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A PROCESS MODEL OF CULTURAL INFLUENCES ON CORPORATE ENTREPRENEURSHIP

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CHAPTER ONE
INTRODUCTION

1.1 CONTEXT OF THE STUDY

The purpose of this research is to develop a model that provides a description of the process by which culture affects corporate entrepreneurship. The research will deal with the structure and process model of how cultural influences and practices affect the emergence and management of an entrepreneurial culture in an organisation.

The variables making up the model will be identified and discussed at great length, and so will the relationships forming the model. Key elements that are explicitly and implicitly accepted as defining a culture that forms corporate entrepreneurship in a South African organisation will be investigated and in conjunction with findings from literature, these variables that describe and define the culture that forms the process of corporate entrepreneurship will be moulded into a model.

A particularly promising area of research focus has been on entrepreneurial cognition. However the focus in the area has largely been in individual entrepreneurship, the way entrepreneurs think, the individual decision-making processes and heuristics adopted by entrepreneurs. In line with this focus, there is an increased awareness of the need for a greater understanding of the processes and strategies of corporate entrepreneurship (Homaday, 1990; Rosa, 1998), particularly in the manner in which culture affects these entrepreneurial cognitive processes.

Corporate entrepreneurship is a multidimensional phenomenon, incorporating various facets of individual, organisational and environmental elements. The focus on this model will be on the cultural organisational influences on the process of corporate entrepreneurship, although individual and environmental elements will not altogether be ignored.

1.2 BACKGROUND TO THE STUDY

1.2.1 Corporate entrepreneurship

The topic and practice of corporate entrepreneurship has attracted considerable interest from both corporate practitioners and academics alike. Much of the interest in this area is based on the acknowledgement that innovation is assumed to be critically important to firms competing in rapidly evolving industries (D'Aveni, 1994).

According to Joseph Schumpeter, entrepreneurship is the transformation of innovation (no matter what its source), into a new product, service, or business in order to take advantage of a present market offering (Schumpeter, 1934). It can occur within an existing organisation or through the creation of a new organisation, and it implies that a single entrepreneur or group of entrepreneurs attempt to capture revenue from previously untapped, under-exploited or non-existent market opportunities.

Recently there has been a growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and at the same time increase corporate success through the creation of new corporate ventures (Miller & Friesen, 1985; Pinchot, 1985; Kuratko & Montagno, 1989). Even in the 21st century, after the infamous bubble burst of the dot com industry, corporate entrepreneurship in particular, remains a growing area of inquiry, as more and more corporations seek more value out of their current employees and try to exploit new market opportunities. It is hoped that such endeavours will encourage the corporations to exhibit characteristics associated with the individual entrepreneurs such as risk taking, innovativeness and the proactive pursuit of opportunities, commonly referred to as corporate entrepreneurship.

However, the creation of corporate entrepreneurship activity is not as easy as it seems, since it gives birth to a newer and potentially more complex set of challenges on various levels. Research on corporate entrepreneurship was critiqued in the 90's on the bases of

weak theory development, the lack of causal research and an over-reliance on individual variables to explain the phenomenon (Bygrave & Hofer, 1991; Guth & Ginsberg, 1990; Low & MacMillan, 1988; Wortman, 1987). In response to these critiques, there has been significant recent progress in the field toward theory development. However, even with numerous studies increasing in the field, to date, very little research exists, which attempts to establish a theoretical framework or model that outlines the various components, including individual and organisational characteristics that affect the corporate entrepreneurship process.

Several studies have focused upon entrepreneurship as either an independent or a dependant variable. It has been suggested by Zahra, Jennings and Kuratko (1999) that most corporate entrepreneurship studies have not examined the lag effect that might exist between various antecedent variables and corporate entrepreneurship. Additional research is therefore required focusing upon the causal sequences between entrepreneurship and these precursor variables. Conceptual models of corporate entrepreneurship proposed by Covin and Slevin (1991), Lumpkin and Dess (1996), and Morris (1998) and Zahra (2003), all suggest organisational culture as one antecedent to corporate entrepreneurship.

However, much of the literature also treats corporate entrepreneurship as a linear cause-and-effect phenomenon with an emphasis on several components. As a result, Stevenson, Roberts and Grousbeck (1989) and Stewart (1991) emphasise corporate entrepreneurship as a process. They have conceptualised entrepreneurship as a process by which individuals – either on their own or inside an organisation – pursue opportunities without regard to the resources which they control. This conceptualisation will be the building block for this research. Within this perspective there are a number of organisational characteristics and actions, as well as individual characteristics and behaviours that will be considered, some of which can be paradoxical in nature.

One important consideration in understanding entrepreneurial development is the interplay of organisational and individual characteristