefinition and in the specific processes, practices and decision-making methods applied by business leaders in pursuit of competitive advantage (Covin, Slevin, and Schultz, 1997; Dess, Ireland, Zahra, Floyd, Janney and, Land, 2003: 352; Morris, et. al., 2008; Wang 2008: 635). Therefore, entrepreneurial orientation, as a construct of corporate entrepreneurship, refers to organisational behaviour that exhibits innovativeness; propensity to take calculated risk and demonstrate proactiveness (Covin and Slevin 1989, 1991; Morris and Sexton, 1996:5-13; Khandwalla, 1977; Lumpkin and Dess, 1996; Miller 1983; Morris, 1998; Venkataraman, 1997).

Strategy refers to an integrated and coordinated set of management commitments and acts designed to exploit organisational core competencies and gain competitive advantage (Barney, 2002; Barney and Clark, 2007; Hitt, Ireland and Hoskisson, 2001; Porter, 1980; Sirmon, Hitt and Ireland, 2007). Exploiting organisational core competencies requires the development and application of an organisation specific theory of how to compete and consistently out-compete (Porter, 1980). Competitiveness is therefore the underlying principle of strategic management perspectives (Eisenhardt and Schoonhoven, 1996; Kourdi 2009).

This study seeks to extend the research thinking outside the narrow confines of business science research frameworks that derive explicitly or implicitly from equilibrium-based economics or the balkanisation between strategy and entrepreneurship. Although the researcher does not advocate unitary approach to strategy and entrepreneurship, he argues that attaining sustainable competitiveness, earning above-average profits and wealth creation in this relentlessly turbulent and hypercompetitive business environment requires an entrepreneurial attitude and dexterity (McGrath and MacMillan, 2000; Morris, *et. al.* 2008). This is possible when an organisation adopts strategic management practices that promote deliberate organisational entrepreneurial behaviour (Covin and Slevin, 1991a; Reading 2002; Selsky, Goes and Baburoglu, 2007:73). Thus, the concern of this research is with the presumed influential relationship between strategic management practices and entrepreneurial orientation.

1.4. MERGING OF STRATEGIC MANAGEMENT AND CORPORATE ENTREPRENEURSHIP

The business environment is crucial to strategic management processes and influences sustainability, performance, and wealth creation capabilities (Hitt, et. al. 2007; Eisenhardt and Schoonhoven, 1996). The significance of strategic management in globalised environment is manifested in growth of literature on the subject (for example Barney and Muhanna, 2004; Barney, 1986, 1991; Bettis and Hitt, 1995; Hitt, Dacin, Tyler and Park, 1997; Hoskisson, Hitt, Johnson and Moesel, 1993; Ireland and Hitt, 1999; Ireland, Covin and Kuratko, 2009; Mason, 2007; Porter, 198. 1996; Shimuzi and Hitt, 2004; Slater, Olson and Hult, 2006). Similarly, corporate entrepreneurship has received separate but increasing research attention in the past three decades (for

example Amit and Zott, 2001; Bhardwaj, Momaya, Sushil, 2007; Brown and Eisenhardt, 2000; Covin and Slevin, 1989; Dess, et. al. 2003; Ireland, *et. al.* 2003; Ireland, et. al. 2009; Lumpkin and Dess, 1996; McGrawth and McMillan, 2000; Miller, 1983; 1989; Zahra, 1993). Although both strategic management and entrepreneurship are important variables of organisational growth and sustainable competitiveness, research is heavily skewed towards strategy (for example Barney 1991; Harris and Ogbonna 2006; Eisenhardt and Schoonhoven, 1990; Hoskisson, et. al., 2008; Hoskisson, Hitt, Wan and Yiu, 1999:417-456; Morris, *et. al.* 2008:69; Porter, 1985; Reading 2002; Teece, Pisano and Shuem, 1997; Wernerfelt, 1984).

It may be argued that strategic management focuses on how to create competitiveness in pursuit of wealth creation (Hitt, Ireland and Hoskisson, 2009; Porter 1996) whereas entrepreneurship focuses on identifying new and emerging opportunities in the marketplace that leads to wealth creation (Phan, Wright, Ucbasaran and Tan, 2009; Shane and Venkatraman, 2000). This suggests the existence of a clear demarcation between the two. However, this demarcation does not capture today's complex and dynamic business environment characterised with growing uncertainty, new threats and new opportunities where wealth creation results from both viable strategic management and entrepreneurship (Ketchen, Ireland and Snow, 2007).

One result of the research on strategic management and entrepreneurship has been a build-up of significant amount of knowledge about the relationship between the two concepts. Apparently there is growing literature that examines them in the same contexts (for example Barringer and Bluedorn, 1999; Burgelman, 1991; Burgelman and Sayles, 1986; Covin, et. al., 2006; Dess, et. al., 2003; Entrialgo, Fernandez and Vazquez; Ireland, et. al. 2009; Ketchen, et. al. 2007; Wang, 2008). Such studies show how embedded the notion of the link between strategic management and entrepreneurship constructs is (also see McGrath and MacMillan, 2000; Strandholm, Kumar, and Subramanian, 2004; Morris and Kuratko, 2002). Meyer and Heppard (2000), have gone as far as arguing that the two are inseparable whereas McGrath and MacMillan (2000) argue that strategists must exploit an entrepreneurial mind-set to sense opportunities, mobilise resources, and act to exploit opportunities, especially under highly uncertain conditions that characterise today's hypercompetitive

environment. This shows how difficult and intractable the problem of evaluating that link remains.

The relationship between strategic management and entrepreneurship usually measured with performance growth is not straightforward although it has been a focus of research in recent years. However, primarily, there is not much of empirical research that especially examines the congruence between strategy and entrepreneurship (Thompson, 1999; Wiklund and Shepherd, 2005). Furthermore, no consistent body of literature has focused specifically on the influence that organisational strategic management practices exert on entrepreneurial orientation of businesses in the emerging economies (also see Yan, Li-Hua, Zhang and Wang, 2007; Wang and Li-Hua, 2006; Desai, 2009). For example, no study has attempted to examine the influence of strategic management practices on entrepreneurial orientation of firms in the financial and business services industry sector in South Africa. Using descriptive and multivariate analysis, Urban and Oosthuizen, (2009) observed similar research limitations and challenges in their study of corporate entrepreneurship in the South African mining industry. Strategic management practices may be prevalent in any business organisation (also see Dess, et. al., 2003; Morris, *et. al.* 2008; Zahra, 2007), but their connection to corporate entrepreneurship is less explored.

More researchers argue that entrepreneurial attitude and behaviours are crucial for businesses to gain competitive advantage and create wealth (Barringer, and Bluedorn, 1999; Dess and Lumpkin, 2005; Dess, et. al. 2003; Hitt, 2005; Morris et. al. 2008). Other studies focus on explaining the organisational processes that expedite entrepreneurial behaviour (Guth and Ginsburg, 1990; Miller, 1983; Wiklund and Shepherd, 2005). In their study on entrepreneurial behaviour of businesses, Barringer and Bluedorn (1999) identified five dimensions of strategic management practice construct as the most relevant to create and encourage corporate entrepreneurship. Five dimensions are environmental scanning intensity, strategic planning flexibility, strategic planning horizon, locus of planning and strategic control attributes. These will be scrutinised for relevance to this study to assess their perceived influence on entrepreneurial orientation of businesses in pursuit of sustainable performance.

1.5. CORPORATE ENTREPRENEURSHIP AND ENTREPRENEURIAL ORIENTATION

Although entrepreneurial orientation is a subconstruct of corporate entrepreneurship, for the objectives of this study, it is important to make a crucial distinction between the two. According to Lumpkin and Dess (1996), the distinction between entrepreneurship and entrepreneurial orientation is comparable to that drawn between strategic management content and process made in the 1980 seminal study by Bourgeois. Strategy literature equates entrepreneurship with strategy content, which addresses the question of what business to go into (Lumpkin and Dess, 1996:136). Put in another way, a new business venture explains the content of *what* entrepreneurship consists of, and entrepreneurial orientation describes *how* a new business venture is undertaken (ibid). Recognition that entrepreneurial processes and strategic facets such as the methods, practices and planning, analysis, decision making and organisational culture is a growing feature of interest in business literature (Hart, 1992; Ireland *et. al.* 2003). Research interest arises from the understanding that strategy is something that managers do and that there are many practices that contribute to organisational strategy. These include value system and mission that key decision-makers use to drive their organisational purpose, sustain its vision and create competitive advantage.

Three decades ago, Miller (1983) first proposed entrepreneurial orientation as a descriptor of an existing business that exhibits simultaneous risk-taking, innovativeness and proactiveness in its overall business value chain. Many researchers have followed Miller (1983) and adopted his three subdimensions of entrepreneurial orientation to study organisational-level entrepreneurship, (for example Barringer and Bluedorn, 1999; Burgelman, 1984; Covin and Slevin, 1989; Ginsberg, 1985; Hart, 1992; MacMillan and Day, 1987; Venkatraman, 1989; Wiklund and Shepherd, 2005). Lumpkin and Dess (1996) identified competitive aggressiveness and autonomy as additional subdimensions of the entrepreneurial orientation construct (Covin and Slevin, 1990). Despite this debate on construct dimensions, the links between entrepreneurial orientation and various business organisation level attributes and outcomes continue to be supported by research (also see Covin, Green and Slevin, 2009; Kuratko and Audretsch, 2009; Lumpkin, Cogliser and Schneider, 2009).

1.6. ISSUES OF NOMENCLATURE

Language is important, and the terms used carry coded messages. This dissertation deploys language from three fields of study namely, conventional strategy, entrepreneurship and organisational studies. The language of strategy (at least in its mainstream resource-based and competitive forces versions) turns on exploiting market inefficiencies, be they barriers to entry in product markets, or barriers in resources markets (such as inimitability) (Mathews, 2009). Entrepreneurial language is captured by Schumpeter's (1912/1934/1983) "*creative destruction"* notion that posits entrepreneurship as the driver for economic development punctuated by *innovativeness, risk-taking* and *proactiveness.* The language of organisational studies is steeped in behavioural theory of the firm (March, 2007). This study combines subdiscipline languages to show the connection between strategising and generating wealth by entrepreneurial recombination of resources, activities and routines at corporate level taking into consideration the dynamic global and local hypercompetitive environments as well as growth-driven technological and knowledge economies. Therefore, for this research, the definitions of terms and concepts presented in the *Nomenclature* subsection at beginning of this dissertation apply.

1.7. RESEARCH GOALS AND IMPORTANCE

This dissertation concerns the influence of strategic management practices on entrepreneurial orientation. Three issues are of importance here. First, the role the research will play towards extending previous work on corporate entrepreneurship by contributing to our understanding of how strategic management practices influence entrepreneurial orientation. Second, how the study provides empirical insights into the relationship between strategic management practices and entrepreneurial orientation concerning sustainable competitiveness and wealth creation with the assumption that there is a positive relationship between entrepreneurial orientation and firm performance. Although this study does not assume nor argue that entrepreneurship and strategic management are a single discipline, it acknowledges that both have rendered unique and valuable contributions to business science. Third, if understanding the connection between entrepreneurship and strategic management is formulated in a single research, this study methodology provides promising avenues for researchers examining how business organisations compete, perform to achieve above-average

earnings and create wealth in a continuously changing and hypercompetitive environment (Ireland, et. al., 2003: 964).

Many authors argue that entrepreneurial behaviours are essential for business organisations to survive and grow in a dynamic and hypercompetitive environment (Antoncic and Hisrich, 2003; Hitt, et. al., 2002; Ireland, et. al., 2009; Ireland, et. al., 2003; Kuratko, Ireland and Hornsby, 2001; Lumpkin and Dess, 1996; Miller, 1983; Wiklund and Shepherd, 2005; Wang, 2008; Zahra, 1993). Others argue that organisational strategic management practices can lead to improved firm performance and facilitate entrepreneurial behaviour (Barringer and Bluedorn, 1999; Covin, et. al., 2006; Covin and Slevin, 1991; Harris and Ogbonna, 2006; Ireland et. al. 2009; Miller 1983).

At country level, there is scarcity of empirical literature on the connection between corporate strategic management and entrepreneurial orientation in South Africa. The present study is pioneering in respect of this important issue. The data applied in this study is from the financial and business services industrial sector. It is the only sector in which, South Africa has consistently been highly rated at global level (Schwab, 2011; Media Club South Africa, 2010). Furthermore, South Africa provides a remarkable case because it is an emerging economy dominated by corporations and its 2011 integration within the BRICS bloc (also see Hervieu, 2011; Naidu, 2011).

This dissertation uses empirical survey methodology to examine the experiences of medium to large corporations in the South African financial and business services sector. Data from these corporations was drawn through self-reporting survey that allowed many managers and key role players within target financial and business service industrial sector to be reached efficiently. The approach also allowed hypothesis testing in entrepreneurial orientation, a corporate entrepreneurship construct, which has limited previous research in medium to large corporations in emerging economies such as South Africa. Therefore, the study should be significant in the sense that it generates new empirical data on entrepreneurial orientation. The data may contribute towards understanding how organisations may integrate entrepreneurship and strategic management in pursuit of competitive advantage, performance and wealth creation. This simplified conceptual relationship framework

offers some hope for overcoming the balkanisation of management scholarship widely prevalent between strategy and entrepreneurship. Therefore, this research contributes to both management practitioners and academics alike.

1.8. SIGNIFICANCE OF THE STUDY IN AN EMERGING MARKET CONTEXT

Although corporate entrepreneurship research has concentrated on developed market economies, the emerging economies are growing at a rate comparably better than the developed economies (Schwab 2011). An estimated 40%, and growing, of the global economy now lies in the emerging economies especially in the original BRICs (Brazil, Russia, India, China) (Carlin, 2008; Global Entrepreneurship Monitor, 2003; Hervieu, 2011). This growth projection is also associated with significant expansion of the entrepreneurship sector in the emerging economies (for example, see Dornelas, Postigo, Martineli, and Setuain, 2005; Fan, Wong and Zhang, 2004; Filatotchev, Wright, Buck, and Zhukov, 1999). South Africa, the biggest and most strategic economy on the African continent, formally joined the BRICS in April 2011 (also see Hervieu, 2011; Naidu, 2011). In contrast to other BRICS members, South Africa has the smallest population of about 50 million people in comparison to the original three BRIC's combined population of 2.85 billion which accounts for about 40 percent of the present global population (Carlin, 2010). Economic growth forecast to 2020 predicts that China's economy will grow at an average annual rate of more than 9% from 2010. India will grow by an average annual rate more than 7% between 2010 and 2020 while Russia and Brazil will post average annual growths of more than 4% (EuroMonitor, 2010). In contrast South Africa has failed to reach the targeted 6% average growth in 17 years (Finweek, 2010; Government of the Republic of South Africa, Economic Sectors and Employment Cluster, 2010; Government of the Republic of South Africa, Ministry of Economic Development, 2010). Therefore, in context of these national economic anomalies for emerging markets, understanding strategic management and corporate entrepreneurship dynamics may contribute towards generating knowledge to unlock corporate sector growth and thereby potentially jump-starting the almost stagnant economic growth in South Africa.

South Africa is by far the smallest and with the lowest economic growth projections of all the BRICS economies (Hervieu, 2011). Furthermore, the Global Entrepreneurship

Monitor ranks South Africa among the least entrepreneurial economies (Bernard, and Lysenko, 2010; Finweek, 2010; Global Entrepreneurship Monitor, 2009; Herrington, Kew and Kew, 2008, 2010). However, on industrial sector ranking, the South African financial services sector has consistently been ranked among the top performing globally, out-performing all BRICS and most of the developed economy countries in the World Economic Forum Global Competitiveness Index (Schwab, 2011). In fact, South African financial services industrial sector is ranked fourth globally by the World Economic Forum. Paradoxically, South Africa is one of the two BRICS members and in the top 50 of the global competitiveness 2011-2012 ranking in the World Economic Forum Index (ibid). These inconsistences suggest that it is essential to understand the dynamics and interplay between sustainable growth (strategy) and wealth creation (entrepreneurship) in the South African economy. Furthermore, the high global ranking of the South African financial services sector lends itself to empirical research seeking to understand the sector in context of the overall economy (also see D'Aveni, 1995:46).

Further motivation for selecting the business services and financial sector for this study is that it is amoung the highest contributors to national real value-added economic growth (see Media Club South Africa, 2010a; 2010b; Schwab, 2011; Statistics South Africa, 2010). The sector has consistently generated high growth (see Figure 1.1; Statistics South Africa, 2010). Sector-specific approach in studying corporate practices in financial and business services sector would contribute towards objective understanding of how the sector's unique strategic management and entrepreneurial characteristics enhance competitiveness (see Acedo, Barroso and Galan, 2006; Teng and Cummings, 2002).

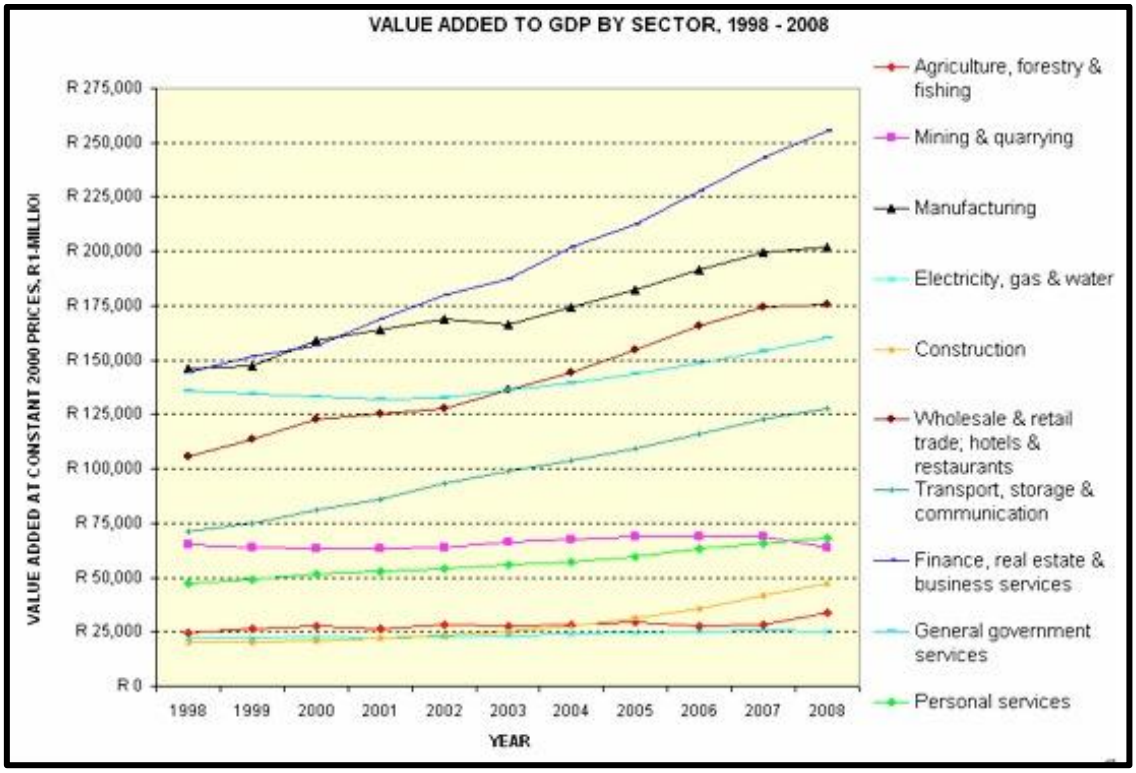


FIGURE 0.1: The Financial, Real Estate, and Business Services Sector has consistently performed well above all other economic sectors of South Africa. (Source: Statistics South Africa, 2010).

1.9. STRUCTURE OF DISSERTATION

The dissertation begins with a literature review on conceptualisations of strategic management and corporate entrepreneurship and then develops logic on the relationship between strategic management variables as determinants of organisational entrepreneurial orientation (Chapter II). Chapter II also discusses strategy and strategic management practices with focus on scanning intensity, planning flexibility, planning horizon, locus of planning and control attributes. The discussion includes review of main frameworks of corporate entrepreneurship and theories of the business organisation specifically the industrial organisation (IO), resources-based view (RBV) and organisational learning (OL).

Chapter III introduces the conceptual model of the influence of strategic management dimensions on entrepreneurial orientation. Research hypotheses derived from previous research and theories are developed. Subsections in the third chapter will discuss the connection between each of the subdimensions of strategic management practices included in the model and corporate entrepreneurial orientation. Each discussion on

strategic management subdimensions is summed up with articulation of research hypothesis on individual subdimensions.

Chapter IV describes the research methodology, identifies the sample and sampling population, scales and measurements and, data collection procedures. The chapter ends with a discussion on approaches to data analysis and hypothesis testing. The fifth chapter presents the empirical research results, data analysis and hypothesis testing results. The dissertation concludes with confirmation of its expectations that strategic management dimensions that support organisational innovativeness, proactiveness and risk-taking propensity determines the level of firm entrepreneurial orientation when measured along the conceptual conservative-entrepreneurial continuum in the context of firm performance (Chapter VI). The chapter ends with comments on the research contributions of the study, its limitations and implications for the future research.

1.10. CONCLUSION

The present research is dedicated to an organisational strategic management and entrepreneurial audience in support of the proposition the influence of organisational strategic management practices on entrepreneurial orientation would contribute towards understanding how to improving organisational competitiveness, firm performance, growth, and wealth creation. Focus is firmly on how strategic management dimensions of environmental scanning intensity, locus of planning, planning flexibility, planning horizon and control attributes influence entrepreneurial orientation in pursuit of sustainable performance that goes beyond the traditional equilibrium-based economic collection of rents through the presumed market and factor markets imperfections.

Furthermore, this research suggests an alternative research methodology to assessing how strategic management practices relate to organisational entrepreneurship as pathway to above average performance and viable wealth creation in emerging economies. Therefore, the first contribution of this study is to advance the understanding of how the union of strategy and entrepreneurship benefits business organisations in improving their corporate entrepreneurial posture. The second contribution is to assess the impact of key strategic management practices on

organisational entrepreneurial orientation, thus extending knowledge and literature on corporate entrepreneurship research. These two contributions combined may add to the understanding of the role of strategic management practices in promoting organisational entrepreneurship as a pathway to sustainable performance, competitive advantage and wealth creation in uncertain continuously changing environment. To the knowledge of the researcher, this study is the first to use the relational approach to determine the influence of strategic management practices on entrepreneurial orientation of financial and business services corporations in the emerging economy setting of South African.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

Reviews and assessments of entrepreneurship and strategic management research strongly suggest that the development of cumulative body of knowledge is lacking and inconsistent and yet necessary (Dean, Shook and Payne, 2007). The necessity and significance of research in entrepreneurship and strategic management is underlined by the fact that these fields are interrelated and are both concerned with sustainable performance, growth and wealth creation (Certo, Covin, Daily and Dalton, 2001; Ireland, et. al., 2003). This chapter reviews the literature on corporate entrepreneurship and strategic management practices. First, the theoretical background and concepts of corporate entrepreneurship and subdimensions of entrepreneurial orientation are discussed.

The constructs of entrepreneurship discuss opportunity-seeking behaviour (Ireland, et. al., 2003). Main frameworks on corporate entrepreneurship are discussed. The construct of strategic management practice is explored from extant literature on scanning intensity, locus of planning, planning flexibility, planning horizon and control attributes. Strategic management practice variables are reviewed from resources-based view (RBV), the knowledge based view (KBV) and organisational learning (OL) theoretical perspectives. A review of the external environment is also presented from the industrial organisation (IO) theoretical perspective. The perspectives on strategic management consider organisational advantage seeking behaviour (ibid). This chapter on literature review highlights the confluence of strategic management practices and entrepreneurial orientation and relates these to firm competitive advantage, performance and wealth creation (Certo, et. al., 2001; Ireland, et. al., 2003; Hitt and Ireland, 2000).

2.2. THEORETICAL FOUNDATION

2.2.1. CORPORATE ENTREPRENEURSHIP

Corporate entrepreneurship refers to entrepreneurial behaviour in established mid-sized or large organisations (Morris, 2008: 11). The subject of entrepreneurship has been a focus of scholarship since the eighteenth century and the field had its theoretical foundations when Richards Cantillon, (1734) used this term to differentiate entrepreneurs from employed workers. The subject originated from the emergence of competitive capitalism, which, supplanted feudalism and absolutist monarchism back in the eighteenth century AD. Entrepreneurship encouraged innovation and technological revolution in post-feudalism (Barreira, 2008: 1-32; Brouwer, 1996). Cantillon was the first to use risk-taking under uncertain environment as an entrepreneurial factor. The Austrian economist Joseph Schumpeter (1883–1950) added innovation and proactive as key characteristic of entrepreneurship. From the 1970s, entrepreneurship scholarship escalated when scholars such as Birch (1979) linked entrepreneurship to economic growth. Thereafter, prominent in any definition of entrepreneurship has been Schumpeter's notion of "creative destruction" which relates innovativeness to creation of newness, renewal or redefinition of organisations, markets or industries (Covin and Miles 1999: 52; Hamel, 2000; 2001; Subramaniam, and Venkatraman, (1999); Zahra, Jennings, and Kuratko, 1999).

Entrepreneurship is the identification and exploitation of previously unexploited opportunities (Ireland *et al.*, 2001; Ireland and Kuratko, 2001; Kuratko, et. al, 2001; Sexton and Smilor, 1997; Smith and DeGregorio, 2001). Although Schumpeter's writings were limited to individual entrepreneurs (1912/1934/1983, 1912/2002; 1950), several later studies show that entrepreneurship is also an established company-level phenomenon referred to as corporate entrepreneurship (CE) today (Covin and Slevin, 1991a, 1991b; Damanpour, 1991; Guth and Ginsberg, 1990; Miller, 1983; and Venkatraman, 2000; Zahra 1991). In 1985, Peter Drucker published a groundbreaking book titled *Innovation and Entrepreneurship* in which addressed the question of an emerging phenomenon he called "entrepreneurial management". At the same time, Gifford Pinchot, published *Intrapreneuring* (1985) in which he defined entrepreneurial process in existing organisations. A year later, Steven Brandt (1986) addressed the question of entrepreneurial behaviour and innovation within organisations. The launch

of entrepreneurship-focused journals such as *Journal of Business Venturing* and *Entrepreneurship Theory and Practice* in the 1980s testifies to the growth of research in entrepreneurship and the related subdisciplines such as corporate entrepreneurship and techno-preneurship (see Dean, Shook and Payne, 2007). By the beginning of the 1990s, corporate entrepreneurship has drawn dedicated scholarship.

Probably the seminal paper by Sharma and Chrisman (1999:11-27) provided the best attempt at developing a universal definition of corporate entrepreneurship by describing it as a process by which an individual or a group in an existing organisation creates an entity, or starts organisational renewal or innovation. Literature on entrepreneurship within organisation uses many terms, the most common being corporate entrepreneurship, corporate venturing, intrapreneurship, organisational entrepreneurship and corporate venturing, and entrepreneurial orientation (Antonic and Hisrich 2001; 2003; Covin and Slevin, 1986; Dess, Lumpkin, and McGee, 1991; Harris and Ogbonna, 2006;, Kuratko, and Zahra, 2002; Morris and Kuratko, 2002 cited in Urban and Oosthuizen, 2009: 173; Urban, 2010b). Whichever definition applies, emphasis is on creation of newness in products, services and techniques (Antoncic and Hisrich, 2000; Ireland, Covin, and Kuratko, (2007); Dess, Lumpkin and McGee 1999; Morris and Kuratko, 2002; Shane and Venkatraman, 2000; Sharman and Chrisman, 1999:11-27; Zahra, 1993). Such activities reflect an organisation that takes some levels of risk, promotes innovation and is proactive in its initiatives to attain or sustain competitive advantage (Zahra and Covin, 1995).

Four distinct types of corporate entrepreneurship are recognised in literature: *sustained organisational regeneration, organisational rejuvenation, strategic renewal and domain redefinition* (Dess, *et. al.* 2003: 352). Sustained rejuvenation has the lowest intensity recognised in an organisation's culture, processes, structures and practices that support sustained delivery of new products to existing markets and existing products or services to new market. Rejuvenation focuses on an organisation's internal practices, structures and capabilities earmarked for processes and administrative innovativeness. Strategic renewal occurs when an organisation changes how it competes to capture a new form of sustainability (Covin and Miles1999; Ireland, Hitt and Vaidyanath, 2002, cited in Dess, *et. al*, 2003: 355; Heal, 2011). Last, domain redefinition entails radical proactivity

that results in creation of new product and services and new markets that the competition has not identified before (Covin and Miles1999).

Probably, sustainable competitiveness is attainable through an organisation's deliberate adaptation or adoption of one or various forms of corporate entrepreneurship. Therefore, the primary assumption underpinning corporate entrepreneurship is that it is a behavioural phenomenon in which firms fall along the conceptual continuum ranging from conservative on one end to entrepreneurial on the other. An entrepreneurially oriented organisation would exhibit *innovativeness; high propensity to take calculated risks and proactiveness* towards renewal, intraorganisational innovation and new venture creation (Miller 1983; Covin and Slevin, 1991). Such an organisation would be more aggressive, prospective and pioneering (Avlonitis and Salavou, 2007: 567; Covin, Slevin and Heeley, 2000). In contrast, conservative firms are risk averse, less innovative and exhibit a *wait-and-see* posture (Barringer and Bluedorn, 1999: 422).

2.2.2. Frameworks For Corporate Entrepreneurship

Corporate entrepreneurship researchers have developed some integrative frameworks to aid our understanding of intra-organisational entrepreneurship (Morris, 2008: 47; Zahra, 2007). Three frameworks relevant to this study are discussed. First, Guth and Ginsburg (1990) developed the *domain framework* that recognises two types of corporate entrepreneurship processes. The first process is internal innovation where new businesses are created within an existing firm. The second process is strategic renewal that seeks to transform organisations. The domain framework also identified four realms within which corporate entrepreneurship manifest or fit in organisational strategic management. The framework recognises the external environment as the first important determinant of corporate entrepreneurship. Guth and Ginsburg (1990) argue that turbulent environment promotes higher levels of entrepreneurship.

The other determinant factor in the domain framework is organisational leadership, which posit that levels of corporate entrepreneurship are determined by leadership characteristics whether they support opportunity recognition, innovativeness, risk-taking and internal change (Morris, 2008: 48). The last feature of the domain framework is organisational conduct or internal environment, which includes structures, processes,

culture and strategies. The forth feature is firm performance and the role it plays in driving organisational strategy and promoting innovation output.

The second corporate entrepreneurship model is the *sustaining framework* developed by Kuratko, Hornsby and Goldsby (2004). As the name suggests, this framework focuses on how organisations trigger and sustain entrepreneurship. The model proposed that an external threat or opportunity, which acts as a transformational trigger, introduce the need for change of strategy to allow the pursuit of an entrepreneurial activity. The individual in an organisation is at the core of the decision to behave entrepreneurially. The outcome of the corporate entrepreneurship activity or satisfaction with performance by both the individual and leadership would provide the feedback loop on which a decision to sustain the current strategy or selecting an alternative would be made (Morris, 2008: 49). However, the model does not make it clear what must change first between the individual behaviour (change agent) and organisational strategy for the new corporate entrepreneurship to be sustained.

Covin and Slevin (1991) are credited for developing the third framework known as the *strategic integration framework*. The model approaches CE as the essence of the organisation where the firm's performance is driven by it entrepreneurial orientation or intensity (Morris, et. al. 2008). Entrepreneurship is achieved when an organisation integrates entrepreneurial thinking in its vision, mission strategies, core objectives and operational structures.

Central to the three corporate entrepreneurship frameworks discussed above, is the recognition of innovation, proactivity, personal creativity and tolerance to associated risks and management structures as appropriate internal environments in which entrepreneurship can strive. These models are important in this study in helping to understand and conceptualise how entrepreneurship is encouraged and sustained in an organisation in pursuit of competitive advantage and sustainable performance.

2.3. STRATEGIC MANAGEMENT THEORETICAL FRAMEWORKS

Strategic management emerged as coherent academic field of research in the 1960s. Works such as Chandler's *Strategy and Structure* (1962), Ansoff's *Corporate Strategy* (1965) or the strategy reference text of the day, Harvard textbook *Business Policy* (Christensen, Andrews and Bower, 1973) contributed towards the foundations of this discipline. Focus has always been on how firms can achieve their goals, mainly in terms of competitive advantage, and profitability. As the literature on strategic management continues to mount giving attention to competitive advantage and the resource-based view of the firm, emerging streams of thought evolved to focus not on the new business entry, but on how new entries are undertaken. Various theoretical approaches, most notable industrial organisation (IO), resource-based view (RBV), knowledge-based and learning organisation (LO), are applied in the study of strategic management. Each of these theories has assumptions about the nature of strategic management and the concept of corporate entrepreneurship. Theoretically, both are usually studied as separate disciplines: business management and entrepreneurship respectively. The 1980s witnessed early attempts at understanding strategy and entrepreneurship in mono context of organisational competitive advantage (Hoskisson *et. al*. 1999).

2.3.1. INDUSTRIAL ORGANISATION (IO) MODEL

Industrial organisation (IO) model is one of the earliest frameworks developed in researches on business management. IO model emphasises organisational responses to the external environmental characteristics of the industry in which, a firm seeks competitive advantage (Bowman and Helfat, 2001). This makes IO model limited in studying several elements of CE. For example, where EO emphasises innovativeness, risk-taking propensity and proactiveness as inherent characteristics of CE, IO emphasises environmental externalities, which, make an organisation more reactive than proactive.

2.3.2. RESOURCE-BASED VIEW (RBV) MODEL

An alternative school of thought industrial organisation pursues both strategic management and entrepreneurship from a resource-based view (RBV) model (Barney and Arikan, 2001; Barney and Clark, 2007; Priem, and Butler, 2001). This model assumes that each organisation is a collection of unique resources and capabilities convertible to competitive advantage, performance and wealth creation (Acedo, *et. al.,*

2006). The resource-based view stresses that valuable, rare, inimitable, or non-substitutable firm-specific capabilities, such as tangible and intangible assets, skills, routines, competencies and learning mechanisms, are the fundamental contributing factors of performance (Barney, 1991; Teece, *et. al.,* 1992) and sustainable competitive advantage (Lado, Boyd and Wright, 1992). The constructs of corporate strategy and entrepreneurship are treated as resources from which, an organisation builds and leverages sustainable competitive advantage and performance (Bowman and Helfat, 2001; Day and Wensley, 1988; Day 1994; Dess, *et. al* 2003: 353; Ekeledo and Sivakuma, 2004: 69; Jennings and Seamman, 1994).

In the RBV model, the business itself is a collection of rare resources and relationships (Barney and Mackey, 2005; Barney and Clark, 2007; Bowman, and Ambrosini, 2003; Rumelt, 1984; Wernerfelt, 1984); firm growth is the use of resources to exploit the firm's productive opportunity and increase its resource base (Penrose, 1959). From this perspective, an organisation operating in a turbulent environment, such as the global business services, succeeds by adopting strategic management practices that treat their organisation as a resource that gives competitive advantage (Capron and Hulland, 1999). By extension, in RBV, corporate entrepreneurship benefits are realised if an organisation has significant entrepreneurial orientation and intensity focused on building sustainable competitive advantage (also see Covin and Slevin, 1989; Khandwalla, 1977; Lumpkin and Dess, 1996; 2001). The essence of a firm's competitive advantage lies in the way existing resources are applied to acquire or internally develop additional resources (Wernerfelt, 1984).

Applying the resource-based view to entrepreneurship imply that adopting strategic management practices that support an entrepreneurial orientation is a mechanism to get or internally develop these unique assets dedicated towards attaining competitive advantage, which, will potentially lead to earning above average retains. It follows therefore, that access to resources is a determinant fact in a firm's ability to take risks, to innovate and to be proactive. As a result, the abundance of resources in the environment (i.e., environmental munificence) would seem to have an impact on the firm's entrepreneurial orientation.

2.3.3. KNOWLEDGE-BASED VIEW (KBV)

Closely related to the RBV is the knowledge-based view (KBV) (DeNisi, Hitt and Jackson, 2003). In this approach, knowledge and competencies are key to business competitiveness (Hitt, et. al., 2001: 483). Accordingly, the business is conceived as a repository of knowledge (Nelson and Winter, 1982; Spender, 1996). The organisational advantages of the business over market mechanisms arise from its abilities to generate apply and transfer knowledge (Kogut and Zander, 1992). Knowledge accumulation is possible through organisational leaning (OL). OL in turn is the impetus for the development and growth of the organisation (Kogut and Zander, 1996; Penrose, 1959; Spender, 1996). Learning occurs as information is generated and exchanged between the business organisation and its environment. This influence changes the range of the firm's potential behaviours (Huber, 1991). Knowledge harvested from the environment is crucial to organisational learning, the development of the firm's competencies and its innovation process (March, 1991; von Hippel, 1988).

The important thrust of frameworks and theories applied to strategic management and corporate entrepreneurship research is recognition that both are organisation-wide phenomena. Insights presented in the models and frameworks are foundation to the present study in examining the influence of strategic management on entrepreneurial orientation of organisations. These frameworks can also guide research on understanding how entrepreneurship can be a source of competitive advantage and generate performance (Morris, 2008). As will be explored in the next chapters of this study, the research results show how internal environments are created to develop corporate entrepreneurship while identifying, which strategic management practices can promote entrepreneurial orientation to attain sustainable performance and competitive advantage.

2.4. CORPORATE ENTREPRENEURSHIP IN EMERGING ECONOMIES

Research points to complex and fluid external environment as most responsible for revolutionary changes in today's business landscape worldwide (Morris, et. al., 2008). The hypercompetitive environment has highlighted the central role of corporate entrepreneurship in emerging and developing economies to sustain national economic growth in the similar way it is credited for such economic growth in developed economies of Western Europe and North America. Economies of transformation in

BRICS (Brazil, Russia, India, China and South Africa) are increasingly facing challenges of adapting to internal changes. China and Russia are faced with challenges of shifting from central planning economies of communistic and socialist orientation respectively. Brazil and India face challenges on how to redress decades of economic stagnation and gaps between the rich and the poor. South Africa is still grappling with the fall of apartheid that left huge socio-economic imbalances between racial groups.

Furthermore, the emerging economies have to respond to uncertain external environments ushered by the hypercompetitive global economy (also see Antoncic and Hisrich, 2000). Take India as an example: 18 percent of its economy is driven by entrepreneurship compared with 17 per cent of the country's Gross Domestic Product (GDP) based on the manufacturing sector (Bhardwaj, et. al., 2007). This suggests that entrepreneurship provides an opportunity for emerging economies to address developmental challenges. Similarly, corporate entrepreneurship is crucial to sustain economic stability and national competitiveness (see Bhardwaj, et. al., 2007; Herrington, et. al, 2010; Scheepers, Hough and Bloom, 2008; Urban and Oosthuizen, 2009; Wang and Li-Hua, 2006). Furthermore, research supports the view that it brings socio-economic benefits such as innovation, job creation, wealth creation, and associated welfare improvements (Beck, Demirgue-Kunt and Levine, 2005). In seeking increasing knowledge, scholars have adopted several external theories and ideas to explain the strategy and corporate entrepreneurship phenomenon (Jonathan and John, 2004).

2.5. ENTREPRENEURIAL ORIENTATION CONSTRUCT

Entrepreneurial Orientation is a key construct in both strategic management and corporate entrepreneurship research (Covin, et. al., 2006). Entrepreneurship has been studied from a variety of disciplinary perspectives including economic (for example, Kirchhoff, 1991), management, (for example Stevenson, 1985), anthropology, (for example, Steward, 1991), psychology (for example, Shaver and Scott, 1991) and sociology (for example, Reynolds, 1991). Naturally, the conceptualisation of entrepreneurial orientation has been varied. However, the past two decades has seen emergence of some common consensus on entrepreneurial orientation as a descriptor of an organisation's top management strategy concerning simultaneous innovativeness,

proactiveness, and risk-taking (Dess, Lumpkin, and Covin, 1997; Lumpkin and Dess, 1996; Miller, 1983; Khandwalla, 1977) regarding the organisation's value chain and interaction with competitors. Therefore, entrepreneurial orientation is a firm-level construct (Covin and Slevin, 1991; Covin, et. al., 2006: 57) closely linked to strategic management and decision making (also see Eisenhardt, 1999; Richard, Barnett, Dwyer and Chadwick, 2004: 256) and management-related preferences, beliefs and behaviours of the organisation's leadership (Covin, et. al., 2006; Scheepers, Hough, and Bloom, 2008).

Corporate entrepreneurship scholars have explored diverse research objectives. One of the most prominent is the identification of elements that predict entrepreneurial orientation (for example Miller and Friesen, 1982; Zahra, 1991). Entrepreneurial orientation can range from conceptual conservative (entrepreneurial negative) to very entrepreneurial (entrepreneurial positive). Other researchers seek to identify the effects of entrepreneurship orientation on various dimensions of business performance (Lee, Lee and Penning, 2001; Wiklund, 1999; Zahra and Covin, 1995). The entrepreneurial orientation-performance research also focuses on exploring the variables, such as environmental uncertainty, that moderate this relationship (for example Avlonitis and Salavou, 2007; Covin and Slevin, 1988; Lumpkin and Dess, 2001; Miles and Arnold, 1991; Yusuf, 2002). In addition more studies are beginning to investigate the strategic management-entrepreneurial orientation relationship (for example Covin, et. al., 2006; Entrialgo, Fernandez and Vazquez, 2000; Ireland, Covin and Kuratko, 2009). This study falls in this last category.

2.5.1. Perceptions Of Entrepreneurial Orientation

Theoretical and empirical literature on entrepreneurial orientation identified three salient dimensions: innovativeness, proactiveness, and risk taking (Lumpkin and Dess, 1996:139; Miller, 1983). Covin and Slevin's (1989) measure of entrepreneurial orientation, based on the earlier works of Khandwalla (1977) and Miller and Friesen (1982), is the most widely used operationalisation of the construct in research. The innovation dimension of entrepreneurial orientation reflects the firm's propensity to engage in new ideas and creative processes that may result in new products, services or technological processes.

Innovativeness can include pursuing novel and creative solutions to challenges and opportunities facing the firm (Wiklund, 1999). Proactiveness refers to opportunity-seeking, forward-looking perspective characterised by first-on-the-market products or services. Proactiveness refers to areas in which, a firm is a leader not a follower and is associated with aggressive posturing compared with competitors (Davis, Morris and Allen, 1991). Risk-taking refers to how far a firm is willing to make large and risky resource commitments by venturing into the unknown in uncertain environments (Covin and Slevin, 1991).

Lumpkin and Dess (1996) suggested that there are two additional subdimensions to the entrepreneurial orientation construct: competitive aggressiveness and autonomy. Competitive aggressiveness is the propensity of a firm to outperform rivals punctuated with strong offensive posture or aggressive response to competitive threats. Autonomy is portrayed by independence to act by entrepreneurial leaders or teams directed towards new creation and seeing them through (Baum, Locke and Smith, 2001; Lumpkin, Cogliser and Schneider, 2009). Hart (1992) argues that organisational activities such as planning and decision-making are additional subdimensions of entrepreneurial orientation. In earlier research, Miles and Snow (1978) formulated typology of organisational processes that included prospectors, defenders, analysers, and reactors. In their discussion, they seem to suggest that these typologies may be considered as part of the entrepreneurial orientation dimensions (ibid).

Although there is debate on what should be included as dimension of entrepreneurial orientation construct, there is hardly any disagreement on including the subdimensions of innovativeness, proactiveness, and risk-taking. These have shown high intercorrelation in extant literature (for example Bhuian, Menguc and Bell, 2005; Richard, et. al., 2004; Stetz, Howell, Stewart, Blair and Fottler, 2000). Most scholars argue that entrepreneurial orientation construct is a unidimensional conception sometimes referred to as the *Miller/Covin and Slevin scale* (Davisson and Wiklund, 2001). This operationalisation has also shown high levels of reliability, validity and cross-cultural validity (Antoncic and Hisrich, 2000; Richard, et. al., 2004; Covin and Slevin, 1989; Covin, et. al, 2006; Walter, Auer and Ritter, 2006). Covin and Slevin also theorised that the three subdimensions of innovativeness, proactiveness, and risk-taking acted in concert to “compromise a basic, unidimensional strategic orientation”

that should be aggregated when conducting research in the field on entrepreneurship (1989). Furthermore, to illustrate the validity of this entrepreneurial orientation dimension, Wiklund (1998) identified more than twelve empirical studies based on the Covin and Slevin scales. Therefore, the researcher applied these three subdimensions to form the unidimension of entrepreneurial orientation in this study.

The antecedents of organisational entrepreneurial orientation can be broadly divided into external factors (e.g., industry life cycle, government regulation, environmental hostility and dynamism, etc.) and internal factors (e.g., strategic management practices, organizational resources and competencies, organizational structure, top management philosophy and values, strategy, etc.) (Covin and Slevin, 1991; Naman and Slevin, 1993). The external environment has been examined, especially as a moderating factor between performance and degree of entrepreneurial activities (Covin and Slevin, 1989,1991; Miller, 1983; Miller and Freisen, 1983; Naman and Slevin, 1993). This study examines the internal factors particularly strategic management practices because practices that do not support innovativeness, proactiveness, and risk-taking propensity can be seen as perhaps the most constraints of firm level entrepreneurial activities.

Given the existing conceptual insights, a detailed theoretical debate on entrepreneurial orientation dimensions is beyond the focus of this study. Instead, this study adopts entrepreneurial orientation as a unidimension with three subdimensions of innovativeness, proactiveness and risk taking. The conceptualisation and explanation of each of these subdimensions is presented in next subsections.

2.5.2. INNOVATIVENESS

Innovativeness reflects an organisation's propensity to support and engage in new ideas, experimentation, novel creativity, effectively departing from established practices and technologies (Lumpkin and Dess, 1996:142). This concept of innovativeness is in line with Schumpeter's (1936; 1942) "creative destruction" process. He described entrepreneurial innovation as introducing new products or services, new processes or methods of production to create or manufacture a good or service, opening new markets or new sources of supply, or reorganizing industries. Drucker (1985) maintain that innovation is the primary activity of entrepreneurship. Effective innovation may lead

to competitive advantage by creating value for organisations in industrial and services sectors and potentially the entire economies (Gupta, MacMillan and Surie, 2004; Mizik and Jacobson, 2003; Subramanian and Venkatraman, 1999).

Innovativeness comes in many forms and it is one of the factors over which, management has considerable control (Hult, Hurley, and Knight, 2004). Technological innovativeness would be evident in research and development (R and D) efforts that result in developing new products, services or processes. However, a waste of resources could result if the investment in R and D does not yield results (Dess and Lumpkin, 2005). Product-market or service-market innovativeness could include product design, service system, market research, and innovations in advertising, service and promotion. Administrative innovativeness could refer to, for example, more efficient management information systems, control techniques, and organisational structure (ibid).

Innovation is probably the most important part of a firm's strategy because it contributes to business performance and the firm's quest of wealth creation (Gupta, MacMillan, and Surie, 2004; Hamel, 2000; Hitt, et. al., 2001; Kluge, Meffert, and Stein, 2000; Lumpkin and Dess, 1996). Empirical evidence shows a relationship between high rate of innovation and superior profitability (Roberts, 1999).

2.5.3. RISK TAKING

Risk-taking dimension is a business organisation's propensity to take business-related chances about strategic actions with uncertain danger or outcome (Richard, et. al. 2004:257-8). Risk taking propensity is ever-present in every business but in varying degrees on a continuum from low risk-taking (minimally risky actions) to high risk-taking (highly risky actions) (Harris and Ogbonna, 2006). In a hypercompetitive environment, organisations should have high tolerance for venturing into new arenas without necessarily knowing the probability of success or failure of the outcome (Shane and Venkatraman, 2000). Risk management is an essential part of strategic management and entrepreneurial considerations (Harris and Ogbonna, 2006). At the same time, business organisations need to make aggressive and risky strategic decisions to cope with the constant change encountered in these conditions (Khandwalla, 1977).

Various forms of risk-taking exist from which a business organisation may select to employ. First is personal risk-taking, which refers to what a manager assumes in deciding about strategic course of actions (Voss, Voss, and Moorman, 2006; Zahra and Dess, 2001). Such decisions can have serious implications about the success or failure of the company or the manager's career. Second is financial risk-taking that occurs when an organisation accumulates heavy debt burden, or commits more of its scarce resources in the quest of wealth creation. This is concomitant with Miller and Friesen's (1978) view of risk-taking, which, is the "degree to which, managers are willing to make large risky resource commitments". Although financial risk-taking involves taking chances, it should not be confused with gambling. The best-run companies use financial analysis and risk management techniques to assess risk factors to minimise uncertainty (Dess and Lumpkin, 2005). Therefore, risk-taking in an entrepreneurially oriented organisation refers to calculated and measured acts of archiving sustainable competitive advantage.

Third is business risk-taking, which involves venturing into new business arenas without knowing the probability of success or failure. This could be any "uncharted" business activity including new product development; new market segments, changing demographics, new services offering or processes, new organisational structures, new strategic directives, etc. However, change is constant and accelerating in today's competitive landscape, and the firm's focus must be on identifying and exploiting opportunities in the environment (Shane and Venkatraman, 2000; Strandhold, Kumar, and Subramanian, 2004). Drucker (1985) argues that successful entrepreneurs avoid focusing on risk and remain focused on opportunity.

In both fields of strategic management and entrepreneurship focus on how firms adapt to environmental change and exploit opportunities created by uncertainties and discontinuities to create wealth (Venkatraman, and Sarasvathy, 2001). Therefore, entrepreneurial firms are characterised by boldness and tolerance for risk that leads to more opportunities (Chow, 2006). Organisations that do not take risks in dynamic environments will probably have their competitiveness eroded resulting in loss of market share and inability to maintain a competitive advantage compared to more aggressive competitors (Covin and Slevin, 1991; Freel, 2005; Miller, 1983).

2.5.4. PROACTIVENESS

Miller (1983) suggests that proactiveness meant that an organisation was aggressive in its pursuit of sustainable competitiveness. Proactiveness is an organisational posture of anticipating and acting on future wants and needs in the market and creating first-mover advantage (Lumpkin and Dess, 2001). This is in line with the dictionary definition of "proactive" which is "acting in advance to deal with an expected difficulty" (Webster's II New College Dictionary, 1995). Proactiveness is action orientation associated with competitive superiority owing to the "step-ahead" tactics pursued, and the market leadership characteristics exhibited by firms with this form of strategic behaviour (Gatignon and Xuereb, 1997).

Proactive organisations identify the future needs of current and potential customers, monitor trends, and anticipate changes in demand. Strong corollary between the proactive dimension of entrepreneurial orientation and strategic management exists (Dess and Lumpkin, 2005). Strategic managers who manage proactively have their eye on the future and look for opportunities to exploit for growth and improved performance, and to create a competitive advantage (Teece, Pisano, and Shuen, 1997). Proactiveness creates competitive advantage by placing competitors in the position of having to respond to first mover initiatives. First mover advantage refers to the benefit gained by firms first to produce a new product or service, establish brand identity, enter new markets, or adopt new operating technologies (Ferrier, Smith, and Grimm, 1999; Lieberman and Montgomery, 1988).

Extant literature on corporate entrepreneurship indicates that entrepreneurs in real setting corporate world work with uncertainty about the 'facts' of economic life (Jennings and Lumpkin, 1989). They make judgements, guesses, and formulate hypotheses based on their expectations. They seek anticipative events before there are adequate data available. They engage in investments that mobilises resources and reconfigures organisational activities; generate gains and make losses. As such, only those business organisations that adopt management postures that encourage these behaviours are entrepreneurially oriented. The researcher anticipates that such business organisations will score high in each of the three subdimensions of EO.

Understanding an organisation's entrepreneurial orientation is crucial in a business environment where firms seek to gain competitive advantage and sustainable growth. Covin and Slevin's (1991) strategic integration framework suggest that entrepreneurial orientation has a direct and positive influence on company performance. Therefore, gauging and determining internal environmental and strategic management features that influence organisational EO is an important research pursuit. As such, this study is important and it can guide the efforts of mangers striving to create conducive work environments for entrepreneurship.

2.6. STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP FROM A RESOURCE-BASED VIEW OF THE FIRM

Businesses are facing increasingly dynamic, unpredictable, and complex environment, where industry consolidations, technology, globalisation, shorter product life cycles, and fast-changing competitive approaches affect overall performance (Asch and Salaman, 2002; Hitt, Ireland and Hoskisson, 2008). The intensity and complexity of this external environment is driving both large and small firms to ferret out new ways of conducting business to survive and grow (Kuratko and Audretsch, 2009). Strategic approaches and processes framed around the pursuit of entrepreneurial opportunities is the new business approach in the new millennium (Ireland, et. al., 2001: 50). Therefore, successful integration of strategic and entrepreneurial actions improves the firm's ability to create and grow wealth (ibid).

Strategy research seeks to discover and explain why some firms are more successful than others are (Rumelt, Schendel, and Trece, 1994). It seems strategy is based on resource strengths of a particular organisation (Hitt, 2005). How to determine whether a firm's strengths provide value creation and contribute to firm performance and sustainable competitiveness is important to the discussion of strategic management and entrepreneurship (Ireland, 2007). If resources are taken as foundation to organisational competitiveness, we can acknowledge that not all resources are equal. It follows that if all firms were equal in their endowment of resources, there would be no differences in profitability among them, and they would all earn the same returns (De Toni and Tonchia, 2003). This resource–based view of the firm stresses the role of idiosyncratic

firm resources in creating and sustaining competitive advantage by protecting any economic benefit gained through barriers to imitation derived from organisational strategy and processes (Connor, 1991; Dess, et al., 2004; Grant, 1991; Peteraf, 1993; Teece, et. al., 1997; Wernerfelt, 1984).

One of the difficulties in reviewing literature on resource-based view of the firm is the many terms used to describe the concept (Barney, 2001). Most of the terms are similar and are used interchangeably by researchers, for instance, tangible assets; intangible assets, resources, strengths, competencies, skills, physical capital, human capital, organisational capital, capabilities and business processes (Acedo, Barroso and Galan, 2006: 621-636; Hayton, 2005; Inkpen and Tsang, 2005). However, resources are the basic unit of analysis. These could be tangible and intangible assets semi-permanently tied to the organisation (Barney, 1991; Hofer and Schendel, 1978; O'Regan and Ghobadian, 2004).

Tangible resources include physical capital consisting of plant capacity, location, equipment, technology, processes, and availability of raw materials (Williamson, 1975). Human capital includes the tacit knowledge, training, insight relationships, intelligence, experience and judgements of managers and workers (Becker, 1964). Organisational capital incorporates a business's reporting structure, controlling and coordinating systems, and internal and external relationships. All of these categories also include aspects of crucial "invisible" resources such as consumer trust, brand image, culture, and management skill (also see Richard, et. al., 2004; Simon, Hitt and Ireland, 2007).

Business processes are best illustrated by incorporating Porter's (1985) concept of the value chain. All firms have inputs, and they produce outputs. A value chain is a linked set of value-creating activities beginning with inputs, through a series of value-adding activities involved in the production and marketing the firm's product or service, and ending with the distribution process in getting the final product or service (outputs) to the end customer. The primary object of the value chain concept is to add as much value as possible in every step of the process, and to add this value as inexpensively as possible while capturing that great value (Nelson and Winter, 1982).

The idea of the value chain and business processes are important because firms create competitive advantage and earn above-average returns only when the value that a firm creates is greater than the costs incurred in the creation of that value (Hitt, Ireland and Hoskisson, 2009; Porter, 1985, 1991). In other words, competitive advantage is accomplished when the firm achieves a "value creating strategy" not being pursued by existing or potential competitors (Barney, 1991). The competitive advantage is "sustained" when the competitive advantage cannot easily be duplicated, is costly to imitate and is not substitutable and have no structural equivalents (Hitt, et. al. 2009; Mahoney and Pandian, 1992; Reed and DeFillipi, 1990).

Literature on the resource-based view shows that resources in themselves cannot be a source of competitive advantage and alone they do not yield competitive advantage (Teng and Cummings, 2002). In a hypercompetitive global environment, many resources can either be imitated or substituted eventually and often much faster. Therefore, resources become a source of competitive advantage when they allow firms to do tasks and perform activities (Porter, 1991); when they are formed into a capability that leads to wealth creation (Hitt, et. al., 2009; Zahra, Sapienza, and Davidsson, 2006). Therefore, the exploitation of resources in formulating and implementing value-creating strategies through business processes that support and entrepreneurial posture is the source of competitive advantage.

From a classic economic perspective, strategy is described as a firm's continuing search for economic rents, where rent means return in excess of the resource owner's opportunity cost (Mahoney and Pandian, 1992). The resource-based view's primary task in strategy formulation and implementation is to maximise rents over time (Grant, 1991; Hitt, et. al., 2009). Mahoney and Pandian (1992) conveniently summarise several types of rents from the literature: Ricardian, monopoly, Schumpeterian (entrepreneurial), and the concept of quasi-rents. Ricardian rents, (after Ricardo, 1817) can be achieved through the ownership of valuable scarce resources, such as land, patents, trade secrets, or location advantages (cited in Mathews, 2006; 2009). Monopoly rents may be acquired through collusion or governmental arrangements, which heighten competitive barriers. Schumpeterian or entrepreneurial rent may be realised through risk-taking and entrepreneurial insight into uncertain environments. When resources are firm-specific, quasi-rent (also known as Pareto rent) is the rent or

value resulting from the difference between the first-and second-best use of a resource (Mahoney and Pandian, 1992).

Two frequently quoted assumptions in resource-based view of the firm are resource heterogeneity and resource immobility, both are the basis of sustained competitive advantage (Alvarez and Barney, 2002; Barney, 1991; Rumelt, 1984). Resource heterogeneity refers to the assumption that competing firms may own or control different bundles of resources and capabilities, and reflects differential efficiency levels between resources (Peteraf, 1993) and differences in the quantity and type of assets. In other words, some assets and business processes are more productive, efficient, or available than other assets or can satisfy customer needs better (Ray, Barney, and Muhanna, 2004).

The subject of resources and resources allocation is important to every firm because every resource choice has significant implications for survival and growth, or failure of the business. This is true for corporations who may be heavily invested in a single line product or service only to see the market disappear in a hypercompetitive environment especially when the business pursues strategic management practices that makes major resource allocation difficult to reverse (Shimizu and Hitt, 2004). Irreversibility or inflexibility of commitments makes it difficult for business organisations to take advantage of underestimated opportunities and reallocate resources away from overestimated opportunities (Covin, et. al., 2006: 62). When strategic decisions are wrong, the results may be negative or the incorrect resources may be acquired. If acquired resources do not contribute to attaining the firm's goals and help gain competitive advantage, these resources may even waste other productive resources of the firm. It seems, for corporation to improve performance; their strategies and efforts must have a foundation in unique capabilities and key core competencies with the right combination of resources to provide a sustainable competitive advantage (Collis and Montgomery, 1995).

As noted previously, research supports the observation that strategic management of a firm affects competitiveness over time. Thus, to sustain competitiveness, business organisations may use industrial organisation, resource based, knowledge or learning

organisation models. More important, in practice these models complement one another. For example, I/O focuses outside the organisation while resource-based view focuses inside the organisation (Hitt, et. al., 2009; Kuratko and Audretsch, 2009). The knowledge gained should be internalised or learned and unlearned as part of organisational strategic management practices.

In the next subsections, we discuss the five dimensions of strategic management practices identified from literature as most influential on organisational entrepreneurial orientation.

2.7. STRATEGIC MANAGEMENT PRACTICES

2.7.1. SCANNING INTENSITY

The fields of strategic management and entrepreneurship are both concerned with planning, firm performance, and the attainment of a sustained competitive advantage that yield above-average performance and returns (Barney, 1991; O'Regan and Ghobadian, 2004; Porter and Millar, 1985). The establishment of goals is integral to both strategic management and organisational entrepreneurship (Spulber, 2004). To establish realistic goals, a clear vision of the external and internal environments should be developed. The external environment should include knowledge and information about competitors, customers, government regulations, macroeconomic changes and emerging concerns and trends (Hay and Williamson, 1997). Environmental scanning, therefore, is the managerial activity of learning about events and trends in an organisation's internal and external environments (Hambrick, 1982). Hambrick (1982) also refers to environmental scanning as a basic unit of analysis that can facilitate opportunity recognition and help minimise uncertainty.

The role of scanning in the strategic management process is to identify information that may provide an opportunity or present a threat to an organisation (Muralidharan, 2003). As the rate of environmental dynamism increases, scanning increasingly become an important strategic duties for managers (Freel, 2005; Suh, Key, and Munchus, 2004). A high level of environmental scanning is also a method of reducing the uncertainty inherent in decision making by providing extensive analysis to recognise and exploit environmental change (Brouwer, 2000 Suh, et. al., 2004; Frishammar and Horte, 2005).

Uncertainty is a perception derived from an inability to assign probabilities to the future (Hoskisson and Busenitz, 2002). However, uncertainty absorption part of scanning is potentially a double-edged sword. Belief that scanning reduces all uncertainty can produce a false sense of security leading managers to potentially missing negative signals coming from the environment (Barringer and Bluedorn, 1999).

Furthermore, any entrepreneurial organisation must learn to cope with uncertainty because it is a disincentive to both entrepreneurship and innovation (Freel, 2005). Organisations that develop competence to manage uncertainty outperform those unable to do so (Brostrom, 2002). Dedication to environmental scanning with the knowledge gained may lower a firm's perception of risk associated with a potential project or venture, and may improve the organisation's ability to learn, change, proact and react (Barney, 2001), improve its use of resources and skills (Fiol, 2001), and improve customer loyalty and satisfaction (Carr, 1991). Scanning is also used to increase competitive advantage through superior information gathering to develop strategies that improve financial performance (Falshaw, Glaister, and Tatglu, 2006; Zahra 1996), to generate strategic change (Pett and Wolff, 2003), and to increase the general usefulness of the strategic management process (Raymond, 2003).

Therefore, a high level of scanning is congruent with the entrepreneurial process (Miller, 1983; Zahra, 1991). Since entrepreneurship promotes the search for competitive advantages through product, process, and market innovations, the degree or intensity of its environmental scanning process should be directly related to its ability to recognise entrepreneurial opportunities and be a key wealth creation activity. This is especially true in today's hypercompetitive business world of shortened product and industry life cycles, changing demographics, the emergence of new markets and new market segments, the rise of global competition, and changes in domestic and foreign governmental regulations, all of which create entrepreneurial opportunities (Hitt, et. al., 2009; Morris, 1998). Example of the fast-changing high velocity industries would include health care, biotechnology, computer hardware and software, electronics, telecommunications, financial and business services (Covin and Slevin, 1991; Morgan and Strong, 2003; Zahra, 1993). To survive in these industries, firms must aggressively and continually scan the environment, adopt both short and long term planning horizons, and be able to react quickly or flexibly to change to take advantage of market

opportunities. In other words, scanning intensity is a strong component of the tenets of both strategic and entrepreneurial orientations.

2.7.2. LOCUS OF PLANNING

The term locus of planning refers to the depth of employee involvement in a firm's strategy planning activities. Organisations can be characterised as having either a shallow or a deep locus of planning (Reid, 1989). A shallow locus of planning is found in a bureaucratic organisation where the planning would be the exclusive domain of top management with little or no input from the low-levels. A deep locus of planning indicate that employees from all hierarchical levels in the firm are involved in the planning process, similar to the concepts of team building and participative management (ibid). A deep locus of planning is demonstrated by the willingness of top-level managers to facilitate and promote entrepreneurial behaviour in the workplace (Ireland, Kuratko, and Morris, 2006), and the commitment by top level managers to tolerate failure, provide freedom from excessive oversight, and to delegate authority and responsibility to middle-and lower-level managers (Kuratko and Goldsby, 2004).

Several reasons support the consideration that deep loci of planning enable a high level of entrepreneurial orientation. For example, operating-level managers are closest to the customers, suppliers and vendors, and can bring relevant external information to the internal planning process (Qi, 2005; Floyd and Lane, 2000). In addition, to encourage participation and entrepreneurial behaviour, and to promptly service customer needs and solve customer problems, a deep locus of planning would show the commitment of top-level managers to encourage risk taking and not to punish failure, thereby providing decision-making latitude, and to delegate authority and responsibility (Hornsby, Kuratko, and Zahra, 2002).

Literature suggests that managers at all levels play important roles in many dimensions of organisational success (Ireland, Hitt, and Vaidyanath, 2002). Studies have empirically proved that the entrepreneurial decision-making process is participative (Jennings and Lumpkin, 1989). In discussing entrepreneurial behaviour and corporate entrepreneurship, it is worthwhile to highlight the middle-level manager's unique role in the organisation to interface and communicate with top-level and operating–level

managers. In an organisation with a deep locus of planning, this central organisational position of middle-level managers allows them to consider and absorb innovative ideas from inside and outside the organisation. In proactive mode, it allows them to endorse, refine, and guide entrepreneurial opportunities, identify, acquire, and deploy organisational resources to pursue those opportunities from the environment (Nonaka and Takeuchi, 1995). In an organisation with proven strength in innovation, the central role of middle managers creates is the social capital and trust needed to foster the corporate entrepreneurial process (Zahra, Nielson, and Bogner, 1999). Trust is important in corporate entrepreneurial process to encourage employees to take risks without fear of losing their jobs or jeopardising their career opportunities (Floyd and Woolridge, 1997). Such internal environment nurtures the corporate entrepreneurial process and reduces the possibility of good ideas emanating from low-levels from being overlooked because of exclusion of the lower ranks in the planning process (Burgelman, 1988). Therefore, a deep locus of planning would enable entrepreneurial process by maximising the diversity of viewpoints that a firm considers in formulating its strategy. In so doing, the firm would also take full advantage of its internal resources by drawing ideas from as wide a base as it holds.

In theory, one would expect conservative and risk-averse organisations to have a shallow locus of planning (Barringer and Bluedorn, 1999; Uittenbogaard, Broens and Groen, 2005). If the entrepreneurial process involves innovativeness, risk-taking, and proactive behaviours, a risk-averse organisation would not seek opportunity because change involves risk (Harris and Ogbonna, 2006; Greve, 1998). This is despite the observation that opportunity recognition is integral to firm performance (Hornsby, et. al., 2002; Moen, 2000). Risk-averse behaviour would foster a shallow locus of planning.

2.7.3. PLANNING FLEXIBILITY

Strategic planning flexibility refers to a set of capabilities used to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment (Hamel, 2000, 2001; Harrigan, 2001; Hitt, et. al., 2009). Four powerful forces are at constant play: change, complexity, chaos and contradiction (Bettis and Hitt, 1995; Hitt and Reed, 2000; Manson, 2007). As a result, the future profit streams from existing operations are uncertain and businesses are forced to seek opportunities continually (Wiklund and Shepherd, 2005). Planning flexibility, then, indicates the

capability of the firm to change and respond quickly to changing conditions as environmental opportunities and threats emerge (Harrigan, 2001; Kukalis, 1989). Forces in the new competitive landscape require continual rethinking of existing strategic actions, organisation structures, communication systems, technological advances, corporate culture, asset deployment, and investment strategies (Richard, et. al., 2004; Clarkin and Rosa, 2005; Hitt, Keats, and DeMarie 1998). Uhlenbeck, Meyer, and Hitt, (2003), emphasises that the continually changing market conditions in today's economies mandate organisations to uphold strategic flexibility to help them take advantage of existing and new strategic opportunities as they arise. Strategic flexibility depends on an understanding of the resources and capabilities available to the firm and on management flexibility in applying those resources and capabilities to available choices of action (Sanchez, 1995).

Kukalis (1989) argued that firms in a dynamic competitive environment must adopt *flexible* planning systems to enable them to adjust their strategy implementation plans timeously. This viewpoint aligns well with the entrepreneurial characteristics of innovation, risk-taking, and proactiveness. These support opportunity recognition (Freel, 2005; Young, Charns, and Shortell, 2001), and the ability of strategic orientation, which involves a willingness to innovate, to revitalise market offerings, to take risks to try new and revised products, services and markets, and be more proactive than competitors (Covin and Slevin, 1991). This suggests that entrepreneurial firms must be flexible and competent in their planning processes and in managing the high level of organisational change required in conditions of high growth or fast-changing environments (Hambrick and Crozier, 1985; Jelinek and Schoonhoven, 1990).

High degree of flexibility supports entrepreneurial orientation for several reasons. First, a flexible system coupled with intense environmental scanning, allows strategic plans to remain up to date and organic, which, will permit a firm's entrepreneurial initiatives to be planned rather than to occur in an ad hoc manner outside the parameters of strategy plan. This is congruent with Schumpeter (1936) who argued that entrepreneurial behaviour must be flexible because the essence of entrepreneurship is capitalising on changes in the environment. Schumpeter further maintained that the competition that counts is that from new innovative firms. A high degree of planning flexibility would mean that an organisation would be able to respond quickly to competitor influences

and other changes in the external environment. Second, although the entrepreneurial process is intended to keep a firm in step with environmental changes, entrepreneurial firms are not immune to inertia. Consequently, deliberate design of a flexible planning system reduces the potential of encountering barriers to change when the need arises (Barringer and Bluedorn, 1999).

2.7.4. PLANNING HORIZON

The length of time that decision-makers in an organisation consider in planning is referred to as planning horizon (Das, 1987; 1991). Usually this coincides with the period necessary for the organisation to achieve its full circle routine strategies (Camillus, 1982). This period ranges from less than a year to as long as fifteen years (Entrialgo, Fernandez and Vazquez, 2000: 429; Rhyne, 1985, cited in Barringer and Bluedorn, 1999: 425). The logic of planning horizon, according to Das (1991) is that, it should be long enough to allow planning for expected changes in strategy while reasonably short enough to make detailed plans available.

The hypercompetitive and fluid global environment dictates that ideal planning horizons should be short (less than five years as suggested by Barringer and Bluedorn, 1999: 425). Short planning horizon suits entrepreneurial firm well given because they are oriented towards competing in turbulent environments where innovation is paramount, which ideally must be achieved in a shorter term to create and maintain sustainable competitive advantage (see Jelinek and Schoonhoven, 1990; Wagner, 2004).

The adoption of long term planning horizon is not tenable for entrepreneurial firm. It may engender a reluctance to deviate from a long-term view of the future despite short-term environmental changes. Therefore, long term planning horizon creates inflexibility that runs counter to the proactive nature of the entrepreneurial process. Operating in turbulent environment dictates that an organisation must first survive in the short-term before achieving long-term sustainability. Therefore, sole reliance on long-term planning would not be practical for an entrepreneurial organisation (Barringer and Bluedorn, 1999:425).

2.7.5. PERFORMANCE CONTROL ATTRIBUTES

Success in organisational strategy is measured against predetermined goals and performances objectives. This study follows the argument that a given performance control system should ensure that the organisation's strategic management practices meet set objectives (Pacheco-de-Almeida and Zemsky, 2007). Two forms of performance control attributes are relevant to this study: objective financial controls and strategic subjective controls. However, in practice, measuring firm performance is a major challenge for researchers (Covin, et. al., 2006). Therefore, strategic controls in an entrepreneurial firm should reflect internal mechanisms that allow facilitation and rewarding for creativity in pursuit of opportunities through innovation in short and long-term time lags. These controls should also allow organisational learning where knowledge increases and is utilised towards innovation, risk-taking and proactiveness.

Two types of management control attributes are used in this study: financial and strategic: Financial controls include objective financial criteria return on assets, return on investment, net income, return on equity, sales growth, gross profit (Reese and Cool, 1978). High degrees of emphasis on financial control are congruent with competencies exhibited in conservative organisations that hold financial measures tightly. They focus on rigid and disciplined control processes. The biggest criticism to use of objective control criterion is that it is heavily biased towards short-term profits at the expense of long-term growth and the all-important competitive advantage and wealth creation (Hitt, Ireland, Camp and Sexton, 2000; Hitt et. al. 2001: 51). It follows, therefore, that for entrepreneurial organisations, if strategic practices such as long-term planning and planning flexibility are organic and responds to hypercompetitive environment, performance measures should also be adjustable to support the organisation's planning process. Nonfinancial measurement would be ideal control measure in this regard. These would include strategically important performance indicators such as market share, customer retention, reputation, and corporate social responsibility (Antoncic and Hisrich, 2003), Research and Development output, success in meeting target dates for new product or process introductions, and the achievement of quality control standards (Barringer and Bluedorn, 1999: 426).

2.7.6. FIRM PERFORMANCE

If entrepreneurial orientation refers to management's strategy concerning innovativeness, proactiveness and risk-taking, it follows that there should be a positive relationship between entrepreneurial orientation and organisational performance in an entrepreneurial firm (see Lumpkin and Dess, 1996; Murphy, Trailer and Hill, 1996; Wiklund and Shepherd, 2005; Yusuf, 2002). The goal of strategic management process is that firms obtain a sustained competitive advantage by carrying out strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralising external threats and avoiding internal weaknesses (Barney, 1991; Hitt, et. al., 2009; Ireland, et. al., 2001; Reading, 2002). The idea of a sustained competitive advantage (sustained above-average returns) is more in line with the concept of firm performance and wealth creation.

Many researchers have identified the importance of the congruence or fit among various elements of corporate entrepreneurship in the explanation and prediction of firm performance (Burns and Stalker, 1961; Nadler and Tushman, 1997; Tosi and Slocum, 1984). At empirical level, past studies have shown positive relationships between EO and various dimensions of firm performance (Lumpkin and Dess, 1991; Smart and Conant, 1994; Wiklund and Shepherd, 2005; Yusuf, 2002; Venkatraman and Ramanujam, 1986). Chakravarthy (1986) and Cameron (1978) insist that it is essential to recognise the multidimensional nature of the performance construct.

Lumpkin and Dess (1996) suggest that entrepreneurial processes may lead to favourable outcomes on one performance dimension and unfavourable outcomes on another performance dimension. For example, a large investment of resources for a long-term project may detract from short-term performance. Therefore, several measures incorporating financial and non-financial goals that support the strategic plan should be applied to capture broader and comprehensive conceptualisation of firm performance (Murphy, Trailer, and Hill, 1996). Organisational literature makes it clear that sustainable performance is a multifaceted dimension that includes objective financial and nonfinancial attributes. Therefore, this study uses both forms of organisational performance control: strategic control and financial control (Dess, Lumpkin, and Covin, 1997; Goold and Quinn, 1990a; 1990b; Hitt, Hoskisson and Ireland, 1990).

Most firms in the target population of the financial and business services sector are expected to be either closely held or protective of their information, therefore, managers will be unwilling to provide detailed financial (Dess, Ireland, and Hitt, 1990) accounting data beyond what is available from public records. Therefore, managers will be asked both financial and nonfinancial performance questions based on the Dess and Robinson (1984) model. The respondents were asked to rank their firm's performance in comparison to similar firms on the criteria selected. The comparison to their peer group provides control for differences in performance that may be owing to industry (Dess, Ireland and Hitt, 1990) and strategic group effects (Hatten, Schendel, and Cooper, 1978). Several measures will be used to reflect the multidimensionality of the performance control construct (Cameron, 1978; Chakravarthy, 1986). Subjective, self-reported performance measures highly correlate with objective measures of firm performance (Dess and Robinson, 1984; Robinson and Pierce, 1988; Venkatraman and Ramanujam, 1987).

2.8. BUSINESS ENVIRONMENT DIMENSIONS

External environment includes all elements that exist outside the boundary of the organisation and have the potential to affect all or parts of it (Dess et al., 1997; Daft, 1989). This explains why business environment is a crucial contingence in organisational theory and strategic management (cf., Child, 1972). Its relationship with and effect on a company's strategic choices is widely acknowledged (Boyd, Dess and Rasheed, 1993; Covin, et. al., 2000; Wiklund and Shepherd, 2005). Literature on external environment from the past three decades highlight that the concepts have largely remained consistent with Dess and Beard's (1984) three environmental dimensions of *munificence, complexity* and *dynamism*. These dimensions are relevant to organisational strategy research and can be reconceptualised as environmental turbulence, hostility and dynamism.

2.8.1. ENVIRONMENTAL TURBULENCE

Khandwalla, (1977) described environmental turbulence as the overall dynamics, unpredictability, expansion, and fluctuations in the environment. It subsumes the environmental dimensions of dynamism, complexity, and munificence, which affect the organisation's task environment (Dess and Beard, 1984). The level of environmental

turbulence is described as both the rate of environmental change and the level of unpredictability of that change. Terreberry (1968) suggested that the degree of organisational strategic planning increases as the level of turbulence increased. The model of environmental turbulence developed by Dess and Beard (1984) identifies three subdimensions of environmental turbulence: stability-instability, homogeneity-heterogeneity, and concentration-dispersion.

The stability-instability dichotomy ranges from change foreseeable, predictable and easy to anticipate, to change that is difficult to predict or foresee and, therefore, heightens uncertainty (Brouwer, 2000). The homogeneity-heterogeneity dimension refers to the uniformity of the range of organisational activities (Child, 1972). In a concentrated industry in the concentration-dispersion dimension, the complexity of the environment would increase the need for strategic activities such as strategic planning (Aldrich, 1979). In a dispersed industry, all firms are evenly distributed throughout the environment. The structure of the industry would be simple because firms would have very few similar competitors because of the wide dispersion.

Many industries are typified by their instability. For example, the computer and telecommunications industries are highly turbulent, and it appears, from a global perspective, this situation will continue. The 2007 to 2009 global financial sector melt down and the subsequent global recession highlighted the instability of this industry (see Rajan, 2010; Schwab, 2011). Generally, all industries experience turbulent environments of varying degrees. These create high levels of interperiod change that create uncertainty and unpredictability with sharp discontinuities in demand and growth rates (Glazer and Weiss, 1993). Turbulent environments typically have low barriers to entry and exit that continually change the competitive structure of the industry (Chakravarthy, 1997).

Technological innovations may cause environmental turbulence by accelerating the rate of change in the scientific communities and in the marketplace. The rate of technological diffusion has intensified especially in the information-intensive industries (Hitt, at. al. 2009). This is shown in the computer hardware, software and biotechnology industries and financial markets, which are typified by rapid change and perpetual

product and service innovations where a firm only enjoy a temporary competitive advantage as product or service obsolescence occur quickly. This hypercompetitive environmental turbulence engenders high risk and uncertainty in the strategic planning process, thus reinforcing the need for a high level of environmental scanning and a proactive approach (Calantone, Garcia, and Droge, 2003; Lindelof and Lofsten, 2006). Sustainable competitive advantage lies in a firm's ability to adapt to the changing environment. This supports the need for an innovative managerial attitude (Kuratko and Audretsch, 2009). Probably, this is only possible in organisations that take an entrepreneurial orientation posture.

2.8.2. ENVIRONMENTAL HOSTILITY

A hostile environment refers to a high velocity milieu characterised by intense price, product, service and technological competition, shortages of resources (e.g., shortages of raw materials or labour), severe regulatory restrictions, a relative lack of exploitable opportunities, and unfavourable demographics trends (Miller and Friesen, 1983). Accurate and up-to-date information is difficult to get in hostile environments given the market fluidity and high rate of perpetual change (Bourgeois and Eisenhardt, 1988; Hitt and Reed, 2000). This environment poses a constant threat to business operation viability (Covin and Slevin, 1989; Oliver and Roos, 2005; Zahra, 1993). The failure rate of firms in hostile environments is high, and competitive intensity is often fierce with price wars and low customer loyalty (Hall, 1980). Profit margins are characteristically low for firms in these environments (Potter, 1994), which may cause firms to reduce their investment in Research and Development. As a consequent, this may result is reduced innovation and new product development contributing to long term downward cycle.

Reading from the effects of environmental hostility, Yeoh and Jeong (1995) suggest that an entrepreneurial orientation may be important to a firm in a hostile environment (also see Zahra and Garvis, 2000). When firms face a hostile environment, an entrepreneurial strategic orientation would contribute to greater performance (Lindelof and Lofsten, 2006). Firms must still develop ways to differentiate their products and services from the competition. Planning flexibility proactiveness, innovation, and implementing strategic processes may be requisites to gain sustainable competitive advantage (O'Regan and Ghobadian, 2004; Zahra, 1993), though there are always risks associated with being

aggressive in hostile environments (Sutton, Eisenhardt, and Jucker, 1986). The entrepreneurial orientation dimensions of innovativeness, proactiveness, and risk-taking are essential for survival in a hostile environment.

2.8.3. ENVIRONMENTAL DYNAMISM

Dynamism refers to the perceived instability and perpetual changes in the firm's environment measured from the extent of predictability manifested in the variance in the rate of market and industry change beyond the control of the individual firm (Dess and Beard, 1984). Dynamic environments would be characterised by fast-paced changes in demand, technology, and competition, which, could result in instability, turbulence, and unpredictability. Mature industries with a low growth rate, for example, may still be "dynamic" if some incumbents are high performers. Boyd, *et. al.* (1993) argue that not only does dynamism indicate the rate of change in the industry; it also shows the unpredictability of the behaviour of customers and competitors, and the shifts in the industry's technological conditions. This is apparent, for example, when viewing the global and local telecommunications industries in which, companies compete in a dynamic environment where the technology is changing rapidly, customers' needs and demands change constantly, and competitors are continually increasing their promotional efforts. Competitors in the industry have responded in a variety of ways, including acquiring technology–based companies to expand their Research and Development efforts, increasing their Research and Development expenditures to further new product development, and creating strategic alliances to exploit market opportunities or gain quick access to new technology (Atuahene-Gima, and Li, 2004; Hitt, et. al. 2009).

Organisations often respond to challenging conditions in a by adopting an entrepreneurial posture (Khandwalla, 1987). High level of environmental changes in a competitive industry influences corporate entrepreneurship (Guth and Ginsberg, 1990). Although literature uses a variety of terms such as uncertainty, volatility, complexity, and high-velocity-they all encompass and refer to the notion of unpredictable change. Studies showed that the relationship between decision process rationality and firm performance is moderated by environmental dynamism (Anderson, 2004). The relationship between environmental dynamism and firm performance provides a strong

reason for the need for an entrepreneurial orientation in a dynamic external environment.

2.9. EFFECT OF ENVIRONMENT ON STRATEGIC MANAGEMENT PRACTICES AND ENTREPRENEURIAL ORIENTATION

This chapter on literature review has emphasised that the current business environment is not only globalised but also hypercompetitive. It is characterised by hostility, turbulence and dynamism. Managers face an increasingly complex, and unpredictable environment, augmented risks typified by decreased ability to forecast. Technological revolution, resource shortages, wide swings in the business cycles, shifting social values, unconventional competitors, widening customer preferences, suppliers, and other dynamic forces continue to impact on overall organisational performance (Asch and Salaman, 2002; Kuratko and Audretsch, 2009; Ward and Lewandowska, 2005). This is consistent with the views of economists Scherer and Ross, 1990), and with the empirical conclusions of entrepreneurship researchers Sandberg and Hofer, (1987). Kuratko and Audretsch summed up the hypercompetiveness of the current business environment by stating that no business organisation is immune to the immense pressures of the environmental forces (2009: 1). Firms, both large and small, are seeking new ways of conducting business to create wealth (Stopford, 2001).

Most researchers frame external environment as abstract research qualities and dimensions. The most common are *turbulence* (Khandwalla, 1977; Naman and Slevin, 1993; Aloulou and Fayolle, 2005; Yeoh and Jeong, 1995); *hostility, heterogeneity*, and *dynamism* (Yeoh, 1994; Miller, 1983; Urban, 2010a); *volatility* (McKee, Varadarajan, and Pride, 1989); *munificence* (Rasheed and Prescott, 1992; Dess and Beard, 1984); and *complexity* (Aldrich and Wiedenmayer, 1993). Business environment affect a firm's performance despite its strategic orientation (Lumpkin and Dess, 1996) or resources at its exposure.

Any business organisation has a particular task environment, which is represented by that portion relevant to strategy development and implementation (Dill, 1958; Montanari, Morgan and Bracker, 1990). The task environment can be characterised from the perspective of the level of environmental turbulence. This would be indicated by the

overall environmental dynamics, unpredictability, expansion, and fluctuations (Khandwalla, 1977). Environmental turbulence incorporates dimensions of munificence and complexity, which affect the organisation's task environment in which, it competes to attain sustainability and wealth creation. Therefore, this study operationalises the external environment by looking at the levels of turbulence, hostility, and dynamism. Although is treated as a control variable in this study, external environment is an important determinant of entrepreneurial orientation at both the individual and the organisational levels (Aloulou and Fayolle, 2005; Dess et al., 1997; Zahra and Covin; Goll and Rasheed, 2005; Galbraith and Schendel, 1983; Bourgeois, 1980).

Given the observation that environmental uncertainty influences the strategic management practices of organisations, it is important for this study to consider the entrepreneurial environmental fit as a control measure (Miller and Friesen, 1983). Business organisation literature suggests there is a positive relationship between increased environmental uncertainty and organisational proactiveness and aggressive strategies (Li, et al., 2006; Miller and Friesen, 1983). It follows therefore that high environmental uncertainty encourages higher levels of innovation and risk-taking by adopting entrepreneurial postures (Yeoh and Jeong, 1995). Possibly, exploring the influence of strategic management practices on entrepreneurial orientation would require an environmental context. However, as highlighted above, this study does not explore the moderating role of environment on this relationship but it assumes that environment does have such an effect. Therefore, environment is applied as a control variable.

2.10. CONCLUSION

Four distinct types of corporate entrepreneurship are recognised in literature. These are sustained organisational regeneration, organisational rejuvenation, strategic renewal and domain redefinition (Dess, et. al. 2003: 352). Research on these forms of corporate entrepreneurship has applied different frameworks. Relevant to this study are three frameworks. The first is domain framework, which looks at internal innovation and strategic renewal as key factors in organisational transform. The second framework is sustaining framework developed by Kuratko, Hornsby and Goldsby (2004). Covin and Slevin (1991) developed the third framework known as the strategic integration

framework. All models approaches entrepreneurship as the essence of the organisation where the firm's performance is driven by it entrepreneurial orientation or intensity (Morris, 2008).

Research on strategic management has been dominated by a number of dominant frameworks. Most prominent being the Industrial organisation (IO) model which emphasises organisational responses to the external environmental characteristics of the industry in which, a firm seeks competitive advantage (Bowman and Helfat, 2001). Next is the resource-based view (RBV) model (Barney and Arikan, 2001; Barney and Clark, 2007; Priem, and Butler, 2001). This model assumes that each organisation is a collection of unique resources and capabilities convertible to competitive advantage, performance and wealth creation (Acedo, *et. al.,* 2006). Another prominent model is the knowledge-based view (KBV) (DeNisi, Hitt and Jackson, 2003). In this approach, knowledge and competencies are key to business competitiveness (Hitt, et. al., 2001: 483). Accordingly, the business is conceived as a repository of knowledge (Nelson and Winter, 1982; Spender, 1996).

A review of frameworks and models about entrepreneurship and strategic management indicate that entrepreneurial orientation is a key construct in both (Covin, et. al., 2006). It is from this realisation, supported by relevant literature, that this research proceeds from the conceptual understanding that an organisation's entrepreneurial orientation is crucial in a hypercompetitive business environment where firms seek to gain competitive advantage and sustainable growth. For example, this view is supported by Covin and Slevin's (1991) strategic integration framework, which argues that adopting entrepreneurial orientation has a direct and positive influence on company performance. Furthermore, literature has shown that strategic management and corporate entrepreneurship frameworks universally consider entrepreneurship as a stimulus in innovations and value creation in the new global competitive landscape where new opportunities are identified in uncertain environments (Hitt and Reed, 2000). As such, the relationship between strategic management and entrepreneurship is an important research subject.

Furthermore, what imaged from the extant literature is that organisational entrepreneurship and strategic management practice constructs relates to one another in many conceptual ways and both correlate with organisational performance. Thus, an organisation's ability to behave entrepreneurially is dictated by its strategic management practices. Literature supports the notion that central to an organisational entrepreneurial posture are the organisation's ability to be *innovative, proactive and risk-taking behaviour* which are all potentially affected by strategic management practices that are pursued by individual firms (Hitt, et. al., 2001; Ireland; Covin, and Kuratko, 2009; Lumpkin and Dess, 1996; 2001). However, despite this widely acknowledged relationship between strategy and entrepreneurship, there still is a noticeable dearth of researches that specifically combine strategic management and entrepreneurial orientation in examining sustainable performance, attaining competitive advantage and wealth creation (Entrialgo, et al., 2000; Ireland, et al., 2003; Wiklund and Shepherd, 2005). This challenge is more crucial in studies that focus on emerging economies such as South Africa. Therefore, literature review highlights that gauging and determining internal environmental and strategic management features that influence organisational entrepreneurial orientation is an important research pursuit. As such, this study is important and it can guide the efforts of managers striving to create conducive internal environments for entrepreneurship contributes to literature the influence of strategic management practices on organisational entrepreneurial orientation.

CHAPTER 3

HYPOTHESIS DEVELOPMENT BASED ON THEORY

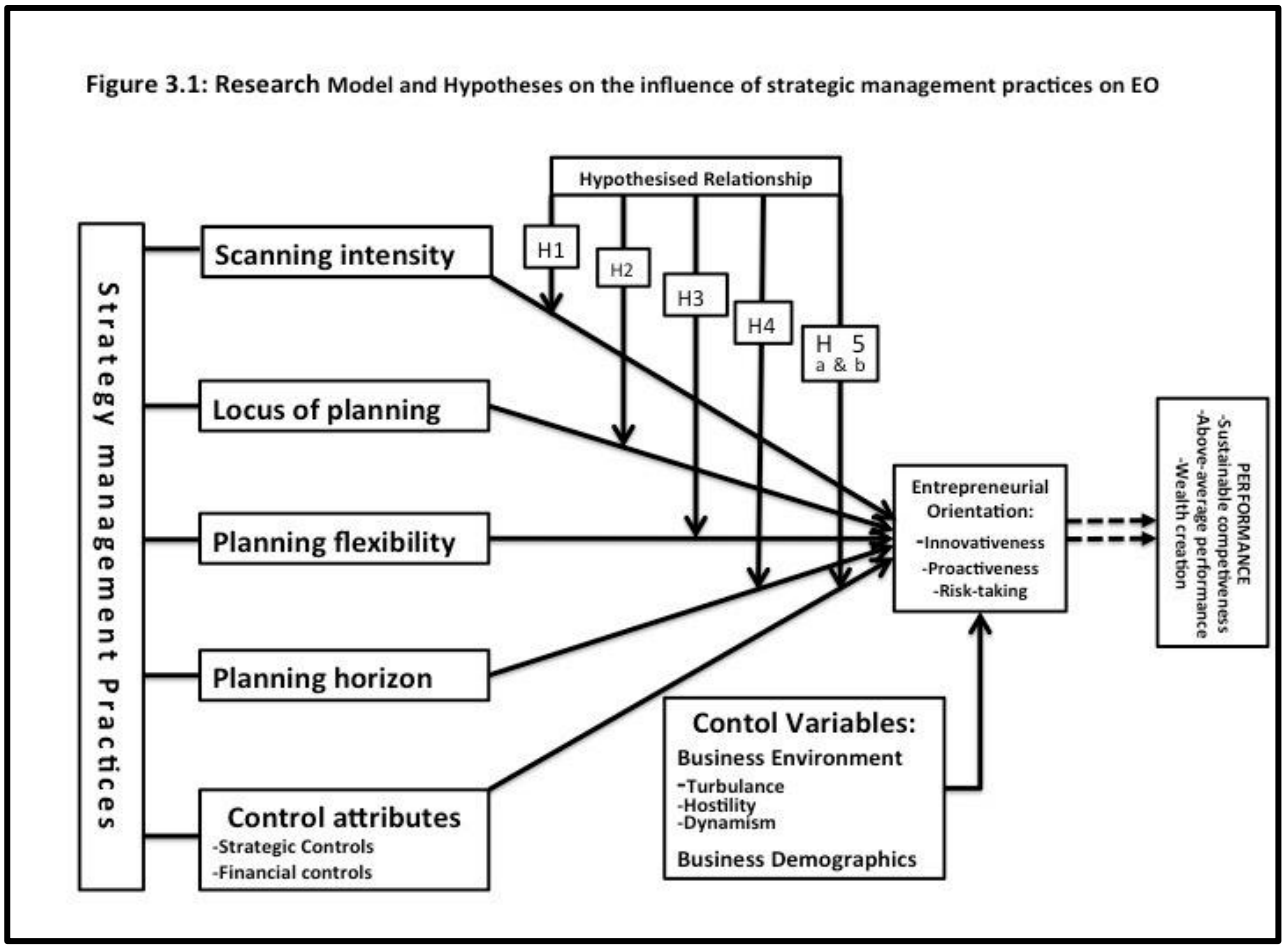
3.1. INTRODUCTION

This chapter develops a conceptual model that predicts the influence of selected strategic management practices of scanning intensity, locus of planning, planning flexibility, planning horizon and strategic control attributes on the entrepreneurial orientation variable. The literature on entrepreneurial orientation suggests that the most important outcome of corporate entrepreneurship is firm performance in its various forms. Literature also highlights that the ultimate variable in strategic management and entrepreneurial research is firm performance (for example, Covin and Slevin, 1991; Covin and Slevin, 1986; Naman and Slevin, 1993; Zahra, 1986; Zahra and Covin, 1995). Therefore the internal strategic management practices of scanning intensity, locus of planning, planning flexibility, planning horizon and strategic control attributes potentially dictate the level of a firm's entrepreneurial orientation. Emphasis is that a firm's ability to behave entrepreneurially is enshrined in opportunity recognition (Miller, 1983; Zahra, 1993); organisational flexibility (Murray, 1984; Naman and Slevin, 1993) and the organisation's level of innovativeness, proactiveness and risk-taking behaviours (Sathe, 1988; 1989; Zahra, 1993). In turn, organisational behaviour is a reflection of strategic management practices. This review leads this study to propose that strategic management practices influences the key enablers and level of organisational entrepreneurial orientation.

3.2. RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND STRATEGIC MANAGEMENT DIMENSIONS

Several researchers have explored the importance of fit between elements of strategic management in explaining and predicting organisational entrepreneurial orientation (for example Barringer and Bluedorn, 1999; Entrialgo, et. al. 2000; Miles and Arnold, 1991). The following section presents hypotheses that postulate the influence of selected strategic management practices (scanning intensity, locus of planning, planning

flexibility, planning horizon and control attributes) on organisational entrepreneurial orientation. The level of entrepreneurial orientation of each organisation is measured on the continuum starting from *conservative* (negative entrepreneurial orientation) to *entrepreneurial* (positive entrepreneurial orientation exhibited in high levels of innovativeness, proactiveness and risk taking behaviour). The conceived relationship between strategic management practices and entrepreneurial orientation is illustrated in the model in Figure 3.1 below.



Key: *H1 – H5 = Hypotheses 1 to 5

Figure 0.1: Research models and hypotheses on the influence of strategic management practices on entrepreneurial orientation.

3.2.1 PREDICTED RELATIONSHIPS BETWEEN STRATEGIC DIMENSIONS AND ENTRENEURIAL ORIENTATION

1. The suggested relationships in the model in Figure 3.1 are:

a. A business organisation's entrepreneurial orientation is influenced by its strategic management practices of scanning intensity, locus of planning, planning flexibility, and planning horizon (hypotheses H1 to H4).
b. Organisational strategic management practices control attributes of strategic nonfinancial (subjective) and financial (objective) controls each has independent relationship with corporate entrepreneurial orientation (hypotheses H5a and H5b).

2. The model also suggests that the outcome of the relationship between strategic management practices and entrepreneurial orientation influences organisational performance (objective financial and strategic nonfinancial performances). Organisational performance literature has shown that if a business achieves above-average returns, it is presumed to have a sustainable competitive advantage and to be more entrepreneurial in both its functions and strategic processes (for example Keh, Nguyen, and Ng, 2007; Wiklund, 1999; Wiklund and Shepard, 2005; Zahra, 1991). Although this study does not extend to directly measure or analyse the effect of entrepreneurial orientation on organisational performance, the model suggests that the level of organisational performance (conceptualised herein as above-average returns and wealth creation and sustainable competitiveness) is influenced by or is correlated to entrepreneurial orientation (Figure 3.1).

3.3. HYPOTHESIS RELATED TO ENVIRONMENTAL SCANNING INTENSITY

In today's volatile hypercompetitive environment, environmental scanning intensity denotes organisational preparedness to manage risk and to be proactive. Strategic competence and intensity in environmental scanning would insure that managers deploy the right kind of knowledge and resources to cope with uncertainty better than competitors. The external environment can be ambiguous; it can create problems or opportunities for organisations. Successful opportunity recognition from external environment is dependent of successful application of scarce and valued resources (Temtime, 2003). Therefore, scanning is an essential strategic planning activity undertaken by managers to effectively steer their organisations towards sustainable competitive advantage in a fast-changing environment (Walters, Jiang, and Klein, 2003). Superior information gathering is crucial in achieving competitive advantage (Strandholm and Kumar, 2003) and in developing strategies that improve firm performance (Suh, et al., 2004; Kumar et al., 2001).

Scanning enables organisations in a turbulent environment to manage their risk-taking propensity and proactiveness dimensions of entrepreneurial orientation. Extensive scanning helps organisations recognise and exploit movements in the environment. This also means the business organisation would have to be innovative to remain competitive and may have to adopt short planning horizon and flexible planning system in pursuit of competiveness. Such an approach indicates an entrepreneurial firm. To the contrary, environmental scanning intensity would not be important for organisations operating in stable environments characterised by low levels of uncertainty, long product and service life cycles (Covin and Slevin, 1989). Investment in environmental scanning is most probably futile or unimportant for conservative business organisation.

This discussion of environmental scanning intensity, particularly the need for managers to have current and reliable strategic information required to recognise and exploit constantly shifting environmental conditions as well as the need to cope with uncertainty in the volatile environment, leads to the following hypothesis:

Hypothesis 1: *A positive relationship exists between strategic environmental scanning intensity and entrepreneurial orientation.*

3.4. HYPOTHESIS RELATED TO LOCUS OF PLANNING

Shallow locus of planning denotes exclusivity in strategic planning process. Conversely, a deep locus of planning indicates organisation-wide high level of employee involvement. This would be shown in organisational culture of participative management, which is a characteristic of CE (Kuratko and Goldsby, 2004; Whetten and Cameron, 2002). Studies have shown that a significant number of companies have attributed their improvements in performance directly to the institution of participative management and teams in the workplace (for example, Cohen and Bailey, 1997; Guzzo and Dickson, 1996; Whetten and Cameron, 2002). Furthermore, in today's complex business environment, deep locus of planning is essential for organisations confronting turbulence and dynamism (Antoncic and Hisrich, 2004; Morris and Sexton, 1996). It appears that a deep locus of planning would facilitate high firm performance for several reasons. A high level of employee participation in the planning process may accelerates

the level of opportunity recognition and avoid the problem of overlooking good ideas potentially emanating from lower-level managers (Cameron, 1998; Burgelman, 1988).

Ideally, strategic planning processes should include organisational activities that systematically discuss and adopt mission and goals, explore the competitive environment, analyse strategic alternatives to formulate the strategic plan, and coordinate actions of implementation across the entire organisation (Anderson, 2004; Antoncic and Hisrich, 2004). Therefore, a deep locus of planning may allow key strategic concerns to emerge and gain formal recognition in an environment where the organisation is an open market for ideas (Morris, et. al. 2008). Lower-level managers would be encouraged to promote their ideas to top management until they become part of an organisation's formal strategy (Anderson, 2004; Dutton, et al 1997). This also increases the organisation's ability to recognise and identify its strengths, weaknesses, opportunities, and threats towards accomplishing a successful strategy; to avoided groupthink; to provide an accurate and robust interpretation of the internal and external environments; and to develop internal capabilities and competencies (Daft, 2001). To the contrary, conservative organisations would have rigid structures because they have less to gain from a high level of employee participation in planning because opportunity recognition and pursuit of new ideas are structurally emasculated.

The nature of hypercompetitive environment demands that an organisation adopts entrepreneurship culture that improves chances of recognising and identifying opportunities and threats, of identifying and implementing an organic strategy that encourages and rewards innovation and risk-taking. This discussion on the locus of planning concerning the advantages and benefit of deep locus of strategic planning process supports the following hypothesis:

Hypothesis 2: *A positive relationship exists between deep strategic locus of planning and entrepreneurial orientation.*

3.5. HYPOTHESIS RELATED TO PLANNING FLEXIBILITY

Entrepreneurship and strategic management studies have successfully showed the link between planning flexibility and attaining competitiveness (Wiklund and Shepherd, 2005; Freel, 2005). Focus has been on how firms adapt to environmental changes by recognising and exploiting opportunities created by uncertainties and discontinuities to gain competitive advantage and improve firm performance (see Hitt et al., 2001). The hypercompetitive environment and rapid pace of its change dictate that any business organisations that seek to attain sustainable competitive advantage adopt flexible planning systems adjustable to environmental shifts.

Research supports the view that planning flexibility directly relate to organisational performance. Kukalis (1989) argues that flexible strategic planning systems are required for firms to compete effectively because of the frequency of change in the business environment. Clarkin and Rosa (2005) maintain that forces in the current global competitive landscape require firms to have strategic planning flexibility to support successful firm performance. Planning flexibility enable entrepreneurial organisations to fine-tune their plans in real time in response to changing environmental challenges and adjust to take advantage of existing and emerging strategic opportunities.

Conservative firms that obtain their competitive advantage in repetitive transactions and routine activities will strive on rigidity (Barringer and Bluedorn, 1999: 425). Planning flexibility is not encouraged in such an environment because it would probably be disruptive, expensive, and therefore unnecessary to a conservative firm.

What emerges from this discussion is that high degree of planning flexibility allows an organisation to be strategically responsive to environmental adjustments thereby allowing opportunity recognition and exploitation in pursuit of sustainable competitive advantage. The need for strategic planning flexibility for EO organisations leads to the following hypothesis:

Hypothesis 3: *A positive relationship exists between strategic management flexibility and entrepreneurial orientation.*

3.6. HYPOTHESIS RELATING TO PLANNING HORIZON

An organisation's planning horizon is the length of the time that managers consider in future planning (Das, 1987). Ideally, this time corresponds to the length of routine strategy execution varying from one year to more than fifteen year. It is imperative that organisations would have a portfolio of plans with horizons relative to short-term and long-term strategies running concurrently (Capon, Farley and Hulbert, 1987; Judge and Sitzfaden, 1995, cited in Barringer and Bluedorn, 1999: 425). Short horizons (less than five years) are ideal for entrepreneurial organisations competing in a turbulent hypercompetitive environment where product and services cycles are characteristically short. Short planning horizon combined with intensive environmental scanning, high degree of organisational planning flexibility creates a fertile ground for entrepreneurial organisation to be responsive to opportunities emerging from environmental changes and develop appropriate product and service innovations to sustain competitiveness. Long term planning horizon is not tenable for entrepreneurial organisation because it creates rigidity that yields a blinkered perspectives on the future. Naturally, a blinkered and conservative approach, contrary to entrepreneurial orientation, halts proactiveness.

Conservative organisations prefer to operate in stable environments where they adopt long planning horizon. They gain competitive advantage in product and service continuity without the need for consistent search for opportunities or being innovative. This discussion leads the following hypothesis:

Hypothesis 4: *A negative relationship exists between long strategic management planning horizon (more than five years) and entrepreneurial orientation.*

3.7. CONTROL ATTRIBUTES

To attain organisational performance, selected strategic management practices should meet set organisational objectives (Freeman, 1984). It follows that there is a positive connection between entrepreneurial orientation and organisational performance (for example, see Wiklund and Shepherd, 2005; Yusuf, 2002). The logic is that, strategic controls in entrepreneurial organisations should reward creativity in pursuit of

opportunities through innovation in short, and long-term time lags; stimulate proactiveness and risk-taking. Two forms of control: strategic and financial controls are selected as suited for this study (Hitt, et. al., 1990). The former measures organisational performance from nonobjective strategic criteria. The latter measures performance on objective financial criteria. However, both forms of strategic controls attributes are not opposites of each other. They can be present simultaneously in an organisation (Barringer and Bluedorn, 1999: 426; Goold, and Quinn, 1990b; Goold, Campbell, and Alexander, 1994) yet they can have different influence on organisational EO. As such, separate hypotheses are articulated for each control attribute.

3.7.1. STRATEGIC CONTROLS

Entrepreneurial organisations reward creativity, encourage proactiveness and does not punish failure but learn from all experiences. Such controls are consistent with entrepreneurial process, which relies on viable innovation where time lags between innovation payoffs is not a limiting factor to employees especially those involved in product or process innovation that takes a long time to reach their market (Goold and Campbell, 1987; Morris, Kuratko and Covin, 2008: 175-80). Therefore, indicators such as customer satisfaction, patent registration, attaining quality control target, etc., are valid measures of performance from a strategic control (nonfinancial) perspective of an entrepreneurial firm (Goold, Campbell, and Alexander, 1994). Conservative organisations do not gain competitive advantage from innovation opportunities because maintaining strategic controls has high-cost implication for them (Goold and Quinn, 1990a; 1990b). Resulting from this discussion, the researcher hypothesise that:

Hypothesis 5a: *A positive relationship exists between management's degree of emphasis on strategic nonfinancial controls and entrepreneurial orientation.*

3.7.2. FINANCIAL CONTROLS

Financial controls are the most common form of performance measurement across business organisations. High degrees of financial control are probably congruent with competencies most valued primarily in conservative organisations. Focus is on objective, rigid and disciplined control processes based on financial criteria such as net income, return on investment, return on equity, etc. Financial controls allow an organisation to forward plan for performance standards and rigid targets. These factors

suit conservative organisation that do not encourage organic creativity and innovation. This observation leads to the following and final hypothesis of this study:

Hypothesis 5b: *A negative relationship exists between objective financial controls of a firm and entrepreneurial orientation.*

3.8. CONTROL VARIABLES

3.8.1. ENVIRONMENTAL UNCERTAINTY AND PERFORMANCE

As discussed in the literature review in Chapter II, the relationship between entrepreneurship and firm performance has been the subject of considerable discussion and debate for several decades (for example Bourgeois, 1980; Hitt, et. al., 2001; Lumpkin and Dess, 1996; Miller, 1983; Miller and Friesen, 1982; Sandberg and Hofer, 1987; Wang, 2008; Wiklund and Shepherd, 2003). Most researchers posit that there is a positive relationship between entrepreneurial behaviours and firm profitability and growth (for example Covin and Slevin, 1991; Lumpkin and Dess, 1996). Entrepreneurial organisations possess three primary characteristics, innovativeness, risk-taking, and proactiveness (Covin and Slevin, 1989; Miller and Friesen, 1982).

From the preceding discussions, it is postulated that strategic management practices influences entrepreneurial orientation of organisations and determines where the firm will fall along the continuum of conservative organisation on one extreme and entrepreneurial organisation on the other. Entrepreneurial processes refer to actions taken that result in new or improved products, services, or technologies (Lumpkin and Dess, 1996), and includes the propensity of managers to commit firm resources to strategic actions without knowing the probability of success or failure (Poon, Ainuddin, and Junit, 2006; Richard, et. al., 2004). The goal of new entry, new products, and new services is to improve or create a higher level of firm performance, and an entrepreneurial orientation may be a requisite for creating value for end users in the firm's attempt to attain a competitive advantage (Ireland, Hitt, and Vaidyanath, 2002; Mizik and Jacobson, 2003).

Extant literature on organisational entrepreneurial orientation argues that it is positively related to firm performance (Lumpkin and Dess, 2001: 436), conceptualised as earning above average returns, attaining sustainable competiveness and creating wealth (Hitt, Ireland, and Hoskisson, 2008). Enough research exists to support the view that the relationship between strategic management practices and entrepreneurial orientation strongly related to firm performance in different contexts. This relationship is subject to environmental uncertainty. However, the moderating effect of environmental uncertainty on the relationship between strategic management practices and entrepreneurial orientation is beyond the scope of this study. Nonetheless, environmental uncertainty is included in this study as a control variable in regressing the relationships between strategic management practices and EO.

Although most researchers theorise a positive relationship between an entrepreneurial orientation and firm performance and sustainable competitive advantage, environmental characteristics influences how entrepreneurial firms respond to challenging conditions, including intense competition, rapid technology change, rising globalisation and other dynamic environmental forces. For example, an environmental orientation has positive correlationship with firm performance in hostile than in benign environments (Wiklund and Shepherd, 2005; Zahra and Covin, 1995). The short product and service life cycles associated with turbulent and hypercompetitive environments dictates that entrepreneurial organisation adopt flexible planning systems associated with short planning horizons that can effectively support timely opportunity recognition. Such strategic management approach in uncertain and complex environment may require a strong entrepreneurial posture in a firm.

Furthermore, environmental scanning is the process through which, a firm reads its environment. Not only has environmental scanning become an important duty for managers (Freel, 2005), a high level of scanning intensity is required for firm survival and growth in high-velocity dynamic environments, and the need for timely information and analysis. However, the importance of environmental scanning may be reduced in benign environments characterised by low competitive intensity and high customer loyalty. Dynamic and turbulent environments are characterised by unpredictability, instability, complexity and higher levels of change. Higher levels of change create higher levels of uncertainty (Bourgeois and Eisenhardt, 1988). Involving employees

from all hierarchical levels in the firm in the planning process (deep locus of planning) facilitates opportunity recognition and potentially increase the firm's ability to respond to change. In stable environments, the rate of change diminishes. It follows that, a high degree of planning flexibility would mean that a firm would be able to respond quickly to change, to opportunities in a dynamic environment, to competitor challenges, and other environmental changes.

It follows that in stable environment, there is less pressure and incentive for the firm to expand its planning efforts, or to innovate and be proactive. Furthermore, rapidly changing technology and shortened product life cycles support the need for a firm to be innovative and develop new ideas, products, and processes, and be willing to take risks to cope. Increased domestic and global competition amplifies the need for a firm to stay ahead of the competition.

3.8.2. DEMOGRAPHICS

Some demographic questions were included in the survey instrument for descriptive and control purposes. The questions address the age of the organisation, number of employees to determine size, classification of industry, net sales by range and description of past performances. Respondent-only questions asking for nonconfidential personal information including tenure of service, whether the respondent was appointed or promoted to current position, gender and educational levels were included.

Demographic questions are important in this study. For example, age of an organisation may have implications on an organisation's ability to be entrepreneurially oriented. One school of thought argues that older organisations are more bureaucratic and therefore less entrepreneurially oriented (for example Durand and Courderoy, 2001; Zahra 1991; Rosen, 1991). The same argument applies to a firm's size where larger organisations respond differently to competitive environment given their assumed slowness (also see Zahra 1993; Rosen, 1991; Durand, 2001). The subindustry in which, an organisation operates potentially influences and shapes its environment and therefore its entrepreneurial orientation (Covin and Slevin, 1991). Given these demographic data, are used as control variables in this study.

3.9. CONCLUSION

The conceptual arguments from previous researches converge on the idea that firms benefit from applying strategic management practices that enable entrepreneurial orientation. Entrepreneurial orientation in turn has positive relationship with organisational performance and competitive advantage. Therefore, this study hypothesises that selected strategic management practices influences the entrepreneurial orientation of an organisation determining the position of such a firm on the conceptual conservation-entrepreneurial continuum (i.e. entrepreneurial negative - entrepreneurial positive). This study proceeds from the assumption that firms benefit by adopting an entrepreneurial orientation in an uncertain environment. Thus, conceptual arguments suggest that entrepreneurial orientation leads to higher performance exhibited through sustainable competitiveness, wealth generation and above-average earning. Furthermore, strategic management practices and entrepreneurship of firms are subject to environmental conditions in which, the organisation operates. Firms operating in highly uncertain environments are predisposed to be more entrepreneurial than those operating in stable environments that are more likely to be conservative in their strategic management practices. Last, understanding organisational demographics may help predict the entrepreneurial orientation position of an organisation. For example, this study proposes that larger organisations are more likely to be less flexible in their strategic management practices and take a long term planning view. Both these views do not promote organisational entrepreneurship.

The next chapter presents the methods of empirical data collection and processing exercises.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1. INTRODUCTION

Entrepreneurship in firms is an organisational phenomenon that arises from deliberate strategic management practices. This study has hypothesised that organisational strategic management practices influences the entrepreneurial orientation of a firm. In order to study the relationship of perceived strategic management practices and a firm's entrepreneurial orientation, influence of strategic management dimensions on entrepreneurial orientation must be operationalised in a survey instrument. In line with the study model, this chapter covers the research design and methods to test the hypothesised model. The research problem identified concerns understanding how strategic management practices influence entrepreneurial orientation of mid-sized to large corporations in the financial and business services sector in South Africa. Five 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 a discussion of data evaluation procedures. Last, the hypothesis testing analytical techniques are discussed as foundation to the fifth chapter that presents the research results.

4.2. SAMPLE

Data for this research was collected in cooperation with and under partial sponsorship of FTT 580 (Pty.) Limited, a private business research organisation (FTT 580 (Pty.) Ltd., 2011). The need to obtain access and the constraints of time and high logistical resources demand prevented the use of a national random sample of the target financial and business services industrial sector. Therefore, a convenience population sample-frame from the Gauteng Province-based medium to large corporations was used for the survey. The corporation size-classification is based on the South African Department of Trade and Industry categorisation. Corporations with annual sales between R5 million R34, 999,999.00 are classified as medium-sized. Corporations with

annual earnings of R35 million and above are classified as large corporations (http://www.info.gov.za/business/ [Accessed 10 November 2010]).

The industrial sector classification method that identified financial and business services industrial sector as a unit is based on Statistics South Africa Standard Industrial Classification (SIC) (Statistics South Africa, 1993). The SIC classifies financial and business services sector as specialising in financial intermediation, insurance, real-estate activities, research and development and business services. The financial services subsector consists of corporations including depository institutions, non-depository credit institutions, security and commodity brokers, dealers, exchange and services, insurance carriers, agents, brokers and services, holding and other investment houses. The business services subsectors consists of commercial legal services, accounting, bookkeeping and auditing activities; tax consultancy; market research and public-opinion research; business and management consultancy firms (also see Johannesburg Securities Exchange, 2009; Statistics South Africa, 1993).

The original sample corporations were culled from the FTT 580 database where 1347 Gauteng based heterogeneous nondiversified medium to large financial and business services firms were listed (FTT 580 Pty. Ltd., 2011). The 1347 firms were further cross-screened against other independent institutional databases and listings such as the Institute of Directors Southern Africa database (Financial and Business Services listing) (2011); the Johannesburg Stock Exchange Global Classification System Database (2009); databases of the Johannesburg Chamber of Commerce and Industries (2008) and the Gauteng Chambers of Commerce (2011); Business Unit South Africa (BUSA) (n.d.), and the database of the Who Owns Whom in South Africa Pty. Ltd. (2011). The cross-checking and cross-referencing exercise was conducted in order to establish additional verification of the individual firms' subindustrial and size classifications. Organisations that were listed as medium to large corporations in FTT 580 database but could not be verified by another institutional database(s) were dropped from the sample. Furthermore, organisations that were classified as financial and business services in the FTT 580 database and could not be verified or cross referenced by another institutional database were also dropped from the same.

To reduce the confounding effects of diversification, the study limited the firms in the sample to those that generate at least 70% of their turnover from a single subsector in the financial and business services industrial sector. Any organisation that did not meet this criterion as listed in both the FTT database and additional institutional databases was also dropped from the sample during screening. The effort to eliminate cofounding effects of diversification was done in line with Rumelt's definition of a single or dominant firm (1984). Furthermore, focusing on medium to large corporations help avoid predictable size-related biases on some of the research variables. For example, smaller businesses exhibit characteristics of emergent strategy-formation patterns (Mintzberg, 1973), which may not apply to established corporate organisations. This study has scales that implicitly assume the existence of some minimal management hierarchy that might be absent in small businesses. This procedure is also consistent with that followed by Covin, et. al., (2006: 64).

A total of 1121 qualifying medium to large firms out of 1347 organisations from the FTT 580 database were captured. All 1121 firms were coded and re-captured into a Microsoft Excel database. MS Excel random numbers formula was applied to select 25 per cent of the firms as the sample for the study. Eventually, the multistage screening and the final random sampling yielded 280 corporations that formed the unit of analysis for this study. Data was drawn from individual senior, middle and low-level managers from these sample organisations.

The range of the respondents raised the potential problem of common method variance (Podsakoff, Mackenzie, Lee and Podsakoff, 2003). Several studies have examined this problem and the results are mixed at best. For example, Spector (1987) concluded that common method bias tended to be small and insignificant, exerting minimal effect on the relations among variables. Williams, Cote and Buckley (1989) reanalysed Spector's (1987) study and concluded that common method bias accounted for 25% of the variance in the measures. To reduce the potential effects of common method bias, all variables in this study were entered into an exploratory factor analysis. The analysis would test whether there is a single factor that will image or whether there would be a general factor that could account for most of variance in these variables (also see Podsakoff, et.al., Wang, 2008:645). However, the common links among all firms in the survey was their location in a single province (Gauteng), and membership to the

financial and business services industrial sector as defined by the country's Statistician General (Stats SA, 1993).

4.3. DATA COLLECTION PROCEDURES

The data for this research were gathered through an electronic survey questionnaire. Before the final questionnaire was designed, eight exploratory interviews were conducted with executives in five companies. The survey instrument incorporated insights generated from the interview data and the survey was subsequently pretested amoung 19 managers randomly selected from firms on the FTT 580 database that were not sampled for the final survey. Another set of pretest survey questionnaires were sent to 21 students graduate students from the Wit Business School MBA and Master of Management programs (University of the Witwatersrand, Johannesburg). Comments received were applied to the survey instrument design of final questionnaire. The results from the pretest survey highlighted that the survey instrument was too detailed and not easy to complete in less than twenty-minutes. In order to complete it, respondents ought to have had considerable knowledge about the organisation's management practices. Furthermore, there was a risk that respondents were likely to be discouraged or were probably not going to complete the survey.

Despite the potential problems, the final questionnaire retained most of its in-depth scale item characteristics. This largely retained the scales' validity since they were compiled from a series of other researches and have had confirmed validities and empirical successes (for example, Avlonitis and Salavou, 2007; Barringer and Bluedorn, 1999; Covin and Slevin, 1989; Covin and Slevin, 1988; Ginsberg, 1985; Khandwalla, 1977; Knight, 1997; Kreiser, Marino and Weaver, 2002; Li, Huang and Tsai 2009; Lumpkin and Dess, 1996; 2001; Miller 1983; Miller and Friesen, 1982; Morris and Paul, 1987; Richard, et. al., 2004; Wiklund and Shepherd, 2003; 2005). In the end, the need for quality responses was emphasised more than the need for simplicity and convenience in data collection.

The data were collected through two phases of electronic survey based on self-report format (Dillman, 1999). In the first phase, the survey questionnaires were sent via e-mail to respondents who had been contacted prior. The first phase of e-mail-based survey

did not attract an adequate response rate. During follow-ups, feedback was received indicating that potential respondents e-mail surveys were blocked by organisational World Wide Web firewalls that flagged the survey e-mails as potential spams or prevented potential respondents from receiving the survey through group e-mail delivery system. Subsequently, the survey was posted on a web site with a specific web-based survey link. Respondents were once again contacted via e-mail, telephone and short messaging system (sms) service asking them to log on the web page to complete the survey.

Six hundred survey questionnaires were sent to respondents from 280 business organisations. Two survey participants drawn from low, middle or top management we were invited per sampled firm to fill in the electronic survey. An additional forty participants from forty firms that volunteered a third participant were invited to participate which, brought the total survey questionnaires to six hundred. Over a period of three months, a dedicated research assistant monitored the responses in real time and made systematic follows ups and re-inviting non responding participants to complete the electronic survey amoung other survey management tasks. This tedious, but dedicated and specialised data collection management system yielded highly positive results. Responses from participants representing two hundred and nineteen firms out of the 280 sample firms were collected before the survey was closed. In cases where responses were collected from more than one respondent per firm, the scores were consolidated by simple averages of each scale for that particular firm keeping the total firm responses to 219.

4.4. SCALE DEVELOPMENT METHODOLOGY AND MEASUREMENT

The data collection instrument sought to measure respondent attitude in their affectiveness, cognition and understanding of their organisational strategic management practices and entrepreneurial orientation. As hypothetical constructs, attitude scales adapted for this study attempt to determine what individual respondents believe, perceive or feel about the scales on entrepreneurial orientation and strategic management practices of their respective firms. There is debate as to effectiveness of ordinal level response scales in empirical research (for example, see Stacey, 2005: 2-4). However, attitude scales are suitable for this study because they are effectively

applicable toward self, others and a variety of other activities such as institutions, and situations () relevant to strategic management practices and organisational entrepreneurial orientation (also see Bouma, and Atkinson, 1995; Gay, 1996; Gross 2001).

The survey instrument carried three primary question typologies and scales of measure. The dependent variable (EO) and independent variables (strategic management practices) were measured on 7-point Likert (summated) scales (Dumas, 1999; also see Osgood, Suci, and Tannenbaum, 1957). Likert scale measures are fundamentally ordinal level measurements because responses indicate a ranking data only. This has generated some contention in the empirical research world whether Likert scales are good for measuring attitude. For example, Helgeson (1993) points out major reviews 'repeatedly point to two problems: lack of conceptual clarity in defining attitudes and technical limitations of the instruments used to assess attitude' (citied in Page-Bucci, 2003). These criticisms may be valid but they should be taken into context. For this study, it should perhaps be emphasised that scale is not applied to provide any kind of diagnostic information that shows underlying issues of concern to the individual respondents. The scale measures human judgment relevant to organisational strategic management practices and EO. It requires the respondents to rate their level of agreement on a seven-point scale (for example, strongly agree, agree, disagree, strongly disagree, never, frequently, etc., with a neutral midpoint) with a statement about their respective firms.

Likert is adequate and appropriate scaling method in improving the accuracy of subjective estimation procedures concerning questions on organisational strategy practices and entrepreneurial orientation constructs relevant to this study. As Dyer (1995) articulated, attitude scales do not need to be factually accurate because they seek to reflect the respondent’s possible perception of the truth. Therefore, on a Likert scale, respondents do not assess the factual accuracy of each item, but responds to the feelings, which, the statement triggers (ibid). Furthermore, the Likert scale has received growing research support in the past two decades. For example, Robson (1993) suggests that because of the interesting nature of the scale’s format respondents and people often enjoy completing a scale of this kind, which translates to answers given being more likely to be considered rather than perfunctory. In line with this argument,

Neuman (2000) concludes that, 'the simplicity and ease of use of the Likert scale is its real strength'. This study agrees with these conclusions and therefore accepts Likert scale measurements as adequate and effective for this study.

4.5. MEASURES

All scales purporting to measure entrepreneurial orientation and strategic management practices have published indicators or reliability drawn from previous studies. The scale items are supported by a significant amount of literature (for instance, Anderson, 2004; Avlonitis and Salavou, 2007; Barringer and Bluedorn, 1999; Boyd and Reunig-Elliot 1998; Covin and Slevin, 1988; Covin and Slevin, 1989; Ginsberg, 1985; Hage and Aiken, 1970; Khandwalla, 1977; Knight, 1997; Kreiser, Marino and Weaver, 2002; Li, Huang and Tsai, 2009; Lumpkin and Dess, 1996; 2001; Miller 1983; Miller 1987; Miller and Friesen, 1982; Morris and Paul, 1987; Richard, et. al., 2004; Wiklund and Shepherd, 2003, 2005) (Table 4.1; also see Appendix 1 for the questionnaire).

TABLE 0.1: Research instrument scales and corresponding literature support.

Scale	Description	Literature support
Entrepreneurial Orientation [Innovation, Risk-taking and Proactiveness Scales] (9 items).	Entrepreneurial orientation is reflected by an organisation's propensity to be innovative, be proactive to marketplace opportunities and willing to take risks. These are operationalised as a single unidimension of EO. Respondents will use a seven-point Likert scale – 1= complete agreement with statement on lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1).	Khandwalla (1977); Ginsberg, (1985); Morris and Paul, (1987) Covin and Slevin. (1989). Miller and Friesen (1982); Miller 1983; Covin and Slevin (1988); Knight, (1997); Lumpkin and Dess, (1996; 2001); Barringer and Bluedorn, (1999); Kreiser, Marino and Weaver (2002); Richard, Barnett, Dwyer and Chadwick (2004). Wiklund and Shepherd (2003, 2005); Avlonitis and Salavou, (2007); Li, Huang and Tsai, (2009).
Scanning Intensity Scale (10 items).	Hypercompetitive environment is a major challenge for managers. This scale measures the effort dedicated to environmental scanning and depth of the scanning process. Respondents will use a seven-point Likert scale – 1= complete agreement with statement on lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1).	Hambrick (1981; 1982); Miller and Friesen (1982); Fahr, Hoffman and Hegarty (1984); Pett and Wolff (2003); Bhuian, Bulent, and Bell (2005).
Locus of Planning Scale (15 items).	Locus of planning focuses on employee participation in strategic planning processes. Respondents will use a seven-point Likert scale – 1= complete agreement with statement on lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1).	Hage and Aiken (1970); Miller (1983); Boyd and Reuning-Elliot (1998); Slater, Olson and Hult (2006), Anderson (2004).
Planning Flexibility Scale (9 items).	Planning flexibility refers to organisational capability to change and respond quickly to changing environmental conditions. Respondents will use a seven-point Likert scale – 1= complete agreement with statement on lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1).	Barringer and Bluedorn (1999); Entrialgo, Fernandez and Vazquez (2000); Hoskisson, Hitt, Wan and D. Yiu. (1999).

Scale	Description	Literature support
Planning Horizon Scale	Planning horizon scale measures the future time that decision makers consider in strategic planning. The longer the horizon (more than 5 years) the more conservative the organisation is structure. Respondents will use a seven-point Likert scale – 1= complete agreement with statement on lefts side of scale and 7 = complete agreement with statement on right side of scale (see Appendix 1).	Barringer and Bluedorn (1999); Hoskisson, Hitt, Wan and D. Yiu. (1999).
Strategic Control Scale	Strategic control scale measures organisational performance. The respondents are asked to rate the degree of freedom and authority delegation within the organisation. Respondents will use a seven-point Likert scale – 1= unimportant and 7 = important (see Appendix 1).	Hoskisson, Hitt, Wan and D. Yiu. (1999); Naman and Slevin (1993); Barringer and Bluedorn (1999); O'Regan and Ghobadian (2004).
Financial control Scale	Financial control scale asks the respondents to indicate the level of importance of each of the financial performance criteria: RAO, ROI and cash flow	Hoskisson, Hitt, Wan and D. Yiu. (1999); Naman and Slevin (1993); Barringer and Bluedorn (1999); O'Regan and Ghobadian (2004).
Environmental Uncertainty Scale (12 items).	The environmental uncertainty scale used as a control variable in this research. The measurement focused on the turbulence scale created by Naman and Slevin (1993). The scale utilises a Likert-type response format (1=strongly disagree and 7=strongly agree). The mean score, averaged across the items, assesses the degree of environmental uncertainty facing the firm	Khandwalla (1977); Miller and Friesen (1982), (1984); Zahra (1991); Naman and Slevin (1993); Wiklund and Shepherd (2005).

4.6. DEPENDENT VARIABLE - ENTREPRENEURIAL ORIENTATION SCALE

The entrepreneurial orientation scale is derived from the work of Covin and Slevin (1989) modified from scales developed by Miller and Friesen (1982) and Khandwalla (1977). It utilises the nine-item 7-point scale Likert-type measure (Table 4.1). Three dimensions of entrepreneurial orientation (innovation, risk-taking and proactiveness) purporting to measure a firm's degree of entrepreneurial orientation have published indicators of reliability (for example, Covin and Slevin. 1989; Ginsberg, 1985; Morris and Paul, 1987). Many researchers conclude that the variables of innovation, risk taking and proactiveness measure the entrepreneurial orientation of a firm, (for example, Aloulou and Fayolle, 2005; Hult, Hurley, and Knight (2004); Kreiser; et al., 2002; Poon, et al. 2006; Richard, et al. (2004); Wiklund and Shepherd; 2005). These researchers agree with Covin and Slevin (1989) that the three subdimensions of innovation, risk taking, and proactiveness acted in concert to “comprise a basic, unidimensional strategic orientation” that should be aggregated. All three are similar in content, appearance, and conceptual foundation, which support the application of EO as a unidimension in this study. The overall approach and measurements are in line with the method and level of analysis suggested by Davidsson and Wiklund (2001). In this study, entrepreneurial orientation can range from conservative (entrepreneurship negative) to entrepreneurial (entrepreneurship positive). As highlighted in literature review, this measure has been used in extant studies as an objective measure of organisational entrepreneurial behaviour; it is a perceptual measure that is self-reported by the respondent.

4.7. INDEPENDENT VARIABLES OF STRATEGIC MANAGEMENT PRACTICE DIMENSIONS

4.7.1. SCANNING INTENSITY SCALE

The external environment is a major cause of uncertainty for managers responsible for identifying external opportunities and threats, and developing and implementing strategy with the goal of improving firm performance and gaining sustainable advantage. The strategic planning process of scanning is critical to organisational performance and viability since it provides the external intelligence that decision-makers use in strategy formulation and implementation. The scanning intensity scale is a seven-point Likert 12-item scale adapted from Barringer and Bluedorn (1999). This measure is an adjustment

of Miller and Friesen (1982) scale. Miller and Friesen's (1982) effort dedicated toward scanning scale attained a mean 4.7, a standard deviation of 1.4, and a coefficient alpha of 0.74. Examples of its recent use include Bhuian (2005) and Morris and Sexton (1996). Other scholars before, including Hambrick (1981; 1982), Elenkov (1997), Fahr, Hoffman, and Hegarty, (1984), successfully used this scale in their studies too.

4.7.2. LOCUS OF PLANNING SCALE

Locus of planning refers to the depth of employee involvement in a firm's strategic planning process. Participatory decision processes provides an open market for ideas that allows more market views and organisational perspectives to be taken into consideration when making strategic decisions, which, should lead to potentially better decisions outcomes (Anderson, 2004; Covin et al., 1997; Fredrickson, 1986). A decentralised strategy planning process potentially facilitates increased opportunity recognition. Locus of planning is measured by using the four subscales. The first subscale applied a multipart seven-point Likert scale adapted from Barringer and Bluedorn (1999). The scale is also an improvement from Miller (1983) and Hage and Aiken (1970). This multipart subscale measures how much employees from different hierarchical levels are involved in their firm's strategic planning process. The following levels were included: top management, middle management, low-level management and rank-and-file employees. The scale items, goal formation, environmental scanning, strategy formulation, strategy implementation, and evaluation and control, depict the basic strategic management process (Schendel and Hofer, 1979). Locus of planning is determined by averaging the mean scores for each hierarchical level across the five steps in the strategic management process. The higher the index, the more participatory the planning process is in a given organisation.

The second subscale of locus of planning used five items to measure distributed decision authority to determine how much power does nonexecutive managers have to decide or implement their own strategic actions without executive approval. This subscale is adapted from Miller, (1987). The third locus of planning subscale measured participation in decision making by nonexecutive managers (ibid). The subscale used five Likert scale items. The fourth subscale used five-items to measured organisational emphasis on strategic planning processes. This scale is adapted from Boyd and Reuning-Elliot, (1988).

4.7.3. PLANNING FLEXIBILITY SCALE

Planning flexibility refers to the extent of the firm's ability to change and respond quickly to changing conditions as environmental opportunities and threats emerge or disappear. O'Regan and Ghobadian (2004) suggest that managers must be flexible in the strategic planning process to survive and grow in an increasingly dynamic, complex and unpredictable business environment. Planning flexibility is measured using a nine-item seven-point Likert scale, which identifies the degree of planning flexibility. A sample of the scale items used to measure planning flexibility reads, *"Please indicate how difficult it is for your firm to change its strategic plan to adjust to each of the following… The emergences of an unexpected threat'.* Respondents were asked to indicate on a seven-point Likert-type scale (1 = very difficult, 4 = neutral and 7 = not at all difficult) the degree of difficulty for their firm to change their strategic plans in response to environmental changes. The mean score, averaged across the items, assesses the degree of planning flexibility. The higher the score, the more flexible the strategic planning process is. Entrialgo, Fernandez, and Vazquez (2000) used and validated the same planning flexibility scale in their study of the link between strategic management and entrepreneurship.

4.7.4. PLANNING HORIZON

This scale derives from Barringer and Bluedorn (1999). Like the flexibility scale, it is a multipart scale with four items asking respondents to assess the degree of emphasis their organisation places on business strategies of firm investments for each of the following predetermined times: less than a year; 1-3 years; 4-5 years; and more than 5 years. Respondents were requested to make the same assessment for the following hierarchical levels: board of directors, top management, middle management, and low-level management.

4.7.5. CONTROL ATTRIBUTES

Separate scales measured financial and strategic controls. Control attributes measured the level of importance attached by firm management to either strategic or financial controls in determining organisational performance. Firm performance control measurement applied two 7-point Likert-type scales each designed to capture the financial (objective) and strategic (nonfinancial subjective) control attributes separately.

The use of subjective, self-report measures of performance is consistent with past research practice (Covin and Slevin, 1989; Lyles and Salk, 1996; Smart and Conant, 1994). In addition, there is research evidence suggesting that managers' perceptions of the performance (financial and strategic) of their firm are highly consistent with how their firm actually performed in prior periods as indicated by objective measures (Dess and Robinson, 1984; Wall, Michie, Patterson, Wood, Sheehan, Clegg, and West, 2004).

4.8. OPERATINALISING FIRM PERFORMANCE

From previous studies, firm performance is viewed and measured in a variety of ways. However, in this study, it is narrowly conceptualised as above-average returns and wealth creation and sustainable competitive advantage. The study hypothesises that strategic management practices influence a firm's entrepreneurial orientation. Entrepreneurial orientation in turn affects firm's performance. The discussion on the outcome of the effect of entrepreneurial orientation on performance is beyond the scope of this study. However, firm performance is measured along firm financial and strategic controls. This scale is a modified version of an instrument developed by Johnson, Hoskisson and Hitt (1993) and Gupta and Govindarajan (1984).

Respondents were first asked to indicate on a 7-point Likert-type scale (1 = of little importance, 4 = neutral and 7 = extremely important) the degree of importance to their firm of each of the firm financial objective performance criteria: *sales growth rate, market share, operating profits, profit to sales ratio*. Respondents were also asked on separate 7-point Likert-type scale to indicate the value attached to strategic performances such as *market development*, and *new product development* by their management. The items that combined to create this instrument have been used variably by various researchers including Covin, et. al. (1997), Kreiser, Marino, and Weaver (2002), O'Regan and Ghobadian (2004), and Robertson and Chetty (2000). Additional support for this scale comes from Naman and Slevin (1993) and Strandholm, Kumar and Subramanian (2004).

4.9. CONTROL VARIABLES

4.9.1. DEMOGRAPHICS

The survey instrument includes some demographic questions to collect descriptive and control statistical data. These questions address the age of the firm, subindustry classification, range of net sales and descriptions of past subindustry performance. Five respondent-only questions asked respondents to supply personal information on their tenure of service, source of hire, equity status, gender, and formal education level.

The age of the firm was determined by the number of years a firm has existed. Durand and Courderoy (2001) argue that older firms are more likely to compete in mature industries and might be slower in responding to change, which could lower their entrepreneurial performance (also see Antoncic, and Zorn, 2004). Rosen (1991) suggest that company age influences a firm's entrepreneurial activities, and that older firms are expected to be less entrepreneurial in their operations and more conservative in their market orientation. Rosen (1991) also states that younger companies often pursue more radical innovations than older companies do. McGee, Dowling, and Megginson (1995) suggest that the older firms may benefit from learning curve effects and economies of scale, which can influence a firm's performance. Age of the firm could influence the relationships between strategic management and entrepreneurship and it is used in this study as a control variable.

Respondents were asked to categorise their firms according to five annual income ranges running between below R5 million per annum to R35 million and above annual sales. Many researchers have argued that smaller size firms may exhibit different organisational characteristics from their larger counterparts, and that differences can influence a firm's performance (for example, Lindsay and Rue, 1980; Robinson, 1982). Some researchers note the significant association between size of firm and corporate innovation and venturing (Zahra, 1993), and product diversification (Sambharya, 1995). Rosen (1991) reports that large companies spend more on research and development than smaller companies do, but they often choose "safer" projects that generate fewer radical innovations. Many studies have found that size is an important determinant of organisational strategic management processes and performances (Poon, et al., 2006; Baum, et al., 2001). Firm size may affect a firm's entrepreneurial orientation (Durand,

2001; Zahra, 1991; Covin and Slevin, 1989). For all these reasons, the size of the firm is a control variable in this study.

The survey instrument asked respondents to classify their firms according to subindustries in the financial and business services industry. The instrument gave five options. Wiklund and Shepherd (2005) state that firms in different industries may exhibit different organisational and environmental characteristics and these may influence performance. Kreiser, Marino, and Weaver (2002) state that the industry that firms compete in influences their organisational entrepreneurial process. Covin and Slevin (1991), and Sandberg and Hofer (1987) came to the same conclusion in their studies.

4.9.2. ENVIRONMENT UNCERTAINTY

Managers must deal with the impact of the external environment characterised by three key dimensions of turbulence, hostility, and dynamism (Dess and Berd, 1984; Robertson and Chetty, 2000; Aloulou and Fayolle, 2005). Higher levels of turbulence, hostility, and dynamism create higher levels of uncertainty and unpredictability. Collectively these dimensions provide some measure of the business's level of environmental uncertainty, which in turn is applied as a control variable in this study. The environmental uncertainty scale used in this research draws from the turbulence scale created by Naman and Slevin (1993). This scale is a 12-item scale that utilises a 7-point Likert-type response format (1=strongly disagree, 4 = neutral and 7 = strongly agree). The mean score of all items assesses the degree of environmental uncertainty facing the firm. An example of an environmental uncertainty question is *"The external environment our firm operates in has a high level of risk and uncertainty*". Naman and Slevin's (1993) turbulence scale has a mean value of 3.95, a standard deviation of 0.78, and a coefficient alpha of 0.63.

4.10. DATA RELIABILITY AND VALIDITY

Two properties are crucial in assessing the quality of psychometric properties of measures obtained from the self-report surveys: *reliability and validity (*see Kalof, Dan and Dietz, 2008). These are enhanced by their success in previous studies and the extant literature (see Table 4.1). The quality of this research outcome depends on the quality of the unit of measures. Examining the relationship between strategic

management's several dimensions against the entrepreneurial orientation dependent variable will arrive at conclusion validity.

4.10.1. RELIABILITY

Internal reliability was monitored to ensure consistency of results within the survey. Cronbach's coefficient alpha (α) was calculated to test the reliability of the measures (Cronbach 1951; Trochim and Donnelly, 2008: 130). Previous studies that used similar research design and measures accepted an alpha level of .70 as a good estimate of consistency and repeatability.

4.10.2. VALIDITY

The construct validity for the survey instrument is improved through operationalisation of the constructs (of strategic management practices and EO) that directly derive from the desired outcome of measurements. Although the dependent variable measures derive from well-defined entrepreneurship theory (see Shane, 2003; Zahra, 2001; 2007), the particular theory of EO construct is still evolving. The measures of strategic management practices derive from an established management discipline of strategy (Gold, Thorpe and Mumford, 2010; Hitt, et. al., 2008; Miller and Friesen, 1982; Reading 2002). Therefore, there is strong literature supporting the theoretical measures of strategic management measures selected for this study (refer to Table 4.1 for more references on strategic management scales).

Although the sample is drawn from a convenience Gauteng Province population frame, the actual survey data are based on random data drawn from an independently compiled database of Gauteng-based corporations in the financial and business services industry sector (FTT Pty. Limited, 2011). The sample was further confirmed and supplemented by other organisational databases of institutions such as the Johannesburg Stock Exchange, Johannesburg Chamber of Commerce and Industry (2008), Gauteng Chambers of Commerce (2011); Institute of Directors Southern Africa, BUSA (n.d.), etc. Such data drawn from the Gauteng Province is a valid representative of the target financial and business services sector population. With high level of confidence, Gauteng Province is the largest economic hub, has probably the highest geographical concentration of businesses in the country, and on the African continent at

large (see Schwab, 2011 on ranking of South Africa as the largest economy in Africa and the fourth globally competitive in the financial services sector). All these factors will improve the level of generalisationability of the results to other settings in the developing and emerging economies.

4.10.3. CONVERGENT VALIDITY

Convergent validity is applied to assess the consistency in measurements across multiple ways of measuring the same variable. For example, two scales in separate portions of the self-report survey measured the corporate entrepreneurship construct. The first scale was a nine-item EO scale described earlier. The second scale consisted of a single item that assesses the firm's position on the conservative-entrepreneurial continuum. High correlation and low p-value (less than 0.01) would demonstrate good convergent validity across separate measures of each construct (Cohen, Cohen, West, S., and Aiken, 2003).

4.11. ANALYTIC TECHNIQUES AND HYPOTHESIS TESTING

The first post-data collection step was assessment (checking for accuracy, run frequency distributions on all items, checking assumptions); reliability check on the consistency of all measures would be performed. Higher Cronbach alphas indicate higher reliability among the indicators. Once the scale items were converted to valid variables, factors analysis examined the factor structure and investigated the dimensionality of the instruments for the constructs of entrepreneurial orientation (innovativeness, risk-taking, proactiveness), scanning intensity (frequency, effort), locus of planning (distributed decision authority, participation, strategic planning processes), and environmental uncertainty (turbulence, hostility, dynamism). The average scores of all items for each construct produced indices that used as factors to classify the organisations and to test the hypotheses. The assumption is that the relationship between the observed variables would be linear and normally distributed. Each observed variable pair would be bivariate normally distributed and retain multivariate normality (Child, 1990).

A correlation analysis was performed as a third step to determine whether any variables (entrepreneurial orientation index, scanning intensity index, locus of planning index,

planning flexibility index, environmental uncertainty index, firm performance index) were correlated. The Pearson correlation coefficient (*r)* identified the magnitude and the direction of the relationships between variables. The values range from -1 to +1 indicating a perfect negative (-1) or perfect positive relationship (+1), and 0 indicating no relationship.

This study postulates that strategic management practices influence a given organisation's entrepreneurial orientation. This means firms can be placed on a conceptual continuum of conservative firms (entrepreneurship negative) on one side and entrepreneurial firms (entrepreneurship positive) on the other.

The fourth step involved cluster analysis to group firms along the conceptual conservative-entrepreneurial continuum. Cluster analysis allowed each firm to be categorised with similar firms that exhibit identical strategic and entrepreneurial characteristics.

Following cluster analysis, Hypotheses H1 to H4 and H5a and H5b were tested using multiple regression analysis. Multiple regression is the appropriate method of analysis for this study because the research problem involves a single metric dependent variable (DV) EO presumed to be related to several metric independent variables (IVs) (dimensions of strategic management practices). The object of multiple regression analysis was to predict the changes in the DV in response to changes in the IVs (Cohen, et. al., 2003). The factors of scanning intensity, locus of planning, planning flexibility and strategic and financial control attributes (IVs), controlled by three variables (environmental uncertainty, size and age of firm, and subindustry) were regressed on firm entrepreneurial orientation (DV) to assess the strength of the potential relationship between each factor and entrepreneurial orientation.

EQUATION 0-1: Research multiple regression equation.

$$Y=\beta_{\circ}+\beta^{1}+X^{1}+\beta^{2}x^{2}+\beta^{3}x^{3}+\beta 4X4+\epsilon$$

"Y" is the variable dependent variable (EO), $\beta_{\circ}$ is the regression coefficient, β_{1}, β_{2}, β_{3}, and β_{4}, are the slopes of the regression equation, X_{1} is the scanning intensity, X_{2} is the

planning flexibility IV, X_3 is the planning horizon IV, X_4 is the locus of planning IV, and ϵ is an error term, normally distributed about a mean of 0 and, for purposes of computation, the ϵ is assumed to be 0. Stepwise regression was run and the summary results were assessed to see whether a relationship exists and to determine in the final equation which IVs influence the DV most.

The reason for applying EO as the dependent variable (DV) whereas strategic management practices are the independent variable (IVs) is that the DV and the IVs have positive relationship. However, it would be a mistake to think of entrepreneurship in terms of either a “have” or “have not” in a given organisation (Morris, et. al., 2008: 54). Entrepreneurship is a variable and as such, the question is about the level of entrepreneurship in a given organisation. If strategic management practices determine how a business fulfils its mandate, an organisation whose strategic management culture promotes or enable high levels of innovativeness, risk-taking and proactiveness would be considered entrepreneurially oriented. To the contrary, an organisation with minimal or lacks innovativeness, risk-taking and proactiveness indicators would be considered conservative. This study proceeds from a point of view that both strategic management and EO are organisation wide phenomena. The former would determine the level of the latter in a given organisation.

4.12. RESEARCH ETHICAL ISSUES

The principle of voluntary participation was applied in this study. The privacy of the participants was guaranteed through confidentiality measures to ensure that any identifying information of the participants will not be available to anyone other than the researcher. The principle of anonymity equally applied. A Wits Business School letter of research approval and letter of introduction accompanied the survey instruments to assure the participants that the study is a legitimate exercise sanctioned by a reputable university institution. The responses were analysed as group data. As such, there was not possibility of singling out an individual or a company in this research.

CHAPTER 5

DATA ANALYSIS AND RESULTS

5.1. INTRODUCTION TO RESEARCH PROCESS

This chapter describes the research sample and sample characteristics providing the foundation for the data analysis procedures used to extracted research results. Subsequent sections also discuss the reliability analysis, factor analysis and clustering results. The remainder of the chapter reports on the hypothesis test results.

5.2. RESPONDENTS DESCRIPTION

Six hundred electronic survey questionnaires were sent to respondents from 280 business organisations. Responses from top executives, middle and low level managers representing 219 firms were returned. In cases where responses were collected from more than one respondent per firm, the scores were consolidated by simple averages on each scale for that particular firm. The lengthy and dedicated data collection effort managed to collect a firm response rate of 78.2% form the 280 sample firms. Of the 219 firm responses, 174 were adequately complete. The remaining 45 firm responses had varying degrees of random missing data. A detailed characterisation of the sample is presented in Table A2.1 and Table A2.2 in Appendix 2.

5.3. TOTAL RESPONDENTS CHARACTERISTICS

From all the 219 responses, 33.5% (73) and 66.5% (145) corporations were young (less than 15 years old) and older (more than 15 years old) respectively. The age distribution of the firms was skewed to the high end of the scale (older firms), which pulled the overall mean age to 33.8 years. Firm size was operationalised with annual sales/income. Thirty-six per cent (35.6%) of the firms were medium corporations (earning R5 million – R34, 999,999.00 annual income) and 64.4% (141) were large

corporations (earning R35 million and above annual income). The firms grouped in dichotomous financial and business services subindustry sectors. Firms in the financial services subsector accounted for 67.1% (147) and 32.9% (72) are business services firms.

From the total 219 individual respondents, 203 (92.7%) had a university degree and 147 (67.1%) of the respondents were males while females accounted for the balance of 32.8% (72). The sample population characteristics are presented in Table A2.1 and Table A2.2 in Appendix 2.

5.4. DATA PROCESSING

The details of how the scales were treated to obtain analytical variables are presented in Table 5.1. The following subsections describe each variable in detail.

5.4.1. ENTREPRENEURIAL ORIENTATION SCALE

The entrepreneurial orientation scale collected data using nine items on three dimensions assessing a firm's tendency toward innovation, degree of risk-taking, and proactiveness. The average of these ratings generated a mean score of entrepreneurial orientation index. The higher the index, the more the entrepreneurial the firm is on a conceptual conservative-entrepreneurial continuum.

5.4.2. SCANNING INTENSITY SCALE

The 12-item scanning intensity scale was conceptualised by two subscales: effort dedicated towards environmental scanning (six items) and the frequency of scanning process (six items). Effort dedicated to scanning subscale is split in tow: routine gathering of opinions (one item variable) and specialised scanning effort (five-item variable). This created three new variables of effort dedicated to scanning subscale, (i) *routine gathering of information*, (ii) *specialised scanning* and combined mean of these two produced the third (iii) *scanning effort variable*. The frequency of scanning subscale used six items to obtain mean score of *scanning frequency* variable. A combined mean score of *scanning effort* and *scanning frequency* provides the overall *scanning intensity* index. The higher the index, the higher the perceived level of scanning intensity. Finally, four variables measuring scanning intensity emerged: (i) *routine gathering of*

information, (ii) *specialised scanning* (iii) *scanning effort variable,* and *(iv)* overall *scanning intensity*

5.4.3. LOCUS OF PLANNING SCALE

Four subscales measured locus of planning. The first subscale measured the extent to which, employees from different hierarchical levels are involved in strategic planning processes of goal formation, environmental scanning, strategy formulation, strategy implementation, and evaluation and control. Average score for each item is retained to give the first five variables of locus of planning, (i) *goal formation phase, scanning (ii) the business environment phase, (iii) formation, (iv) implementation and (v) strategy evaluation*. A new variable was obtained from the mean score of these five variables of locus of planning for each levels of management from middle management, low management to rank-and-file employees (excluding top management). This obtains a new compound variable *decision power.*

The second subscale of locus of planning measured distribution of decision authority in the organisation. The mean score of the five-items obtain the new variable-*distributed decision authority*. The mean score of the five-item subscale measuring nonexecutive managers' participation in decision making obtained a new variable – *participation in decisions*. A new variable was created by combining the mean scores of the ten items of *distributed decision authority* and *participation in decisions*. The new hierarchical variable is *authority participation*. The third subscale of locus of planning had five-item perceived to be measuring effort or emphasis on strategic planning process. The mean score of effort or emphasis on strategic planning process produced the *Planning effort* variable.

5.4.4. PLANNING FLEXIBILITY SCALE

Nine-item scale asked respondents to indicate the degree of difficulty for their firm to change their strategic plans in response to environmental changes. The mean score, averaged across the items, is perceived to assess the degree of *planning flexibility* in the organisation. The higher the score, the more flexible is the strategic planning process perceived.

5.4.5. PLANNING HORIZON

This variable was measured from four-item scale that asked respondents to assess the degree of emphasis their organisation places on business strategies of firm investments for each of the following predetermined periods: less than a year, 1-3 years, 4-5 years, and more than 5 years. Respondents made the same assessment for the following hierarchical levels: board of directors, top management, middle management, and low-level management. The responses were further broken into dichotomous categories of below five years and more than five years planning horizons.

The five-year divide was used given its success as a heuristic in other studies that conceptualise the divide between a *long* (more than five years) and a *short* (less than five years) planning horizon (for example, Kukalis, 1989; Lindsay and Rue, 1980; Rhyne, 1986, cited in Barringer and Bluedorn, 1999: 429). The average score for each hierarchical level's planning horizon obtain a separate planning horizon variable for *board of directors, top, middle and low management planning horizons*. The relevant data to this study concerns emphasis placed on the more than five-year horizon by the top management. Only the mean score of top management's long planning horizon was applied in further analysis. This decision was supported by the observation that top management is the custodian of organisational strategic practices.

5.4.6. CONTROL ATTRIBUTES

Financial and strategic controls in this study derive from two subscales measuring level of importance attached by firm management to either types of controls in determining organisational performance. The use of subjective, self-report measures of performance is consistent with past research practices (for example, Lyles and Salk, 1996; Smart and Conant, 1994; Covin and Slevin, 1989; Wall, et. al. 2004). Research evidence supports the view that managers' perceptions of the performance (financial and strategic) of their firm are highly consistent with how their firm actually performed as indicated by objective measures (Wall, et al., 2004; Dess and Robinson, 1984).

5.4.7. STRATEGIC CONTROL

Respondents first indicated the degree of importance to their firm of each of the firm nonfinancial performance criteria (Wall, et. al. 2004). The average score of six items measuring strategic (nonfinancial) performance attributes produced *strategic controls* variable (see Table 5.1).

5.4.8. FINANCIAL CONTROL

Respondents were first asked to indicate the degree of importance to their firm of each of the financial objective performance criteria: *objective measure of return on assets (ROA), return on investment (ROI), cash flow, operating profit and sales growth rate* (see Table 5.1). Five items measuring objective financial performance attributes averages to obtain the *financial controls* variable.

5.4.9. PERFORMANCE

The study model presented in Chapter III (see Figure 3.1) postulates that strategic management practices influence a firm's entrepreneurial orientation. The direction of the relationship between strategic management practices and entrepreneurial orientation determines whether a firm is conservative (entrepreneurship-negative) or entrepreneurial (entrepreneurship-positive) along the conceptual conservative-entrepreneurship continuum.

TABLE 0.1: Explanation of control and performance variables**.**

Construct	**Items**	**Explanation of Variable**
Strategy controls	How important is each of the following in making sure that your business organisation's employees and business strategies meet predetermined objectives? a) Face-to-face meeting between top managers Face-to-face meeting between top managers b) Informal face-to-face meetings between top managers and business unit or functional area personnel. c) Measuring performance against subjective strategic criteria such as improvements in customer satisfaction or progress on product innovations. How important are each of the following factors in evaluating the performance of business unit/or functional area personnel in your organisation? d) Market Share e) Market Development f) New Product Development	Summation of 7-point Likert scores of all six items to give Strategy control variable.

Construct	Items	Explanation of Variable
Financial controls	How important are each of the following factors in evaluating the performance of business unit/or functional area personnel in your organisation? a) Objective strategic criteria such as Returns on Assets b) Return on Investment c) Cash flows d) Operating Profits e) Sales Growth Rate	Summation of 7-point Likert scores of all five items to give financial controls variable.
Performance	Please review each of the following and select a number between 1 and 7 that best represents your rating of satisfaction with: a) Sales Growth Rate b) Market Share c) Cash flows d) Operating Profits e) Profit to Sale Ratio f) Market Development	Summation of 7-point Likert scores of all six items to give Satisfaction with overall evaluation of performance

Furthermore, the research model predicted that the relationship between strategic management practices and entrepreneurial orientation variables impacts on a firm's performance. Theoretically, both strategic and financial control attributes measure firm performance. An additional performance scale measuring *satisfaction* with financial and strategic performance was used. This scale is based on a modified version of an instrument developed by Johnson, Hoskisson and Hitt (1993) and Gupta and Govindarajan (1984). Respondents indicated satisfaction with strategic and objective financial performances of their organisation (see Table 5.1 and 5.2). The items combined to create performance variables have achieved success from several studies, including Covin, et. al. (1997), Kreiser, Marino, and Weaver (2002), O'Regan and Ghobadian (2004), and Robertson and Chetty (2000). Additional support for this scale comes from Naman and Slevin (1993) and Strandholm, et. al., (2004).

TABLE 0.2: New variables developed from constructs of strategic control and performance variables**.**

Construct	New Hierarchical Variable
Strategic Control	Importance of Subjective evaluation of performance
	Importance of overall evaluation of performance Satisfaction with overall evaluation of performance
	Satisfaction with Subjective evaluation of performance
	Importance x Satisfaction with Subjective evaluation of performance
Financial Control	Importance of Objective evaluation of performance
	Satisfaction with Objective evaluation of performance
	Importance x Satisfaction with Objective evaluation of performance.
Overall Performance	Importance x Satisfaction with overall evaluation of performance

Post hoc analysis of multi-item scales measuring strategic and financial control attributes and performance variables generated nine new hierarchical variables (see Table 5.1 for details on the constructs used). The scales measuring importance and satisfaction with strategic and financial controls and financial performance variables were processed further to generate new variable presented in Table 5.2.

5.5. DEMOGRAPHIC VARIABLES

5.5.1. FIRM AGE

Age of the firm is determined by the number of years a firm has been in existence. These were split into dichotomous variables of younger firm (<15 years) and older firm (≥ 15 years). Firm Age statistic was used as a control variable.

5.5.2. FIRM SIZE

Respondents categorised their firm size according to one of the five income ranges running from earning below R5 million annual sales to R35 million and above annual sales. The firm size categories were split into dichotomous variables: large corporations (annual sales of ≥R35 million) and medium corporations (annual sales ≥R5 million but <R35 million). Firm size statistic was used as a control variable.

5.5.3. SUBINDUSTRY CLASSIFICATION

Respondents classified their firms according to six choices presented (five were actual subcategories and the sixth option was *others* (see Appendix 1 and Tables A2.1 and A2.2 in Appendix 2). The five firm subcategories were consolidated into dichotomous variables of financial and business services subsectors (see Table 5.3) (the '*others'* category did not yield any statistic). Subindustry classification variable statistic was used for control purposes.

TABLE 0.3: Organisational subindustry classification.

Financial Services	**Business Services**
Financial services subindustry categories	Business services subindustry categories
a) Banking Services [Private, Retail and Commercial]	b) Insurance and business financial security services
f) Corporate Investment banking and Capital Services	c) Business Services [Advisory, Consulting]
	d) Real Estate

5.6. ENVIRONMENTAL UNCERTAINTY

The 12-item external environmental scale measured three subdimensions of turbulence, hostility, and dynamism. The mean score across the items assesses the degree of environmental uncertainty facing the firm. Environmental uncertainty is applied as a control variable.

5.7. FREQUENCY DISTRIBUTIONS AND MISSING DATA

This section provides details of the survey instruments accuracy and completeness as well as frequency distributions of variables (see Tables A2.3 and A2.4 in Appendix 2). Forty-five cases out of the 219 responses had missing data. The missing values spread randomly across the variables. Given the variability of the missing data in the 45 observations, no imputation was attempted. Instead, the STATISTICA statistical software (www.statsoft.com) used for data analysis was programmed to apply casewise deletion of missing data or maximum likelihood procedures where applicable during particular analyses.

For respondents with valid data, 70.2% are male and 92.7% of the respondents hold a university degree qualification. Sixty-two percent of the respondents believe their specific subindustrial sector was growing and 33.1% believed it was stable and only 4.6% stated that it was in decline. The overall growth perspective in the financial and business services sector is in line with the findings of the World Economic Forum (2011-2012) Global Competitiveness Report that concluded that South African financial services has risen to fourth position in ranking and the business services subsector is ranked 38th globally (out of 142 participating countries) (Schwab, 2011). The frequency distributions of the respondent firms are presented in Tables A2.3 and A2.4 in Appendix 2. Of all the responding firms, 64.5% are older. The financial services firms are predominantly older, accounting for 88.8%. The business services subsector consists of predominantly younger and medium-sized accounting for 76.5% in that sub category (see Tables A2.3 and A2.4 in Appendix 2).

5.8. DATA VALIDITY AND RELIABILITY

Table 5.4 compiles the means and standard deviations, Cronbach alphas, standardised alphas and average inter-item correlations for the variables in this study. Cronbach alpha coefficients tested the validity of the scales. From the seventeen IVs Cronbach alphas measured, only two were below .70 (Table 5.4). However, the average inter-item correlation coefficients ranged from the lowest .25 (5-item Locus of planning) to the highest of .82 (8-item Strategic Control variable derived from Importance x satisfaction) (also see Table 5.4). This enabled the study to validate the viability of the scales used to measure the strategic management practices and entrepreneurial orientation of the sampled firms.

Dependent variable entrepreneurial orientation has Cronbach alpha of .93. In their research, Covin and Slevin (1989) identified an inter-item reliability coefficient of .87, a mean value of 4.33 with a standard deviation of 1.23, and range of 1.22 to 6.78. This study identified a mean of 40.95 with a standard deviation of 12.53 and average inter-item correlation of .61 for EO. Looking at independent strategic management practices, equally greater scores were obtained in scanning intensity and strategic management control (see Table 5.4).

Firm performance measured by *satisfaction with strategic performance* variable has a reliability alpha of .89 and an inter-item reliability coefficient of .76, which compares with the coefficient of .74 from Gupta and Govindarajan (1984). The overall locus of planning (*effort dedicated to scanning*) has a low inter-item reliability of .25. However, two more scales of locus of planning (*Distributed authority and Participation*) yielded .71 and .75 inter-item reliability coefficients respectively. These are comparable to the .74 reliability coefficients obtained by Covin and Slevin (1989). Furthermore, although the overall locus of planning inter-item coefficient is a moderate .58, the scale had a significantly high Cronbach alpha .92 with a mean value of 43.19 and a standard deviation of 15.70. The environmental uncertainty scale had an alpha of .90 and a moderate inter-item correlation of .45. Also, see Table A2.5 in Appendix 2 for additional descriptive statistic on environmental uncertainty frequency and analysis of variance.

Analysis of variance was done for entrepreneurial orientation and its three sub dimensions prior to application in multiple comparison tests (see Table 5.5 for Analysis of Variance for EO and EO subdimensions). The results support the use of the dependent variable entrepreneurial orientation as unidimensional construct. This is consistent with the results of other researches discussed in this study's literature review (Chapter II). Examples included Hult, Hurley, and Knight (2004), Kreiser, et al. (2002), Wiklund and Shepherd (2005), Poon, et al. (2006), and others who also agree with Covin and Slevin (1989) that these subdimensions of innovation, risk-taking, and proactiveness should be aggregate in evaluating entrepreneurial orientation uni-dimensionally as single construct.

TABLE 0.4: Study variable characteristics (Means, Standard Deviations, Cronbach Alpha, Standardised Alpha and Average Inter-Item Correlation).

Variable	Mean	Std.Dv.	Cronbach alpha (α)	Standardised alpha (α)	Average inter-item correlation
1. Entrepreneurial Orientation (9 items)	40.95	12.53	.93	.93	.61
2. Environmental Uncertainty (12 items)	46.15	15.27	.90	.90	.45
3. Strategic Control (Importance X Satisfaction 8 items)	45.37	7.13	.76	.77	.35

Financial Control (Importance 5 items)	28.98	5.58	.85	.85	.55
Strategic Control (Importance 3 items)	16.39	4.27	.92	.92	.82
Strategic Control (3 items)	16.73	3.68	.56	.55	.30
4. Locus of Planning 1 (Total 10 items)	43.19	15.70	.92	.92	.58
Locus of Planning (Distributed Authority 5 items)	18.75	9.58	.92	.92	.71
Locus of Planning (Participation 5 items)	24.44	8.31	.93	.93	.75
5. Locus of Planning 2 (Effort 5 items)	26.85	5.59	.53	.51	.25
6. Performance (Total 8 items)	36.12	7.19	.90	.90	.59
Performance (Satisfaction Strategic 3 items)	15.64	3.81	.89	.89	.76
Performance (Satisfaction Financial 5 items)	20.49	4.26	.89	.89	.69
7. Planning Flexibility (9 items)	43.85	9.66	.86	.87	.46
8. Scanning Intensity (Total 12 items)	61.97	14.34	.91	.92	.49
Scanning Intensity (Effort 6 items)	29.57	7.93	.83	.83	.46
Scanning Intensity (Frequency 6 items)	32.40	7.17	.87	.87	.55

TABLE 0.5: Analysis of variance for entrepreneurial orientation and EO subdimensions

Variable	SS Effect	df Effect	MS Effect	SS Error	df Error	MS Error	F	P
Proactiveness	202.07*	3.00	67.36*	129.34	147.00	.88	76.55	.000
Innovativeness	21.68*	3.00	7.23*	161.47	147.00	1.10	63.93	.000
Risk Taking	279.68*	3.00	93.23*	201.29	147.00	1.37	68.08	.000
Entrepreneurial Orientation	219.99*	3.00	73.33*	105.05	147.00	.71	102.61	.000

Notes: * = All Effects in this table are significant at p < .01

5.9. FACTOR ANALYSIS

The survey instrument contained multi-item measure of variables that belonged together (as illustrated on EO variable in Table 5.5 above). This exposed several items to overlapping measurement characteristics. Exploratory Factor Analysis (EFA) was applied to simplify and explore the possible underlying structure of the interrelated variables without imposing any preconceived structure on the outcome (Child, 1990). By performing exploratory factor analysis, the number of constructs and the underlying factor structure were identified. A matrix of intercorrelation amoung these inter-dependent variables were created through principle component analysis. This transformed the set of instruments into new composite variables categorised into six principle components accounting for the variance in the data as a whole. Factors 1 and 6 yielded eigenvalue scores of 13.15 and 1.14 respectively and the rest of the factors were spread between these two ends (see Table 5.6 presented below on Eigenvalues Extraction Principal Components and Table A2.6 in Appendix 2 for factor loadings details).

Rotating the six factor correlation coefficiencies transformed the factors to less ambiguous conditions between factors and variables. The extraction of maximum likelihood factors yielded four factors. Factors 1 and 4 yielded eigenvalue scores of 10.3 and 1.32 respectively (see Table 5.7a and Table 5.7b presented below on Maximum likelihood factors Eigenvalues and A2.7 in Appendix 2 for Maximum likelihood factor loading classifications).

Different schools of thought debate what acceptable factor loading scores are (Comrey, 1973; Comrey and Lee, 1992). In their multivariate data analysis, Hair, Anderson, Tatham, and Black (1995) suggested that factor loadings greater than .30 meet the minimal level; loadings of greater than .40 are more important, and loadings of .50 or greater are practically significant. Comrey and Lee (1992) suggest loadings over .71 are excellent, .63 very good, .55 good, .45 fair, and .32 poor. Tabachnick and Fidell (2007) took a contextual approach and recommended that the choice of the cut off size of loadings should be the preference of the researcher. This study follows the guidelines set by Tabachnick and Fidell (2007) and applied a decision rule where any factor loading greater than or equal to .70 was treated as highly significant and retained in the

analysis. In examining Tables 5.6 and Tables 5.7a and 5.7b below, Tables A2.6, and A2.7 in Appendix 2, it images that items from all IV scales are represented.

The emergent factors indicated significant interpretability and showed some conceptual meaning. Primary factor analysis identified that strategic control factors (Factors 1 and 3 in Tables 5.6 and A2.6-strategic and financial/objective respectively) has high loadings on its factors and small cross loading on the others. Set of items that loaded into Factor 2 represents performance as measured by satisfaction in both objective and strategic performances (Tables 5.6 and A2.6). Factor 4 retained high loadings in locus of planning variables whereas Factor 5 and 6 retained relatively high loadings on scanning intensity and planning horizon respectively (Tables 5.6 and A2.6).

TABLE 0.6: Eigenvalues Extraction of six Principal Components from the data.

Factor	Eigenvalue	% Total-variance	Cumulative-Eigenvalue	Cumulative-%
1	13.15	43.84	13.15	43.84
2	5.02	16.74	18.17	60.58
3	2.45	8.17	20.62	68.75
4	1.44	4.80	22.06	73.54
5	1.18	3.95	23.25	77.49
6	1.14	3.79	24.38	81.28

The maximum likelihood factors extraction reduced factors from six principle components to four with three achieving high significant factor loadings above .70 explaining the amount of variance explaining each principle component (Factors 1 to 3 in Table 5.7a and 5.7b and Eigenvalues extraction Table A2.7 in Appendix 2). This substantially improved the measurements indicating that all scale variables may be summarised by four underlying factors (see maximum likelihood factors in Tables 5.7a and 5.7b). These variables loaded on the strategic management practices independent variable and performance control variables with significantly greater eigenvectors of greater magnitude.

5.10. CLUSTER ANALYSIS

The main assumption underlying the notion of corporate entrepreneurship is that it is an organisational phenomenon where all firms fall along a conceptual continuum that range from highly conservative to highly entrepreneurial (Barringer and Bluedorn, 1999:422; Covin, 1991a). This means entrepreneurship is not a specific measure but a variable. In line with the objectives of this study, it is significant that firms in the study be segmented either as conservative or entrepreneurial in their taxonomy depending on where they lie along the conceptual conservative-entrepreneurial continuum. To achieve this taxonomy classification, cluster analysis was conducted. The assumption is that highly entrepreneurial organisations would exhibit relatively high levels of risk-taking, innovativeness and proactivity. By contrast, conservative organisations are risk averse, less innovative and reactive in their primary strategic approach as opposed to being proactive.

TABLE 0.7A AND B: Maximum Likelihood Factors Eigenvalues And Maximum Likelihood Factor Classification**.**

Factor	Eigenvalue	% Total-variance	Cumulative-Eigenvalue	Cumulative-%
1	10.30	34.35	10.30	34.35
2	5.84	19.45	16.14	53.80
3	2.52	8.38	18.66	62.19
4	1.32	4.40	19.98	66.59

Variable	Factor 1: (Strategic Control)	Factor 2: (Objective / Financial Control)	Factor 3: (Performance)	Factor 4
Strategy controls	.81*	.11	.08	.42
Financial controls	-.24	-.93*	.08	-.14
Importance of objective evaluation of performance	-.24	-.93*	.08	-.14
Importance of subjective evaluation of performance	.68	.11	.12	.66
Importance of overall evaluation of performance	.31	-.82	.17	.41
Satisfaction with objective evaluation of	-.15	-.25	.88*	-.13

Variable	Factor 1: (Strategic Control)	Factor 2: (Objective / Financial Control)	Factor 3: (Performance)	Factor 4
performance				
Satisfaction with subjective evaluation of performance	.41	.22	.76*	.22
Satisfaction with overall evaluation of performance	.13	-.02	.97*	.04
Importance*satisfaction with objective evaluation of performance	-.26	-.67	.62	-.18
Importance*satisfaction with subjective evaluation of performance	.63	.22	.50	.49
Importance*satisfaction with overall evaluation of performance	.24	-.39	.83*	.22
Distributed decision authority	.77*	.23	.08	.22
Participation in decisions	.71*	.18	.19	.12
Goal formation phase	-.61	-.18	-.16	-.06
Scanning the business environment phase	-.29	.06	-.43	.02
Formation	-.59	-.18	-.16	-.08
Implementation	-.19	-.03	-.15	.04
Strategy evaluation	-.54	-.28	-.11	-.03
Authority participation	.84*	.24	.14	.20
Planning effort	.75*	-.22	-.07	-.02
Decision power	.90*	.13	.09	.15
Planning flexibility	.68	.14	.20	.11
Board of directors planning horizon	.60	.27	-.12	-.02
Top management planning horizon	.74*	.19	-.04	.10
Middle management planning horizon	.41	.07	.00	-.14
Low level management planning horizon	.26	.02	.05	.08
Routine gathering of opinions	.70*	.10	-.03	-.07
Total scanning intensity	.91*	.03	.07	.00
Specialised scanning effort	.89*	.01	.09	.03
Scanning frequency	.84*	-.02	.19	.08
Expl. var	1.81	3.67	4.11	1.40
Prp. totl	.36	.12	.14	.05

* = Significant loadings >.70

Retaining only the significant factors with high loadings generated from factor analysis, research variables were computed by K-means analysis of variance from the standardised data set. Euclidean distance computation through STATISTICA established four distinct clusters (see Euclidean distance Table 5.8 and the cluster means plot in Figure 5.1).

TABLE 0.8: Euclidean distances between clusters (distances are below-diagonal and squared distances are above-diagonal).

Cluster Number	No. 1	No. 2	No. 3	No. 4
No. 1	.00	.96	2.07	.73
No. 2	.98	.00	.37	.92
No. 3	1.44	.61	.00	1.76
No. 4	.86	.96	1.33	.00

TABLE 0.9: Frequency Table of Clusters in the study.

Cluster Category	Count	Cumulative Count	Per cent	Cumulative Per cent
1	51	51	33.77	33.77
2	36	87	23.84	57.62
3	45	132	29.80	87.42
4	19	151	12.58	100.00
Missing	0	151	0.00	100.00

The sample data gathered into four exclusive clusters (see Table 5.9 for frequency characteristics). The clusters were ranked and put through cluster comparison and validation. It imaged that the similarities and distances between clusters relate to three key firm demographic factors: (i) *age of firm* [dichotomous classification of older / younger], (ii) *firm size* [dichotomous classification of large / medium], and (iii) *firm sub industry* [dichotomous classification of financial services / business services]. The cluster classifications are summarised in the stub-and-banner Table A2.8 in Appendix 2. Reading from the characteristics of the clusters presented in Table A2.8 (Appendix 2), as anticipated, all firms with similar strategic and entrepreneurial dispositions clustered together. Analysis of characteristics of firms in each group allowed the researcher to

name the cluster according to their position on the conceptual conservative-entrepreneurial continuum (see Table 5.10).

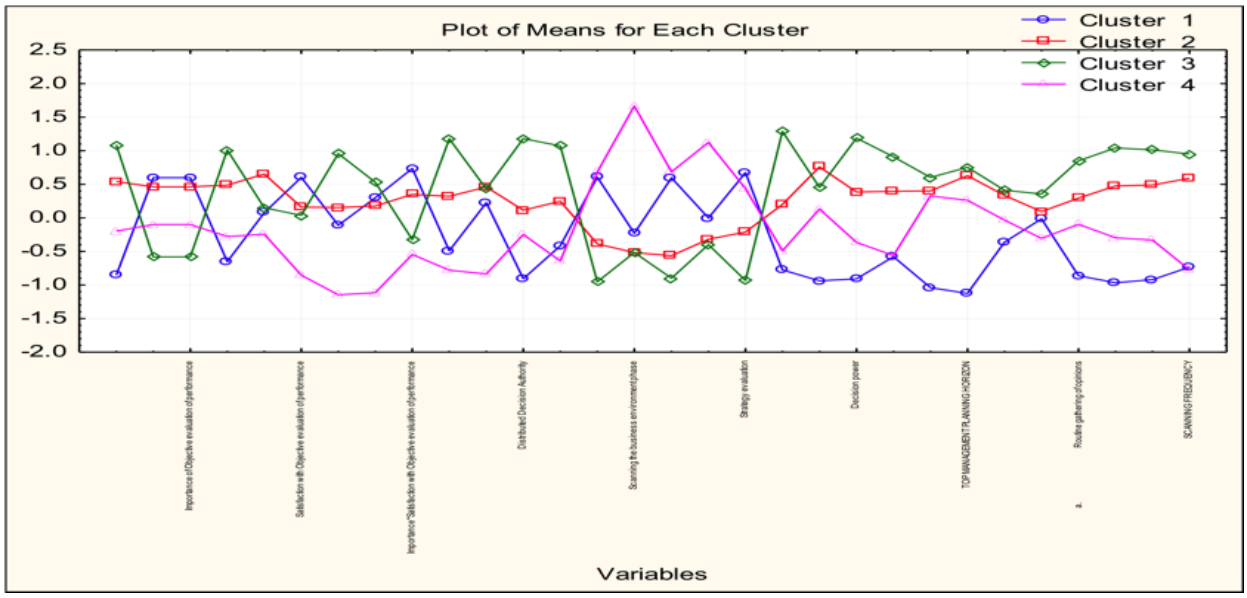


FIGURE 0.1: Plot of means of clusters identified in this study.

TABLE 0.10: Cluster categories and corresponding new cluster names.

Cluster Category	Cluster Name
1	Conservative
2	Transitional
3	Entrepreneurial
4	Traditional

Table 5.11 presents the EO statistical characteristics of each cluster. Cluster 1 (Conservative firms) showed typical conservative business organisational traits such as risk averse, low proactivity and low innovativeness (low entrepreneurship). Cluster 2 (Transitional firms) group exhibit conservative characteristics but with leaning towards entrepreneurial traits such as average innovativeness, risk-tolerance and proactiveness. Cluster 3 (Entrepreneurial firms) exhibit high entrepreneurial characteristics that support innovativeness, risk-taking and proactiveness. Cluster 4 (Traditional firms) grouped firms that exhibit highest levels of risk avoidance, relative absence of innovativeness and reactive posture in their strategy management approach. The traditional firms also

exhibit relatively low attention to organised strategic management approach, a key characteristic that separates them from the Conservative cluster.

Analysis of variance was conducted on the emergent clusters against EO subdimensions and the EO variables (see Table 5.11). A post hoc Scheffe's test was conducted on the cluster data to confirm the significance of the cluster group mean differences exhibited in Table 5.11. The test results are significant at $p < .05$. The results allowed the researcher to conclude that the differences amongst all possible combinations of firm cluster category mean scores differed significantly from one another (Table 5.12).

On the conceptual conservative-entrepreneurial continuum, traditional firms occupy the extreme entrepreneurship-negative end followed by conservative firms and transitional firms are situated on the third spot followed on the other extreme end by entrepreneurial firms that exhibit entrepreneurship-positive characteristics (also see Table 5.11 for descriptive statistics breakdown of the EO, EO subdimensions of the four cluster groups).

TABLE 0.11: breakdown of descriptive statistics for Entrepreneurial Orientation, EO subdimensions and cluster groups

Cluster	P Mean	P N	P SD	I Mean	I N	I SD	R Mean	R N	R SD	EO Mean	EO N	EO SD
1. Conservative	3.27	51	.88	3.22	51	.93	2.88	51	.97	3.17	51	.83
2. Transitional	5.23	36	1.11	4.85	36	1.47	5.19	36	1.62	5.10	36	1.00
3. Entrepreneurial	6.07	45	.68	6.16	45	.64	6.16	45	.76	6.12	45	.62
4. Traditional	4.26	19	1.25	4.30	19	1.14	3.95	19	1.43	4.20	19	1.02
All Groups	4.70	151	1.49	4.62	151	1.58	4.54	151	1.79	4.64	151	1.47

Notes: N = 151 (no missing data in the dependent variable list for this analysis) P = Proactiveness I = Innovativeness R = Risk-taking EO = Entrepreneurial Orientation. SD = Standard deviation

Analysis of the stub-and-banner statistics and standardised cluster variable means table (see Table A2.9 in Appendix 2, *N* = 151), 51 firms were grouped as conservative (Cluster 1 with 33.8% of N); of these 36 were old large financial services firms. This cluster has consistently negative mean factor scores in strategic management practice variables (see Table A2.9 in Appendix 2). More interesting, this cluster retained negative mean scores in all strategic management variables except those correlated with financial objective performance and financial control variables (Table A2.9, Appendix 2). Some of the most distinct negative mean scores are scanning intensity -.97; distributed decision authority (locus of planning) -.91; planning effort -.94; strategy control scored -.85 while planning horizon retained -1.12 mean score. The highest positive scores are .74 for financial performance; .67 in strategy evaluation and .60 in financial control variables.

TABLE 0.12: Scheffe Test for Variable Entrepreneurial Orientation against Firm Clusters.

Cluster	**{1} M=3.70**	**{2} M=5.10**	**{3} M=6.12**	**{4} M=4.21**
Conservatives {1}		0,000	0,000	0,000
Transitional {2}	0,000		0,000	0,004
Entrepreneurial {3}	0,000	0,000		0,000
Traditional {4}	0,000	0,004	0,000	
		0,000	0,000	0,000

Notes: M = mean {1;2;3;4} = Cluster Group All statistic differences are significant at $p < .05$

Cluster 2 consisting of the Transitional group yielded 36 firms (23.8% of N), 15 of which, are old large financial services firms. This cluster has moderate standard mean scores. The cluster uniquely scored consistent negative means in locus of planning variables (Table A2.9, Appendix 2). Performance mean yielded a relative high .65; planning horizon yielded .63, planning effort scored .76 and scanning intensity (frequency) obtained mean score of .59.

The Entrepreneurial cluster (cluster 3) grouped 45 firms (representing 29.8% of N). Of these, nineteen are medium-sized younger business services firms. The cluster exhibit the highest cluster variable scores in all strategic management practices measures. The

highest standardised mean score is 1.29 in authority and participation variables followed by a 1.19 score in the post hoc variable of decision authority. All these variables measure the IV locus of planning. Scanning intensity has a mean score of 1.04, strategic performance measures scored 1.18 and overall strategic control (nonfinancial) variable scored 1.09. Financial control scored a negative mean of -.58, objective strategy evaluation scored -.93 and objective evaluation of performance has a -.58 score.

Nineteen firms (12.6% of N) grouped into the Traditional firms cluster (cluster 4), 14 of these are large firms and seven were old large financial services firms. The unique characteristic of this cluster is that out of the total 29 standardised variables, 21 retained a negative mean scores falling in the widest standardised mean score range: 1.67 to -1.15 (Table A2.9, Appendix 2). What distinguished this cluster from the rest, is that every strategic management practice scale measurement had a negative mean score in this group (see Table A2.9, Appendix 2).

To determine the existence of significant differences between the characteristics of business organisations and their level of entrepreneurship, the study analysed the correlation between strategic management practice IVs and the DV entrepreneurial orientation. To this end, correlation coefficients were calculated, obtaining the results presented in Table 5.13.

Table 5.13 shows that entrepreneurial orientation is positively correlated to scanning intensity, planning flexibility, planning horizon, scanning intensity IVs and strategic control and strategic performance evaluations control variables. The locus of planning construct drew mixed correlations from its variables. For example, distributed authority, goal formation, strategy formation and evaluation as well as scanning the business environment variables are all negatively correlated with EO. Financial control attributes, importance of financial objective performance evaluation and the related satisfaction with objective financial performance evaluation variables are also negatively correlated with EO ($p < .05$) (see Table 5.13).

TABLE 0.13: Correlations [a] for strategic management practice IVs for all cluster groups against DV Entrepreneurial Orientation (EO).

IV Construct	Variable	EO
Scanning Intensity	Routine gathering of opinions	.60
	Total Scanning intensity	.75
	Specialised scanning effort	.74
	Scanning frequency	.74
Locus Of Planning	Distributed decision authority	.77
	Participation in Decisions	.67
	Goal formation phase	-.56
	Scanning the business environment phase	-.22
	Formation	-.57
	Implementation	-.17
	Strategy evaluation	-.48
	Authority participation	.81
	Planning effort	.56
	Decision power	.82
Planning Flexibility	Planning flexibility	.71
Planning Horizon	Board of directors planning horizon	.49
	Top management planning horizon	.72
	Middle management planning horizon	.32
	Low level management planning horizon	.26
Strategic Control	Strategy controls	.78
Financial Control	Financial controls	-.43
Performance	Importance of overall evaluation of performance	.16
	Importance*Satisfaction with overall evaluation of performance	.23
Performance Strategic	Importance of Subjective evaluation of performance	.71
	Satisfaction with overall evaluation of performance	.20
	Satisfaction with Subjective evaluation of performance	.51
	Importance*Satisfaction with Subjective evaluation of performance	.71

IV Construct	Variable	EO
Performance Financial	Satisfaction with Objective evaluation of performance	-.13
	Importance*Satisfaction with Objective evaluation of performance	-.35
	Importance of Objective evaluation of performance	-.43

Notes: N=151 (Casewise deletion of missing data), [a] = All correlations are significant at p < .05.

5.11. MULTICOLLINEARITY

Recommendations by Cooper and Emory (1995), Copper, and Schindler (2008: 550), and the research by Hatcher (1994), concluded that a correlation above the threshold of .80 between two independent variables indicates serious multicollinearity. In reviewing Tables 5.14 and A2.9 (in Appendix 2), two independent post hoc variables were above the .80 threshold: Variable *Importance X Satisfaction with overall evaluation of performance* is correlated to *satisfaction with overall evaluation of performance* at r = .87. This was expected given the observation that both measured firm performance. *Top management planning horizon* is highly correlated to *locus of planning decision power* variable at r = .99. The latter is a *post hoc* hierarchical variable (*decision power*), which also measures top management powers and responsibility. When isolated, both variables are measuring distribution of power to low level management. This possible inter-relationship explains this high correlation. Given these few highly correlated IVs, and the availability of a choice of multiple variables measuring the constructs with highly correlated variables, it does not seem that multicollinearity in this data is a grave statistical problem, which seriously reduces the power of the regression analysis that may be run on these data.

5.12. REGRESSION ANALYSIS

Multiple regression analysis was applied to test the research hypotheses on the influence of strategic management practices variables on entrepreneurial orientation. This was done through extraction of more analytical statistics to determine the influence of strategic management practices (IVs) on organisational entrepreneurial orientation (DV). The approach allowed control variables, main effects and interaction effects to be processed into stepwise technique (through STATISTICA software). This technique

allowed the effects and correlationship of the control variables to be partialled out before the main effects are entered (Cohen, et. al. 2003; Allison, 1977). Similarly, the interaction effects were tested in the presence of the control variables and the main IV effects. Independent variables that contributed most to explaining the dependent variable and those that contributed most incrementally to the first variable at significant level of less than .01, are reported in Table 5.15.

The full model R^2 is .76, which, is adjusted to give the model a goodness of fit for the population Adjusted R^2 of .75 (Model F (5.145) 93.15, $p < .0000$). The test of the full model retained five key predictors that were statistically significant at less than .01 [Adjusted R^2 of .75 (Model F (5.145) 93.15, $p < .000$], indicating that the IV predictors, as a set, had a positive relationship with EO. In evaluating each independent variable relationship with EO separately, locus of planning had two significant effects. The first predictor is decision power with a standardised Beta of .51 (SE = .08; t(145) = 6.46; p = .0000). These statistics provisionally confirms Hypothesis 2. However, the second construct of locus of planning, planning effort, indicates that management strategic effort has a negative relationship with EO. This went against the hypothesised relationship in Hypothesis 2. The effect obtained a standardised Beta of -.21 (SE = .06; t(145) = -3.31; p = .001). This may be reflecting the emphasis planning effort predictor places on objective categories to determining the effort a firm places in strategic management practices. This suggests that effort dedicated to planning variable may not be the best measure of locus of planning. As such this study accepts decision power with a standardised Beta of .51 (SE = .08; t(145) = 6.46; p = .0000) as an indication of positive relationship between locus of planning and entrepreneurial orientation as postulated in Hypothesis 2 (also see Table 5.15). Thus, Hypothesis 2 is significantly supported.

Planning horizon (top management planning horizon) has a positive correlationship with EO as reflected by a standardised Beta of .27 (SE = .06; t(145) = 4.35; p = .0000). Hypothesis 4, which, predicted that *a negative relationship exists between long strategic management planning horizon (more than five years) and entrepreneurial orientation* is not supported. Planning flexibility predictor has a positive relationship with EO with a standardised Beta of .25 (SE = .06; t(145) = 4.36; p = .0000). Hypothesis 3 that predicted that *a positive relationship exists between strategic management flexibility*

and entrepreneurial orientation is supported. The scanning intensity predictor of routine gathering of opinion has a positive relationship with EO reflected by the standardised Beta of .15 (SE = .05; t(145) = 2.69; p = .008). This confirms Hypothesis 1 that *a positive relationship exists between strategic environmental scanning intensity and entrepreneurial orientation.*

5.13. OVERALL RESULTS OF FACTOR, CLUSTER AND MULTIPLE REGRESSION ANALYSES

Results of factor analysis confirmed the construct distinctiveness for the dimensions of the strategic management practices. Principle components analysis confirmed six key constructs: scanning intensity, planning horizon, locus of planning, strategic and objective controls and firm performance. Four factors emerged from the maximum likelihood analysis. Cluster analysis yielded four distinct and exclusive cluster groups. These clusters were subjected to analysis of variance against EO subdimensions and EO unidimension.

The results confirmed significant differences between individual clusters spread across the conceptual continuum of conservative-entrepreneurial firms. However, instead of two groups of firms emerging (conservative entrepreneurship-negative and entrepreneurial entrepreneurship-positive), four distinctively unique and exclusively mutual clusters were identified (see Tables 5.8 to 5.12). This result allows the researcher to conclude that strategic management practices selected for this study influences a firm's entrepreneurial orientation, which in turn determines the firm's position along the conservative-entrepreneurial continuum.

Furthermore, the cluster analysis results imply that, in determining the influence of strategic management practices on entrepreneurial orientation, it would be simplistic to categorise firms into either conservative or entrepreneurial groups. Two additional distinct groups imaged from analysis in this study and these should be considered when analysing the conceptual conservative-entrepreneurial continuum. The four clusters to image from this analysis may be exploratory, however, they satisfy the modest primary goal of this study by achieving statistical significance coefficients in the entrepreneurial orientation categories hypothesised on the continuum of conservative-entrepreneurial.

The significance of this observation lies in the verification of the conservative-entrepreneurial continuum that consists of four, and not two, distinct exclusive clusters. The distinctiveness of the clusters highlights characteristic that confirms that strategic management practices have quantifiable relationship with organisational EO.

TABLE 0.14: Product Moment Correlation Matrix including Entrepreneurial Orientation, selected dimensions of Strategic Management Practices and Performance variables in the study.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1. Strategic Control	5.66	1.22										
2. Importance of overall evaluation of Performance	5.80	0.71	.16									
3. Satisfaction with overall evaluation of Performance	5.31	0.89	.13	.27								
4. Importance X Satisfaction with overall evaluation of Performance	3.95	6.85	.18**	.70	.87							
5. Locus of Planning – Decision Power	0.63	0.48	.68	.03	.03	.06*						
6. Distributed Decision Authority	3.84	1.94	.64	.07*	.17	.17	.65					
7. Participation in Decisions	5.09	1.55	.58	.27	.31	.36	.47	.53				
8. Planning flexibility	4.96	1.02	.59*	.22	.30**	.33	.51**	.59	.60			
9. Top Management Planning Horizon	0.63	0.49	.69	.04*	.04**	.07	.99	.64	.49	.51		
10. Scanning Intensity	5.02	1.32	.73*	.15*	.19	.22	.68	.71	.58	.61	.64	
11. Entrepreneurial Orientation	4.63	1.48	.69*	.07	.18	.18	.73	.77	.62	.69	.72	.74**

* = Correlations are significant at $p < .05$; ** = correlations are significant at $p < .01$ N = 155 (Casewise deletion of missing data). All Variables except 1 and 4 were measured on 7-point Likert scales (1 = low, 4 = neutral 7 = high).

Table 0.15: Summary Of Stepwise Regression of Dependent Variable Entrepreneurial Orientation [a]

Variables	b[†]	S.E.	b	S.E.	t(145)	p-value
Intercept			.43	.38	1.13	.2606
Locus of Planning Decision Power	.51**	.08	.60**	.09	6.46	.0000
Planning Effort	-.21*	.06	-.28*	.08	-3.31	.0012
Planning Horizon Top Management Planning Horizon	.27**	.06	.81**	.19	4.35	.0000
Planning Flexibility	.25**	.06	.36**	.08	4.26	.0000
Scanning Intensity Routine Gathering Of Opinions	.15*	.05	.12*	.04	2.69	.0081
R^2	.76					
Adjusted R^2	.75					
Model F (5.145)	93.15*					
SE of estimate	.73					

Notes: N = 151 b[†] = Standardized effect, b = unstandardized effect, * = significant at < .01; ** = p< .001, [a] full model conditioned by firm demographic dichotomous variables of sub industry, size and age and environmental uncertainty control variables.

Reading from the strategic management practices characteristics of the clusters presented in Tables 5.8 to 5.12, one observes that on the extreme conceptual left (entrepreneurship negative end) is Cluster 4 consisting of firms classified as Traditional firms. These exhibited overall negative relationships to both strategic management practice variables and entrepreneurial orientation variables (also see Table A2.9 in Appendix 2). Moving towards the right side of the continuum is Cluster 1 consisting of Conservative firms that exhibit low entrepreneurial characteristics - low innovativeness, risk-avoidance and low proactive approach in strategic management. In third position is Cluster 2 that consists of Transitional firms that exhibited moderate entrepreneurial characteristics leaning towards entrepreneurial-positive end of the continuum. Cluster 3 consisting of firms classified as Entrepreneurial. This cluster occupies the forth and last position on the extreme right of the conceptual continuum (entrepreneurial positive end). Firms in this cluster exhibited high entrepreneurial characteristics with high innovativeness, high risk-taking tolerance and proactiveness in their overall

entrepreneurial orientation statistics (Also see Table A2.9 in Appendix 2). This cluster consists of firms that yielded consistent negative standardised mean coefficients in financial strategic controls, objective financial performance.

Tables 5.13 and 5.14 report correlational statistics for multi-item IVs, control variables and DV entrepreneurial orientation. Entrepreneurial orientation and financial control variables are negatively correlated ($r = -.43$; $p < .05$) (Table 5.13). Similarly, and as expected, entrepreneurial orientation and financial performance variables (both satisfaction and importance of objective performance based on measures such as ROA, ROI and Cash flow) are also negatively correlated. The Product moment correlation matrix (Table 5.13) confirms that these variables are moderately weakly related to Entrepreneurial orientation (product moment correlation coefficient *EO x Importance of overall evaluation of performance* $r = .07$, $p < .05$; *EO x Satisfaction with overall evaluation of performance* and *EO x Importance X Satisfaction with overall evaluation of performance* both have coefficients of $r = 18$, $p < .05$. respectively) (Tables 5.13). Reading from these correlations results, financial control measures are negatively correlated to entrepreneurial orientation as postulated in Hypothesis 5b. This leads this research to accept hypothesis 5b that states that *'A negative relationship exists between objective financial controls of a firm and entrepreneurial orientation'.* By contrast, the *EO-strategic control* correlation results were high and positive (correlation coefficients of .78, significant at $p < .05$ (Tables 5.13 and 5.14) and product moment correlation coefficient $r = .69$, $p < .05$). This leads this research to accept Hypothesis 5a that predicted a positive relationship between strategic control and entrepreneurial orientation.

Table 5.15 presents the summary results of stepwise multiple regression model of strategic management practice IVs and entrepreneurial orientation DV conditioned by firm demographics and environmental uncertainty control variables. The results indicate that *long planning horizon of top management* (the custodians of an organisation's strategic management practices) has a significant positive correlationship with entrepreneurial orientation (standardised Beta = .27, S.E. .06; t(145) 4.35; p<.0000). The same positive correlationship of *planning horizon* with entrepreneurial orientation is observed in Product Moment correlation coefficient (N=155; $r = .15$ $p < .05$) (see Table 5.13). Thus, this study rejects Hypothesis 4 that hypothesised a negative relationship

between *long planning horizon* and entrepreneurial orientation. The Product Moment correlation coefficient of *scanning intensity* reveals a positive relationship with entrepreneurial orientation (standardised Beta = .15, S.E. .05; t(145) 2.69; p<.008). A strong positive Product Moment correlation coefficient (N=155; r = .74, p < .05) was recorded between entrepreneurial orientation and *scanning intensity* (*routing gathering of opinions*) (see Table 5.13). Thus, the hypothesised positive relationship between *scanning intensity* and entrepreneurial orientation (Hypothesis 1) is significantly supported by the results.

Hypothesis 3 is supported by the positive correlationship of *planning flexibility* with EO as highlighted in Tables 5.13 and 5.14. The regression statistic of *planning flexibility* influence on EO show moderate standardised Beta = .25, S.E. .06; t(145) 4.26; p<.000 (Table 5.15). This was anticipated given a strong positive product moment correlation coefficient of *planning flexibility* and EO (N=155; r = .64 p < .05) (see Table 5.13). Clarkin and Rosa (2005) maintain that the frequency of change in today's hypercompetitive environment requires firms to have strategic planning flexibility in their EO to support successful firm performance. Although this research supports this thesis, the standardised moderate beta of .25 (SE = .06; t(145) = 4.26; p = .000) (Table 5.15) suggests that the respondents in survey do not perceive a great need to change strategic plans quickly particularly those in the financial services subindustry.

The results for Hypothesis 2 were equivocal. Three subscales measured *locus of planning*. The first measured the level of involvement of various organisational hierarchies in strategic management phases of goal formation, scanning the business environment, strategy formulation, implementation, evaluation, and control. These resulted in negative correlations with EO (Table 5.13).

The second subscale of *locus of planning* measured distribution of *decision authority and participation in decisions*. These correlate positively with EO (Table 5.13). Strong positive product moment correlation coefficient for *distributed decision authority* against EO was also observed (N=155; r = .77 p< .05) (see Table 5.13). Similarly, a positive moderately high correlation coefficient is recorded for *participation in decisions* (N=155; r = .64 p< .05) (Table 5.13).

A compound post hoc variable obtained from multiplying *decision and participation in locus of planning* created a new variable, *decision power*, meaning power given to different organisational hierarchies to make decisions that affect the organisation's performance. This post hoc *decision power* variable highly correlated to EO retaining a strong positive product moment correlation coefficient of r = .82. The regression effect of decision power on the EO was also significant (Standard Beta = .25, S.E. .06; t(145) 4.26; p<.000) (Table 5.13 and 5.14).

The third subscale of locus of planning assessed *strategic management effort* by measuring organisational effort dedicated to strategic versus objective performance goals. A moderate positive correlation between planning effort and EO was recorded (N = 151; r = .56) (Table 5.13). The relationship of *planning effort* with EO is significant yet negative (standardised Beta = -.21, S.E. .08; t(145) -3.31; p<.001).

This study, therefore applies the positive correlation between the compound scores of locus of planning and entrepreneurial orientation. However, the best correlationship measure was achieved when locus of planning was measured against *decision power* (a compound variable resulting from multiplying *decision authority and participation in decisions*). Decision power significantly and positively correlated with EO, r = .82 (see Table 5.13) and the product moment correlation coefficient of r = .73, p< .05, N=155 (Table 5.14). The results of regression analysis presented in Table 5.15 show a significant positive influence of *decision power* on EO (standardised Beta = .51, S.E. .08; t(145) 6.46; p<.0000). Thus, this research accepts Hypothesis 2.

5.14. CONCLUDING REMARKS

Entrepreneurship is a variable that is present in every organisation in one form or the other but in varying degrees. In determining the influence of strategic management practices on entrepreneurial orientation, the IVs planning flexibility, scanning intensity, strategic management control variables and locus of planning decision power exhibited positive correlationship with the DV entrepreneurial orientation. Strategic management practices IVs financial controls and financial performance measures yielded negative influence on entrepreneurial orientation. In short, the multi-faceted results enable the

researcher to accept hypotheses 1, 2, and 3. Hypothesis 4 is not supported because there is not a negative relationship between long planning horizon (more than five years for top management) and entrepreneurial orientation. Hypothesis 5a concerning strategic control attributes is supported. There is a positive relationship between strategic (nonfinancial) controls and entrepreneurship as exhibited by cluster analysis. Entrepreneurial firm cluster (Cluster 3 Entrepreneurial Firms) scored highest in strategic (nonfinancial) control variable compared to traditional (Cluster 4), conservative (Cluster 1) and transitional (Cluster 2) firm clusters. The full stepwise regression model indicates that IVs have significant influence on DV entrepreneurial orientation. This relationship yielded a model adjusted R^2 .75 (N = 151; Model F (5.145) 93.15; $p < .000$). The model conclusively predicts the influence of strategic management practices on entrepreneurial orientation of firms in the financial and business services in South Africa as shown in Table 5.15.

In brief, scanning intensity has a positive relationship with entrepreneurial orientation as suggested in the literature review. Deep locus of planning as represented by delegated authority which exhibit support for risk-taking posture is supported is confirmed as a positive influence on entrepreneurial orientation as suggested in literature review. Deep locus of planning also promotes proactiveness of middle managers. Proactive middle managers create social capital needed to promote corporate entrepreneurship. This also encourages a healthy environment for middle management risk-taking without fear for loosing one's job or career opportunity.

As suggested in literature review, flexibility aligned positively with entrepreneurial orientation variables of innovation, proactiveness and tolerance for risk-taking. It follows therefore that high degree of planning flexibility supports entrepreneurial orientation, which allow strategic plans to be up-to-date. This is in line with Schumpeter's argument that entrepreneurial behaviour must be flexible because its essence lies in capitalising on changes in the environment (see Morris et. al, 2008). Although literature suggests that strategic planning horizon should be short to capitalise on emerging opportunities (for example, Morris, et. al., 2008), this study found that long planning horizon are not a hindrance to entrepreneurial orientation.

This research also confirmed that organisations that emphasise on objective financial control also exhibit conservative characteristics that hinder high level of entrepreneurial orientation. However, the study also found that high level entrepreneurial orientation (measured as entrepreneurship-positive of the conceptual conservative-entrepreneurial continuum) supports high organisational performance. Although the level of performance was not directly measured in this study, the results confirm that both objective financial and strategic nonfinancial performance control measures are important to an entrepreneurial organisation. This suggests that multiple performance control measures are crucial in promoting high level of entrepreneurial orientation.

Overall, this study supports the notion that strategic management practices dimensions selected for this study influences and determines the level of organisational entrepreneurial orientation particularly when firms are clustered in the conceptual conservative-entrepreneurial continuum groups. As such, this study has generated pioneering empirical data for the sample South African financial and business services industrial sector. Furthermore, data analysis identified four distinct the conservative-entrepreneurial firm clusters. All these findings combine to make significant contribution to knowledge about corporate entrepreneurship research.

CHAPTER 6

DISCUSSION AND CONCLUSION

6.1. INTRODUCTION

The concern of this research is with the perceived influential relationship between strategic management practices and entrepreneurial orientation. In the introductory chapter, the researcher proposed that variations in configuration of strategic management practices affect how organisational entrepreneurial orientation is understood in context of where a firm lies along the conceptual conservative-entrepreneurial continuum. From the beginning, the researcher sought to extend knowledge and literature in corporate entrepreneurship particularly on how strategic management practices influence organisational entrepreneurial orientation in relation to sustainable competitive advantage, above average performance and wealth creation. The results of this study are most relevant to literature on emerging economies such as South Africa particularly in providing pioneering empirical results on perceived influential relationship between strategic management and organisational entrepreneurship.

Data for this research was derived from the medium to large corporations' business environment. The researcher evaluated the constructs scanning intensity, locus of planning, planning, and planning flexibility, strategic management controls and their influence on organisational entrepreneurial orientation. Overall result suggest that the level of entrepreneurial orientation of business organisations in the financial and business services sector in South Africa is influenced by the nature of their strategic management practices. The research models based on the hypothesised relationships also suggest that organisational entrepreneurship effect firm performance. Included in this chapter is a summary of the interpretation of the results, their inferences from both practical and theoretical considerations, the research limitations, the directions for future research, and concluding remarks.

6.2. BRIEF RESEARCH RESULTS

The researcher hypothesised that a positive relationship exists between strategic environmental scanning intensity, deep strategic locus of planning and strategic management flexibility and entrepreneurial orientation respectively (Hypotheses 1 to 3). As shown in Chapter V, multiple regression analyses supported the predicted influential relationship between most of the strategic management practices variables on entrepreneurial orientation. Specifically, the summary results of the multiple regression model indicate that both individually and collectively, selected strategic management practices significantly predict organisations' level of entrepreneurial orientation. For instance, the full model of multiple regression summary yielded the following statistics: $R^2 = .76$; Adjusted $R^2 = .75$ $F(5.145) = 93.15$; SE of estimate: .73; N = 151 Standardized, significant at $p<.0000$).

The research empirical results also showed that, contrary to the proposition in Hypothesis 4 that says *a "negative relationship exists between lengthy strategic management planning horizon* (more than five years) *and entrepreneurial orientation"*, lengthy top management planning horizon had a significant positive correlationship with entrepreneurial orientation. The outcome was supported by the following regression model statics: standardised r = .27; S.E. .06; t(168) 4.93; p<.0000). The research findings also supports Hypothesis 5a that postulated that *a "positive relationship exists between strategic management's degree of emphasis on strategic control and entrepreneurial orientation"*.

Hypothesis 5b, which, proposes that *"A negative relationship exists between objective financial controls of a firm and entrepreneurial orientation"* was supported. Multiple regression summary of entrepreneurial orientation DV against IV *decision power* revealed that high *environmental uncertainty* has a positive correlationship entrepreneurial orientation as shown by the statistics r = .72, p < .0000 in highly uncertain environmental conditions in comparison with r = .60, p < .0000 in low uncertain environmental conditions.

The study stresses four general conclusions. First, strategic management practices influence corporate entrepreneurial orientation. Second, locus of planning decision

power variable has significant positive relationship with firm EO while planning effort has a negative correlationship. Third, when placed along the conceptual continuum of conservative-entrepreneurial, South African medium-sized firms in the business services subindustry are more entrepreneurially oriented whereas large financial services firms are the most conservative. Fourth, the conceptual conservative-entrepreneurial continuum has four distinct and exclusive clusters as opposed to simple conservative-entrepreneurial categories. On entrepreneurial-negative end are traditional firms followed by conservative firms. On the entrepreneurial-positive end are transitional firms followed by entrepreneurial firms. Although, the overall pattern of results is consistent with the existing theories in strategic management and corporate entrepreneurship, this study made an important finding that suggests that categorise firms either as conservative (low entrepreneurship) or entrepreneurial (high entrepreneurship) when assessing the relationship between strategic management and entrepreneurship is too simplistic. Instead of two clusters, the study identified four exclusively distinct groups spread along the conceptual conservative-entrepreneurial continuum. Furthermore, contrary to literature long planning horizon does not negatively affect organisational entrepreneurial orientation and the

6.3. IMPLICATIONS OF THIS RESEARCH

6.3.1. THEORETICAL IMPLICATIONS

Four principle theoretical implications have been gleaned from this study. First, it is important for theory development because it is another step in an effort to understand the influence of strategic management practices on entrepreneurial orientation of organisations in a given environmental context. While the importance of entrepreneurial orientation in firm performance is recognised, understanding the influence of strategic management practices has remained inconsistent (Li, et. al. 2009; Lumpkin and Dess, 1996). Research results showed support for the model that postulated that strategic management practices influence firm entrepreneurial orientation. The results also supported implied effects of entrepreneurial orientation on firm performance. Thus, consistent with Lumpkin and Dess (1996) and Covin, et. al. (2006), this study explored theory concerning the entrepreneurial orientation construct focusing on the influence of and correlationship with strategic management practices on and with EO respectively.

Second, this study extends Covin and Slevin's (1989) conceptualisation of organisational entrepreneurial orientation. Entrepreneurial orientation seems to facilitate higher firm performance. It is crucial to identify strategic management variables that have positive relationship with firm performance. This gives additional ground for statements for the positive effect of entrepreneurial orientation on firm performance (for example, Barringer and Bluedorn, 1999; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2003, Zahra and Covin, 1995; Covin, et. al, 2006; Entrialgo, et. al. 2000). Covin, et. al. (2006) and Mizik and Jacobson (2003) suggest that an entrepreneurial orientation may be a prime requisite for a firm seeking to attain sustainable growth and above average returns respectively.

Although the antecedents of entrepreneurial orientation have been examined in different previous studies, this is the first time that the perceived influence of strategic management practices on entrepreneurial orientation has been analysed in this manner in the South African context. This study lends support to the theoretical notion that a low level of corporate entrepreneurial orientation partly explains or contributes to generally depressed, and less than expected post-1994 economic growth (Herrington, et. al., 2010). In the decade before 1994, economic growth averaged less than 1% and from 1994 to 2007 growth averaged 4% (Barnard and Lysenko, 2010; IMF, 2009). Historically, there has been a concern in South Africa looking at the findings of the Global Entrepreneurial Monitor, which, in the past few years, consistently confirms low rate of Total Entrepreneurial Activity (TEA) (Driver, Wood, Herrington, and Segal, 2001; Finweek 2010; Herrington, et. al. 2010). South Africa's total entrepreneurship activity in 2009/2010 period was 5%, far too below other BRICS members (see Herrington, et.al. 2010). For example, Brazil is at 16% (ibid) while 18% of Indian economy is driven by entrepreneurship (Bhardwaj, et. al., 2007). This is in stuck contrast with the World Economic Forum global ranking that places South African financial and business services on fourth and 38th positions respectively (Schwab, 2011). These observations pose a disconcerting economic fact compounded by the circumstances that corporates dominate the South Africa economy which remains almost stagnant in the face of uncertain hypercompetitive global environment.

The third contribution to entrepreneurial research theory is that the evidence-based approach utilised in this study to classify firms according to their entrepreneurial

orientation allow deeper understanding of this important construct. Thus, the research contributes to enhancement of empirical literature on corporate entrepreneurship in emerging economies in general and South Africa in particular. For example, this study showed that scanning intensity has a positive relationship with a firm's entrepreneurial orientation. This is in line with other researchers (for example, Morris, et. al, 2008; Freel, 2005; Suh, et. al., 2004) who argue that environmental scanning has become one of the most important duties for managers because of today's high rate of environmental change. *Nonspecialised routine gathering of information* form of scanning intensity has a significant influence on entrepreneurial orientation. The low effect of specialised scanning intensity, however, indicates a trend that suggests that fewer businesses invest in continual environmental scanning. This means crucial strategic information about the external environment is potentially missed, rejected, or ignored owing to lack of dedicated effort to specialised environmental scanning (also see Smeltzer, Fann, Nikolaisen, 1988). This observation is not consistent with the global hypercompetitive business environment in which, South African businesses are competing.

Furthermore, the planning effort IV yielded a negative relationship with entrepreneurial orientation suggesting that coordinated effort towards strategic management implementation has negative relationship corporate entrepreneurship. However, on closer look, perhaps this planning effort subconstruct, adopted from Boyd and Reuning-Elliot, (1988), was poorly conceived and probably misunderstood by respondents.

Participation in decision-making and distributed authority constructs has positive relationship with entrepreneurial orientation as hypothesised in this research. In line with other previous researches decision power variable had the most significant correlationship with entrepreneurial orientation. Antoncic and Hirsch (2004), and Barringer and Bluedorn (1999), suggest that a deep locus of planning facilitate a high level of firm performance. Ireland, Kuratko, and Morris (2006) suggest that a deep locus of planning is a result of the willingness of top-level managers to facilitate and promote entrepreneurial behaviour. It also seems that risk averse, conservative, and bureaucratic organisations, particularly large old financial businesses in this study, foster a shallow locus of planning. This probably explains why majority of large old financial services firms fell into in the conservative and traditional clusters in this research.

A fourth significant outcome of this research is identified in theoretical field of corporate entrepreneurship research. Theoretical advances in a field depend on the existence of well-defined constructs and associated psychometrically sound measures (Lumpkin, Cogliser and Schneider, 2009: 63). This research sought to examine the influence of strategic management practices on entrepreneurial orientation based on sound empirical psychometric responses. During survey instrument development and composition, both the explorative interviews and test surveys confirmed that the instrument was too detailed and demanding. There was risk of high nonresponses rate. Although the instrument was slightly adjusted, the detailed and specialised nature was retained in the final survey instrument. The approach was a step towards contributing to improvement and consolidation of psychometrically sound measures of corporate strategic management practice and entrepreneurship orientation variables. Furthermore, the research survey method and instrument used provides a foundation for similar future studies in entrepreneurship in South Africa. Although extra effort, resources and time were invested to increase the rate of survey responses, the results validity was enhanced by the observation that the results derived from relevant knowledgeable managers in the sample corporations, particularly those who adequately understood the questionnaire. This may be correlated with the observation that 92.7% of the respondents had university degree-level education. The results indicate high levels of competence present in the financial and business services sector managerial structures. The same extrapolation could be made concerning the high ranking the South Africa financial and business services subsectors achieve in the World Economic Forum global competitiveness rating (see Schwab, 2011).

By focusing on medium to large financial and business services firms, this study provides new insights in the corporate business research about South Africa's highest rated industry (financial and business services sector ranked fourth and 38th respectively on the World Economic Forum rankings out of 142 participating countries), (Schwab, 2011). The findings are a starting point to build evidence regarding ways corporations are classified according to entrepreneurial orientation in pursuit of sustainable competitiveness and above average performance. Therefore, this study opens possible theoretical windows in the role of corporate entrepreneurship in overall national economic performance.

6.4. MANAGERIAL AND PRACTICAL CONSIDERATIONS

The results of this study suggest that managers should consider realising the importance of strategic management practices that foster entrepreneurial orientation as a route to sustainable competiveness, wealth creation and above average firm performance particularly in today's hypercompetitive global environment. The most important factor to consider is that a firm's strategic management approach influences the firm's position on the conservative-entrepreneurial continuum. This also supports the suggestion that that entrepreneurial orientation is positively related to the firm performance. Therefore, the firm and its managers may benefit from implementing strategies that encourage and increase the firm's level of entrepreneurial orientation. Applicable strategic action would show in the firm's propensity to be innovative, proactive to marketplace opportunities, and be willing to take risks when confronted by uncertainty. Following this observation, the research suggests that a crucial potential source of sustainable economic growth and net new job creation in the South African economy probably lie in organisational entrepreneurship.

This view is supported by the fact that South Africa has one of the lowest levels of national Total Entrepreneurial Activity, low success rate of startup ventures and high failure rate of small businesses (Global Entrepreneurship Monitor, 2010). Furthermore, entrepreneurial orientation may be a strong mechanism for firm survival and sustainable success beyond the slow national economic growth and global economic downturn. The World Economic Forum observed that South African services sector is highly competitive helping the country to an overall fiftieth (50th) position in global competitiveness ranking and second amoung the BRICS countries' (Schwab, 2011). Therefore, strategic and entrepreneurship lessons from the financial and business services sector have potential to contribute towards improvements in other stagnant or declining industrial sectors.

One practical consideration of these conclusions is that managers may want to actively ferret ways to encourage and promote innovation in their organisations. Not only is it linked to successful firm performance (Gupta, MacMillan, and Surie, 2004), innovativeness can be engendered in any dimension of the firm including developing

new products or services, introducing new and more efficient processes and procedures or simply creating added value for customers. Innovativeness is a strategic requisite for avoiding organisational complacency and inertia.

Additional considerations for managers arise from risk-taking and proactiveness dimensions of an entrepreneurial orientation. South Africa's move towards integration in the global economy, for instance, as a member of the BRICS, highlights the need for corporate entrepreneurship to be consolidated as core to organisational strategies. Today's business environment is highly dynamic, fast-paced, complex, and characterised by shorter product life cycles, globalisation, and manic technological changes. South African firms are not immune to these hypercompetitive pressures. World Economic Forum Global Competitiveness review highlighted that there is need for several structural changes in the South African business environment to unlock economic growth (Schwab, 2011). The suggested changes are in line with increase in EO. Freel (2005) suggests that firms that do not take risks in dynamic environments (such as the current global downturn) will lose market share to aggressive competitors. Proactiveness indicates that a firm is aggressive in anticipating and acting on the future wants and needs of its customers, and aggressively tries to create first-mover advantage. Because of their positive relationship with firm performance, managers may want to seek out ways to encourage and promote risk-taking proactive behaviour by training employees in risk analysis management, and encouraging proactiveness concerning customers and marketplace opportunities (ibid).

In today's hypercompetitive business environment, firms must aggressively scan the environment to understand the events and trends, and to reduce uncertainty in the local and global environment to be able to react to change quickly (Suh, et. al., 2004). Environmental scanning helps a firm achieve above average returns through superior information gathering (Strandhold and Kumar, 2003), and minimising uncertainty. Brorstrom (2002) indicates that organisations that develop a competence to manage uncertainty successfully outperform those unable to do so. This research was able to replicate past support for the construct that scanning intensity has a positive relationship with firm entrepreneurial orientation.

Many firms have attributed improvements in performance to implementation of participative management (Whetten and Cameron, 2002), studied as locus of planning in this study. Furthermore, deep locus of planning facilitates opportunity recognition, identification, acquisition, and deployment of firm resource to take advantage of opportunities as they emerge from the environment (Lopez, 2003). Though prior investigations suggest participatory decision making enhances a firm's performance level (Anderson, 2004; Eisenhardt, (1999); Mille, 1987), this research yielded mixed results in relation to the idea that a firm's locus of planning is positively related to the firm's performance. However, the overall regression analysis indicated, in a controlled environment, locus of planning's *decision power* variable has significant correlationship with entrepreneurial orientation.

For firm survival in today's hypercompetitive business environments, business must be flexible and be able to change and respond quickly to environmental opportunities and threats. Clarkin and Rosa (2005) suggest that planning flexibility is a requirement for today's business firms to support successful firm performance. The research replicate the results of both the reliability of the scale for planning flexibility developed by Barringer and Bluedorn (1999), and their conclusion that planning flexibility is positively related to firm performance. The practical consideration of these findings is that managers may want to develop methods and programs to increase the level of entrepreneurial orientation in their firms. In other words, managers should work on ways to increase innovativeness, risk-taking, and proactiveness.

The empirical evidence reported in this study could be used by policymakers to design support programs and initiatives of corporate entrepreneurship that would widen organisational entrepreneurship beyond the usual notion of R and D. In addition, direct initiative supporting corporate entrepreneurship in South Africa will potentially encourage corporations to seek long-term sustainable growth, global competitive advantage and achieve above average performance. This in turn will stimulate national economic growth, increase national competitiveness, arrest the escalating unemployment rate, and generate new net jobs (also see Schwab, 2011).

In international literature, the present study projects a view from an emerging economy context other than those of developed economies (such as USA, UK, the EU, Japan, etc.), which, dominate the corporate entrepreneurship literature (also see Davies and Walters, 2004; Peng, 2009; Wright, et. al., 2005). Any generalisations drawn from this study should, however, be regarded as tentative, pending more research and further confirmations.

6.5. LIMITATIONS OF THE STUDY

Included in the limitations are both the sample population and the individual participants. The sample population was drawn from a segment of medium to large business organisations in Gauteng Province. Care should be taken in generalising the results of this study because the competitive situations or growth of medium to large financial and business services business activity here may be different in other parts of the country.

The study relies on perceptual data provided by one to three people from each organisation, typically the executive manager, general manager, middle and low management of the business. Individual managers have their perceptual biases and cognitive limitations in viewing their organisation and environment. Though objective data are difficult to obtain from business (Covin and Slevin, 1989), future research efforts may want to design or use objectives to encourage confidence in the reported analysis.

Another limitation relates to the predictor variables used in this research. Although the results indicated support for the largely positive influence of selected strategic management practices on entrepreneurial orientation, the latter's effect on a firm's performance was not directly measured in detail. It was extrapolated from the data and assessed to be positive. Literature review, however, indicated that positive entrepreneurial orientation correlated with high firm performance, but such results were not directly replicated in this study.

An additional limitation relate to the measurement of locus of planning whose subscales yield both negative and positive correlation with entrepreneurial orientation. The

measures pertaining to planning effort yielded negative relationship with EO whereas the EO relationship with decision power was significantly positive. Other measures or dimensions that were not included in this study might be better indicators at resolving this anomaly in measuring locus of planning.

Although this study uses extended scales of measurements from several researches, strategic management is a much broader multidimensional construct, and other dimensions of the strategic management practices may influence an organisation's entrepreneurship. However, the strength of this study is that the data collection methodology provided a detailed extraction of responses from respondents probably with adequate knowledge of their organisational strategic practices. As such, the perceived limitations of the study are allayed by specific results that build on previous work related to either the effect or relationship of strategic management with EO or firm performance. The study advances knowledge base about entrepreneurial orientation construct, corporate entrepreneurship, firm performance and strategic management. By combining these ideas, it sheds some new light on how specific dimensions of strategic management practices influence organisational EO and how divergent EO profiles position firms along the conceptual conservative-entrepreneurial continuum.

6.6. IMPLICATIONS FOR FUTURE RESEARCH

This study hypothesised a research model and articulated strategic management practices-entrepreneurial orientation relationship in a particular way. It attempted to capture the influence of the former on the latter of medium-to-large corporations in the financial and business subindustrial sector. The sample population was drawn from Gauteng based firms. Further research on influence of strategic management practices on entrepreneurial orientation should consider the context and origins of the sample population. The most important observation is that Gauteng Province is by far the largest commercial centre of South Africa and probably the biggest in-country economic region on the African continent.

Several research opportunities were identified from this study. First, the research supports the hypothesis that strategic management practice dimensions influences an organisations' entrepreneurial orientation, which, in turn has implied effect on

relationship with a firm's performance. The subjects in this research were medium to large business managers from both the business and financial service industries with the common links of location and similar contextual experiences. Future research could explore other single industries or small, medium, and large-scale business to determine outcome similarities or differences. Because, the sample population in this study was restricted to Gauteng, different geographic areas should be explored to assess outcome similarities or differences across the entire country.

Future research should include a longitudinal study. Therefore, the richness of the study is restricted by the "snapshot'' taken in this study. Future research could explore the particular links between strategy, entrepreneurship and performance to determine the extent of their potential relationships with sustainable competiveness, wealth creation and above-average firm performance. Different performance measurement instruments could be investigated at the same time. This is particularly important for South Africa because factors in the external environment will increasingly become hypercompetitive, uncertain, dynamic and turbulent as the intensity of domestic and global competition increases and accelerates.

6.7. CONCLUSION

In closing, although more work is needed to provide additional robust and validated empirical studies about the relationship between strategic management on entrepreneurial orientation, this study offers an important step in understanding strategic factors that influence entrepreneurship performance, firm survival, and sustainable growth. Overall, the study contributes to empirical literature on business strategy and corporate entrepreneurship (also see Connelly, Ireland, Reutzel and Coobs, 2009).

This study suggests that businesses, including the biggest and oldest corporations, do not have luxury of time and cannot afford to assume a "hold and maintain'' or "wait and see'' attitude. The current global economic meltdown which, was triggered in 2008 by financial institutional failures bears testimony to the classic failure of the "too big to fail'' principle which, presided over the collapse of some of the modern world's biggest and oldest corporations (also see Badguerahanian and Abetti, 1995; Shane, 2008; Rajan, 2010; Schwab, 2011). As organisations change and adapt, an entrepreneurial

orientation may be an integral factor and crucial asset for a firm's success in pursuit of competitive advantage, sustainable growth and above average returns. These are all essential ingredients to attain sustainable organisational performance.

From research theoretical and methodological perspectives, this study may go a long way in contributing not only in understanding the influence of strategic management practices on EO, but towards understanding how adopting strategic management practices that support entrepreneurship created a platform for sustainable competiveness, above-average performance and wealth creation. More significant, this study identified four distinct clusters, two of which have not be discussed anywhere in extant literature. The four clusters group firms into traditional, conservative, transitional and entrepreneurial firms. These clusters grouped similar firms along the conceptual conservative-entrepreneurial continuum. These results are also significant for the emerging economies CE research. No such research has been conducted in South Africa and has possible generalisationability in other emerging economies.

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APPENDIX 1: RESEARCH SURVEY INSTRUMENT: [QUESTIONNAIRE]

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

WITS BUSINESS SCHOOL MASTER OF MANAGEMENT RESEARCH SURVEY

SELF-REPORT SURVEY

Thank you for participating in this survey and your input will go a long way in creating empirical data that will contribute towards business science research in South Africa. All responses from this survey will be treated with high research ethics and confidentiality as is stipulated in the WBS Code of Ethics.

The Survey has four main scale sections:

1. Demographics Scale
2. The Corporate Entrepreneurial Orientation Scale
3. The Strategic management practices Scale
4. The Business Environment Scale

DEMOGRAPHICS

First, we would like to ask a few questions about your organisation.

Background information: Please circle your response or fill in the appropriate answer.

1) Generally classify your industry subsector:

a) Banking Services [Private, Retail and Commercial]

b) Insurance and business financial security services

c) Business Services [Advisory, Consulting]

d) Real Estate

e) Other

f) Corporate Investment banking and Capital Services

2. How many years have you been with your organisation?

[1] This Survey instrument was built from several previous studies (Also see Table 3.1). The questionnaire designing process followed the same process as Urban and Oosthuizen (2009: 178). The same questionnaire was used for telephonic and personal interviews where the eSurvey was not responded or the respondent agreed to alternative response method.

_____ Years (Please specify)

3. Please indicate your gender
   a. Male
   b. Female
4. Were you hired from within organisation?
   a. Yes
   b. No
5. Equity – Are you in the Historically Disadvantaged (HDI) category?
   a. Yes
   b. No
6. Please indicate your level of formal education
   a. High School
   b. Diploma / National Certificate
   c. Bachelor‘s Degree
   d. Master‘s Degree
   e. Doctoral Degree
   f. Other
7. How many years has your business organisation been in business?

_____Years (Please Specify)

8. Which best describes your sub-industry in the last 3 years?
   a. Growing
   b. Stable
   c. Declining
9. What are you net income / sales?

a) Below R5 Million

b) R5 Million-R10 Million

c) R11 Million-R20 Million

d) R21 Million-R34 Million

e) R35 Million +

THE CORPORATE ENTREPRENEURIAL ORIENTATION SCALE

The following statements are meant to identify the collective management style of your business organisation’s key decision-makers.

Please indicate which, response most clearly matches the management style of your business key managers.

(Selecting 1 indicate a complete agreement with the statement on the left side of the scale selecting a 7 indicates complete agreement with the right side of the scale, selecting a 4 indicates neutrality).

In general, the top managers of my firm favour...

10.	A strong emphasis on the marketing of tired and true products and service	1	2	3	4	5	6	7	A strong emphasis on R&D[2], technology leadership, and innovation
11.	Low-risk projects with normal and certain rates of return	1	2	3	4	5	6	7	High-risk projects with chances of very high returns
12.	A cautious, wait and see posture in order to minimize the probability of making costly decisions when faced with uncertainty	1	2	3	4	5	6	7	A bold, aggressive posture in order to maximum the probability of exploiting potential when faced with uncertainty

How many new lines of products or service has your firm marketed in the past 5 years?

13.	No new lines of products or services	1	2	3	4	5	6	7	Many new lines of products or service
14.	Changes in product or service lines have been mostly of a minor nature	1	2	3	4	5	6	7	Changes in product or service lines have usually been quite dramatic

In dealing with its competitors, my firm…

15.	Typical responds to actions which, competitors initiate	1	2	3	4	5	6	7	Typical initiates actions to competitors then respond
16.	Is very seldom the first firm to introduce new products/services, operating technologies, etc.	1	2	3	4	5	6	7	Is very often the first firm to introduce new products/services, operating technologies, etc.
17.	Typically seeks to avoid competitive clashes, preferring a live-and-let live posture	1	2	3	4	5	6	7	Typically adopts a very competitive, undo-the-competitor posture

In general, the top managers of my firm believe that…

18.	Owing to nature of the environment, it is best to explore gradually via	1	2	3	4	5	6	7	Owing to the nature of the environment, bold, wide-raging acts are necessary to achieve

[2] R&D refers to Research and Development.

cautious behaviour	the firm's objectives

(Source: Covin and Slevin, 1989).

CORPORATE STRATEGIC MANAGEMENT SCALES

THE SCANNING INTENSITY SCALE

EFFORT DEDICATED TOWARD SCANNING

The following statements are meant to identify the scanning devices used by your firm's key decision makers.

Please indicate which, response most clearly matches the frequency of scanning device by circling the closet number that best represents your observation. (Selecting a 1 indicates no usage, selecting a seven indicates a very high degree of usage, and selecting a 4 indicates neutrality).

19. Rate the extent to which, the following scanning devices are used by your business organisation to gather information about its business environment.

	Not ever used						Used frequently
a. Routine gathering of opinions	1	2	3	4	5	6	7
b. Explicit tracking of the politics and tactics of competitors	1	2	3	4	5	6	7
c. Forecasting sales, customer preferences, technology, etc.	1	2	3	4	5	6	7
d. Special marketing research studies	1	2	3	4	5	6	7
e. Trade magazines, government publications News media	1	2	3	4	5	6	7
f. Gathering of information from suppliers and other channel members	1	2	3	4	5	6	7

(Source: Miller and Friesen, 1982).

SCANNING FREQUENCY

The following statements are meant to identify the frequency of factors collected and used by your firm's key decision make. Please indicate which, response most clearly matches the frequency of scanning device by circling the closet number that best represents your observation. Selecting a 1 indicates no collection of information, selecting a seven indicates a very high degree and frequency of information gathering, and selecting a 4 indicates neutrality.

20. How often do you collect information to remain abreast of changes of the following areas?

	Never						Frequently
a. Demographic (Life styles, social values of society)	1	2	3	4	5	6	7
b. Economic factors (interest Rate, GDP, etc.)	1	2	3	4	5	6	7

c. Political Factors (New processes, materials, laws)	1	2	3	4	5	6	7
d. Technological Factors (new products, processes, systems, materials)	1	2	3	4	5	6	7
e. Competitor strategies (pricing, distribution)	1	2	3	4	5	6	7
f. Gathering of information from supplies and	1	2	3	4	5	6	7

(Source: Hambrick, 1982).

THE PLANNING FLEXIBILITY SCALE

21. Please indicate how difficult it is for your firm to change is strategic plan to adjust to each of the following contingencies/possibilities.

(Selecting 1 indicates a high degree of difficulty, and selecting a 4 indicates neutrality).

	Very difficult					Not at all difficult	
a. The emergence of a new technology	1	2	3	4	5	6	7
b. Shift s in economic condition	1	2	3	4	5	6	7
c. The market entry of new competition	1	2	3	4	5	6	7
d. Changes in government regulations	1	2	3	4	5	6	7
e. Shifts in customer needs and preferences	1	2	3	4	5	6	7
f. Modifications in supplier strategies	1	2	3	4	5	6	7
g. The emergence of an unexpected opportunity	1	2	3	4	5	6	7
h. The emergence of an unexpected threat	1	2	3	4	5	6	7
i. Political developments that affect your industry	1	2	3	4	5	6	7

(Source: Barringer and Bluedorn, 1999).

THE PLANNING HORIZON SCALE

Planning horizon is the length of the future time that decision-makers consider in planning.

22. What degree of emphasis does your BOARD OF DIRECTORS places on the Length of Planning horizon of business strategy or business organisation investment?

	Very Little emphasis				Considerable emphasis		
a. Less than 1 year	1	2	3	4	5	6	7
b. 1 to 2 years	1	2	3	4	5	6	7
c. 3 to 5 years	1	2	3	4	5	6	7
d. More than 5 years	1	2	3	4	5	6	7

23. What degree of emphasis is placed on the Length of planning horizon of business strategy or business organisation investment by your organisation's TOP MANAGEMENT?

	Very Little emphasis				Considerable emphasis		
a. Less than 1 year	1	2	3	4	5	6	7
b. 1 to 2 years	1	2	3	4	5	6	7
c. 3 to 5 years	1	2	3	4	5	6	7
d. More than 5 years	1	2	3	4	5	6	7

24. What degree of emphasis is placed on the Length of planning horizon of business strategy or business organisation investment by your organisation's MIDDLE MANAGEMENT?

	Very Little emphasis				Considerable emphasis		
a. Less than 1 year	1	2	3	4	5	6	7
b. 1 to 2 years	1	2	3	4	5	6	7
c. 3 to 5 years	1	2	3	4	5	6	7
d. More than 5 years	1	2	3	4	5	6	7

25. What degree of emphasis is placed on the Length of Planning Horizon of business strategy or business organisation investment by your organisation's LOWLEVEL MANAGEMENT?

	Very Little emphasis				Considerable emphasis		
a. Less than 1 year	1	2	3	4	5	6	7
a. 1 to 2 years	1	2	3	4	5	6	7
b. 3 to 5 years	1	2	3	4	5	6	7
c. More than 5 years	1	2	3	4	5	6	7

THE LOCUS OF PLANNING SCALE

Strategic management can be broken down into the five phases:

1. Goal formation
2. Scanning the business environment
3. Strategy formulation
4. Strategy implementation
5. Evaluation and control phase

26. To what extent is each of the following categories involved in GOAL FORMATION PHASE of the strategic management process of your business organisation?

(Selecting a 1 indicates No Involvement, selecting a 7 indicates Substantial Involvement and selecting 4 indicates neutrality).

	No Involvement				Substantial Involvement		

a. Top Management	1	2	3	4	5	6	7
b. Middle Management	1	2	3	4	5	6	7
c. Lower-level Management	1	2	3	4	5	6	7
d. Rank-and-file Employees	1	2	3	4	5	6	7

27. To what extent is each of the following categories involved in SCANNING THE BUSINESS ENVIRONMENT PHASE of the strategic management process of your business organisation?

	No Involvement					Substantial Involvement	
a. Top Management	1	2	3	4	5	6	7
b. Middle Management	1	2	3	4	5	6	7
c. Lower-level Management	1	2	3	4	5	6	7
d. Rank-and-file Employees	1	2	3	4	5	6	7

28. To what extent is each of the following categories involved in STRATEGY FORMATION PHASE of the strategic management process of your business organisation?

	No Involvement					Substantial Involvement	
a. Top Management	1	2	3	4	5	6	7
b. Middle Management	1	2	3	4	5	6	7
c. Lower-level Management	1	2	3	4	5	6	7
d. Rank-and-file Employees	1	2	3	4	5	6	7

29. To what extent is each of the following categories involved in STRATEGY IMPLEMENTATION PHASE of the strategic management process of your business organisation?

	No Involvement					Substantial Involvement	
a. Top Management	1	2	3	4	5	6	7
b. Middle Management	1	2	3	4	5	6	7
c. Lower-level Management	1	2	3	4	5	6	7
d. Rank-and-file Employees	1	2	3	4	5	6	7

30. To what extent is each of the following categories involved in STRATEGY EVALUATION AND CONTROL PHASE of the strategic management process of your business organisation?

	No Involvement					Substantial Involvement	
a. Top Management	1	2	3	4	5	6	7
b. Middle Management	1	2	3	4	5	6	7

c. Lower-level Management	1	2	3	4	5	6	7
d. Rank-and-file Employees	1	2	3	4	5	6	7

THE LOCUS OF PLANNING SCALE (continue)

Distributed Decision Authority

31. Please, indicate how true or false the statements below are when identifying the distributed decision authority among managers reporting to top executives for your firm.

Managers reporting to the top executive…

	Definitely False						Definitely True
a. Can start major market activities without approval	1	2	3	4	5	6	7
b. Can market to new customer segments without approval	1	2	3	4	5	6	7
c. Need no approval to initiative new product developments	1	2	3	4	5	6	7
d. Can introduce new practices without approval	1	2	3	4	5	6	7
e. Need no approval to develop new internal capabilities	1	2	3	4	5	6	7

Participation in Decisions

32. Please indicate how often nonexecutive managers in your company participate in decision making-decision making.

The nonexecutive managers participate in decisions…

	Never						Always
a. To change the firm's market position	1	2	3	4	5	6	7
b. About moves into new customer segments	1	2	3	4	5	6	7
c. About major products/service introduction	1	2	3	4	5	6	7
d. About development of important capabilities	1	2	3	4	5	6	7
e. To adapt new policies and practices	1	2	3	4	5	6	7

Strategic Planning Processes

Please indicate to what degree of emphasis your organisation puts on strategic planning processes. (Selecting a 1 indicates that your organisation puts no emphasis on the strategic planning process, Selecting a 7 indicates that your organisation puts a strong emphasis on the strategic planning Process, and selecting a 4 indicates neutrality).

33. What emphasis does your organisation put on ...

Planning process	No emphasis	Strong emphasis

a. Development of mission statement	1	2	3	4	5	6	7
b. Long-term plans	1	2	3	4	5	6	7
c. Annual goals	1	2	3	4	5	6	7
d. Short-term action plans	1	2	3	4	5	6	7
e. Evaluation of strategic objectives	1	2	3	4	5	6	7

(Source: Boyd and Reuning-Elliot, 1988).

THE STRATEGIC CONTROLS SCALE

MANAGEMENT CONTROL FACTOR

34. How important is each of the following in making sure that your business organisation's employees and business strategies meet predetermined objectives?

(Selecting a 1 indicated Unimportant, a 7 indicates Very Important and 4 indicates neutrality).

Management Control Factor	Unimportant						Very Important
a. Face-to-face meeting between top managers Face-to-face meeting between top managers	1	2	3	4	5	6	7
b. Informal face-to-face meetings between top managers and business unit or functional area personnel.	1	2	3	4	5	6	7
c. Measuring performance against subjective strategic criteria such as improvements in customer satisfaction or progress on product innovations	1	2	3	4	5	6	7

(Source: Barringer and Bluedorn, 1999)

35. How important are each of the following factors in evaluating the performance of business unit/or functional area personnel in your organisation?

	Unimportant						Very Important
a. Objective strategic criteria such as Returns on Assets	1	2	3	4	5	6	7
b. Return on Investment	1	2	3	4	5	6	7
c. Cash flows	1	2	3	4	5	6	7
d. Operating Profits	1	2	3	4	5	6	7
e. Sales Growth Rate	1	2	3	4	5	6	7
f. Market Share	1	2	3	4	5	6	7
g. Market Development	1	2	3	4	5	6	7

h. New Product Development 1 2 3 4 5 6 7

(Source: Barringer and Bluedorn, 1999; Gupta and Govindarajan, 1984)

SATISFACTION

The following pertain to the satisfaction with performance areas of your firm.

36. Please review each of the following and select a number between 1 and 7 that best represents your rating of satisfaction with:

Satisfaction factor	Highly Dissatisfied						Extremely Satisfied
a. Sales Growth Rate	1	2	3	4	5	6	7
b. Market Share	1	2	3	4	5	6	7
c. Cash flows	1	2	3	4	5	6	7
d. Operating Profits	1	2	3	4	5	6	7
e. Profit to Sale Ratio	1	2	3	4	5	6	7
f. Market Development	1	2	3	4	5	6	7
g. New Product Development	1	2	3	4	5	6	7

(Source: Gupta and Govindarajan, 1984).

THE EXTERNAL ENVIRONMENT SCALE

37. The following statements pertain to the external environment affecting your firm. Please review each of the following statements and circle the item that approximates your response.

(Selecting a 1 indicates that you strongly disagree with the statement, selecting a 7 indicates that you strongly agree with the statement, and selecting a 4 indicate neutrality).

		Strongly Disagree						Strongly Agree
1	The external environment our firm operates in has a High level of risk and uncertainty.	1	2	3	4	5	6	7
2	The external environment poses serious threats to our firm's survival and well–being.	1	2	3	4	5	6	7
3	Our firm must deal with a wide range of external Environment influences (e.g., competitive, political Social/cultural, or technological forces).	1	2	3	4	5	6	7

4	Declining markets for products/ services are a major challenge In our industry	1	2	3	4	5	6	7
5	Tough price competition is a major challenge in our industry	1	2	3	4	5	6	7
6	In our industry, demand and customer preferences are unpredictable.	1	2	3	4	5	6	7
7	Government interference is a major challenge in our industry.	1	2	3	4	5	6	7
8	Our firm must change its marketing practices frequently.							
9	Our business environment causes a great deal of threat to the survival of our firm.	1	2	3	4	5	6	7
10	The rate of product and service obsolesce in our industry is high.	1	2	3	4	5	6	7
11	In our firm, the modes of production and service change often and in many ways.	1	2	3	4	5	6	7
12	In our industry, actions of competitors are unpredictable.	1	2	3	4	5	6	7

APPENDIX 2: ADDITIONAL STATISTICAL RESULTS TABLES

0.1:Table A2.1: Characteristics of The Total Survey Responding Participant Sample (Pre-Casewise Missing Data Deletion).

Variable		%	Cumulative %
Gender	Male	67,12%	67,12%
	Female	32,88%	10.00%
Source of Hire			
	Within firm	27,40%	27,40%
	Outside firm	72,60%	100%
Formal Education			
	High School	.46%	.46%
	Diploma / National Certificate	6,39%	6,85%
	Bachelor‘s Degree	54,34%	61,19%
	Master‘s Degree	36,53%	97,72%
	Doctoral Degree	1,83%	99,55%
	Other	.46%	100.00%
Equity HDI Status			
	Yes	36,07%	36,07%
	No	6.73%	96,80%
	Missing	3,20%	100.00%

0.2:TABLE A2.2: Characteristics of The Total Respondent Firms In Survey Sample (Pre-Casewise Missing Data Deletion).

Variable	n	Cumulative	%	Cumulative %
Subindustry Type				
Financial Services	147	147	67,12%	67,12%
Business Services	72	219	32,88%	100.00%
Firm Age Category (Years old)				
Total Response Age	6958	-	-	-
Response Average	31,77	-	-	-
Firm Annual Income/Sales				
Below R35 Million	78	78	35,62%	35,62%
R35 Million +	141	219	64,38%	100.00%
Status of Industry in Last 3 Years				
Stable	65	65	29,68%	29,68%
Growing	145	210	66,21%	95,89%
Declining	9	219	4,11%	100.00%

0.3:TABLE A2.3: Analytical Descriptive Statistics (Post Casewise Deletion of Missing Data From The Study Sample).

Variable		%	Cumulative %
Gender			
	Male	70.20%	70.20%
	Female	29.80%	100.00%
Source of Hire			
	Outside firm	67.55%	67.55%
	Within firm	32.45%	100.00%
Formal Education			
	Master‘s Degree	37.08%	37.09%
	Bachelor‘s Degree	55.62%	92.71%
	Diploma / National Certificate	5.96%	98.67%
	Doctoral Degree	0.66%	99.33%
	Other	0.66%	100.00%
Equity HDI Status			
	Yes	64.90%	64.60%
	No	31.78%	96.68%
	Missing	3.31%	100.00%
Status of Industry in last 3 years			
	Stable	33.11%	33.11%
	Growing	62.25%	95.36%
	Declining	4.63%	100.00%

0.4:TABLE A2.4: Summary Cross Tabulation Frequency of Response Classification* (Post Casewise Deletion of Missing Data).

Subindustry Category	Firm Age category	Size classification		Totals
		Medium	Large	
All responses	Young	55 (74.3%)	18 (25.7%)	73 (33.5%)
	Older	23 (18.8%)	122 (79.2%)	145 (64.5%)
	All Groups	78 (35.8%)	140 (64.2%)	218 (100%)
Business Services	Young	39 (76.5%)	12 (23.5%)	51 (57.3%)
	Older	11 (28.9%)	27 (71.1%)	38 (48.7%)
	All Groups	50 (56.2%)	39 (43.8%)	89 (100%)
Financial Services	Young	16 (72.7%)	6 (27.3%)	22 (17.1%)
	Older	12 (11.2%)	95 (88.8%)	107 (82.9%)
	All Groups	28 (21.7%)	101 (78.3%)	129 (100%)

* Only response categories with Counts > 10 are included.

0.5:TABLE 5. TABLE A2.5: Descriptive Statistics for the Control Variable Environmental Uncertainty.

Variable	Valid N	Mean	Median	Min	Max	Lower Quartile	Upper Quartile	SD	Skewness
Environmental Uncertainty	173	3.85	3.83	1	7	2.58	5.00	1.29	0.02

0.6:TABLE A2.6: Factor Loadings (Varimax Extraction) For Principal Components.

Variables	Factor 1: Strategic Control	Factor 2: Performance	Factor 3: Objective Control	Factor 4: Locus Of Planning	Factor 5: Scanning	Factor 6: Planning Horizon
Strategy Controls	.92*	.06	.10	.04	.11	.08
Financial Controls	-.30	.09	-.94*	-.03	-.02	-.02
Importance Of Objective Evaluation Of Performance	-.30	.09	-.94*	-.03	-.02	-.02
Importance Of Subjective Evaluation Of Performance	.91*	.11	.10	.03	-.10	-.08
Importance Of Overall Evaluation Of Performance	.44	.17	-.83*	-.01	-.09	-.08
Satisfaction With Objective Evaluation Of Performance	-.18	.91*	-.25	.00	.01	.08
Satisfaction With Subjective Evaluation Of Performance	.50	.77*	.23	.16	.00	-.06
Satisfaction With Overall Evaluation Of Performance	.17	.98*	-.02	.09	.00	.01
Importance*Satisfaction With Subjective Evaluation Of Performance	.80*	.49	.22	.11	-.04	-.07
Importance*Satisfaction With Overall Evaluation Of Performance	.34	.84*	-.40	.05	-.03	-.03
Distributed Decision Authority	.83*	.05	.23	.12	.10	.00
Participation In Decisions	.76*	.14	.17	.17	-.14	.26
Implementation	-.08	-.07	.01	-.82*	-.02	.08
Authority Participation	.89*	.10	.23	.16	-.01	.13
Planning Effort	.67	-.11	-.29	.04	.46	.10
Decision Power	.92*	.05	.10	.14	.13	.13
Planning Flexibility	.70*	.16	.09	.26	.08	.04
Top Management Planning Horizon	.70*	-.06	.19	-.02	.39	.27
Middle Management Planning Horizon	.25	.02	.08	-.04	.26	.78*
Total Scanning Intensity	.82*	.05	.00	.08	.39	.15
Specialised Scanning Effort	.83*	.08	-.02	.06	.31	.16
Scanning Frequency	.83*	.16	-.05	.17	.15	.15
Expl.Var	11.08	4.14	3.79	2.05	1.84	1.48
Prp.Totl	.37	.14	.13	.07	.06	.05

0.7:Table A2.7: **MAXIMUM LIKELIHOOD FACTORS CLASSIFICATION.**

Variable	Factor 1: (Strategic Control)	Factor 2: (Objective / Financial Control)	Factor 3: Performance	Factor: 4
Strategy controls	.81*	.11	.08	.42
Financial controls	-.24	-.93*	.08	-.14
Importance of objective evaluation of performance	-.24	-.93*	.08	-.14
Importance of subjective evaluation of performance	.68	.11	.12	.66
Importance of overall evaluation of performance	.31	-.82	.17	.41
Satisfaction with objective evaluation of performance	-.15	-.25	.88*	-.13
Satisfaction with subjective evaluation of performance	.41	.22	.76*	.22
Satisfaction with overall evaluation of performance	.13	-.02	.97*	.04
Importance*satisfaction with objective evaluation of performance	-.26	-.67	.62	-.18
Importance*satisfaction with subjective evaluation of performance	.63	.22	.50	.49
Importance*satisfaction with overall evaluation of performance	.24	-.39	.83*	.22
Distributed decision authority	.77*	.23	.08	.22
Participation in decisions	.71*	.18	.19	.12
Goal formation phase	-.61	-.18	-.16	-.06
Scanning the business environment phase	-.29	.06	-.43	.02
Formation	-.59	-.18	-.16	-.08
Implementation	-.19	-.03	-.15	.04
Strategy evaluation	-.54	-.28	-.11	-.03
Authority participation	.84*	.24	.14	.20
Planning effort	.75*	-.22	-.07	-.02
Decision power	.90*	.13	.09	.15
Planning flexibility	.68	.14	.20	.11
Board of directors planning horizon	.60	.27	-.12	-.02
Top management planning horizon	.74*	.19	-.04	.10
Middle management planning horizon	.41	.07	.00	-.14
Low level management planning horizon	.26	.02	.05	.08
Routine gathering of opinions	.70*	.10	-.03	-.07
Total scanning intensity	.91*	.03	.07	.00
Specialised scanning effort	.89*	.01	.09	.03
Scanning frequency	.84*	-.02	.19	.08
Expl. var	1.81	3.67	4.11	1.40
Prp. totl	.36	.12	.14	.05

* = Significant loadings >.70

0.8:TABLE A2.8: Cluster Frequencies and Stub-And-Banner Summaries.

Factor	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Total
Firm Category: Bus Large Older	6	5	6	4	21
Bus Medium Older	2	2	2	2	8
Bus Large Younger	0	4	4	0	8
Bus Medium Younger	0	5	19* (42.2)	1	25
Fin Large Older	36* (70.6)	15* (41.6)	9	7	67
Fin Medium Older	4	2	1	0	7
Fin Large Younger	2	0	0	3	5
Fin Medium Younger	1	3	4	2	10
Firm Category: Total	51	36	45	19	151
Age of Firm: Young Corporation	3	12* (33.3)	27* (60.0)	6	48
Older Corporation	48* (94.1)	24*(66.7)	18*(40.0)	13*(68.4)	103
Age of Firm: Total	51	36	45	19	151
Size Classification: Large Corporation	44* (86.3)	24* (66.7)	19* (42.2)	14* (73.7)	101
Medium Corporation	7	12* (33.3)	26* (57.8)	5	50
Size Classification: Total	51	36	45	19	151
Subindustry Classification: Business Services	8	16* (44.4)	31* (69.9)	7	62
Financial Services	43* (84.3)	20* (55.6)	14* (31.1)	12* (63.2)	89
Subindustry Classification: Total	51	36	45	19	151

Notes: Fin = Financial Services Bus = Business Services *() = Significant summaries with counts >10 and corresponding percentages in parenthesis.

0.9:TABLE A2.9: Standardised Cluster Variable Means.

N = 151		**Cluster 1: n=51 (33.8%)**	**Cluster 2: n=36 (23.8%)**	**Cluster 3: n=45 (29.8%)**	**Cluster 4: n=19 (12.6%)**
Construct	**Variables**	**Conservatives**	**Transitional**	**Entrepreneurial**	**Traditional**
Scanning Intensity	Routine gathering of opinions	-0.86	0.29	0.85	-0.10
	Total Scanning intensity	-0.97	0.48	1.04	-0.30
	Specialised scanning effort	-0.92	0.49	1.01	-0.33
	Scanning frequency	-0.73	0.59	0.95	-0.77
Locus of Planning	Distributed decision authority	-0.91	0.11	1.18	-0.25
	Participation in Decisions	-0.42	0.25	1.07	-0.64
	Goal formation phase	0.61	-0.39	-0.95	0.68
	Scanning the business environment phase	-0.23	-0.52	-0.52	1.67
	Formation	0.60	-0.56	-0.90	0.69
	Implementation	0.00	-0.32	-0.40	1.12
	Strategy evaluation	0.67	-0.21	-0.93	0.43
	Authority participation	-0.77	0.20	1.29	-0.49
	Planning effort	-0.94	0.76	0.45	0.13
	Decision power	-0.91	0.39	1.19	-0.36
Planning Flexibility	Planning flexibility	-0.58	0.40	0.91	-0.56
Planning	Board of directors planning horizon	-1.04	0.40	0.60	0.33

N = 151		Cluster 1: n=51 (33.8%)	Cluster 2: n=36 (23.8%)	Cluster 3: n=45 (29.8%)	Cluster 4: n=19 (12.6%)
Construct	**Variables**	**Conservatives**	**Transitional**	**Entrepreneurial**	**Traditional**
Horizon	Top management planning horizon	-1.12	0.63	0.75	0.26
	Middle management planning horizon	-0.36	0.33	0.41	-0.03
	Low level management planning horizon	-0.01	0.09	0.36	-0.31
Strategic Control	Strategy controls	-0.85	0.54	1.09	-0.20
Financial Control	Financial controls	0.60	0.46	-0.58	-0.10
Performance	Importance of overall evaluation of performance	0.08	0.65	0.15	-0.24
	Importance*Satisfaction with overall evaluation of performance.	0.23	0.46	0.43	-0.84
Performance Strategic	Importance of Subjective evaluation of performance	-0.65	0.49	1.01	-0.28
	Satisfaction with overall evaluation of performance	0.30	0.18	0.53	-1.12
	Satisfaction with Subjective evaluation of performance.	-0.11	0.15	0.96	-1.15
	Importance*Satisfaction with Subjective evaluation of performance	-0.49	0.32	1.18	-0.78

N = 151		Cluster 1: n=51 (33.8%)	Cluster 2: n=36 (23.8%)	Cluster 3: n=45 (29.8%)	Cluster 4: n=19 (12.6%)
Construct	**Variables**	**Conservatives**	**Transitional**	**Entrepreneurial**	**Traditional**
Performance Financial	Satisfaction with Objective evaluation of performance	0.60	0.16	0.04	-0.85
	Importance*Satisfaction with Objective evaluation of performance	0.74	0.35	-0.33	-0.55
	Importance of Objective evaluation of performance	0.60	0.46	-0.58	-0.10

0.10: A2.10: Organisational Cluster Stub-And-Banner Summaries.

	Firm Category								Size Classification				Firm Age			Subindustry Classification		
Cluster	**BLO**	**BMO**	**BLY**	**BMY**	**FLO**	**FMO**	**FLY**	**FMY**	**Row Total**	**L**	**M**	**Row Total**	**Y**	**O**	**Row Total**	**B**	**F**	**Row Total**
Conservatives	6	2	0	0	36	4	2	1	51	44	7	51	3	48	51	8	43	51
	28.57%	25.00%	0.00%	0.00%	53.73%	57.14%	40.00%	10.00%	33.77%	43.56%	14.00%	33.77%	6.25%	46.60%	33.77%	12.90%	48.31%	33.77%
Transitional	5	2	4	5	15	2	0	3	36	24	12	36	12	24	36	16	20	36
	23.81%	25.00%	50.00%	20.00%	22.39%	28.57%	0.00%	30.00%	23.84%	23.76%	24.00%	23.84%	25.00%	23.30%	23.84%	25.81%	22.47%	23.84%
Entrepreneurial	6	2	4	19	9	1	0	4	45	19	26	45	27	18	45	31	14	45
	28.57%	25.00%	50.00%	76.00%	13.43%	14.29%	0.00%	40.00%	29.80%	18.81%	52.00%	29.80%	56.25%	17.48%	29.80%	50.00%	15.73%	29.80%
Traditional	4	2	0	1	7	0	3	2	19	14	5	19	6	13	19	7	12	19
	19.05%	25.00%	0.00%	4.00%	10.45%	0.00%	60.00%	20.00%	12.58%	13.86%	10.00%	12.58%	12.50%	12.62%	12.58%	11.29%	13.48%	12.58%
Total	21	8	8	25	67	7	5	10	151	101	50	151	48	103	151	62	89	151
	13.91%	5.30%	5.30%	16.56%	44.37%	4.64%	3.31%	6.62%	100.00%	66.89%	33.11%	100.00%	31.79%	68.21%	100.00%	41.06%	58.94%	100.00%

Notes: B = Business Services F = Financial Services L = Large size firm M = Medium size firm O = Old firm Y = Young firm

APPENDIX 3

Summary of Research Work.

Research Theme	Theoretical Framework	Main Research Question	Hypothesis	Data and Sample	Analytical Method
Corporate Entrepreneurial Orientation	Entrepreneurial framework; Resource-based view of CE and industrial organisation; Agency Theory; Organisational Learning Theory; and Resource-based Model of Strategic management practices	What is the nature of influence of organisational strategic management practices on firm entrepreneurial orientation?	There is a predominantly positive relationship between and Strategic management practice dimensions and EO	Cross-section survey of 280 Gauteng based medium to large financial and business services corporations. Data on strategic practice variables and firm EO collected through responses from all levels of management in sample organisations.	Factor Analysis; Cluster Analysis; Correlation Analysis and Multiple Regression Analysis.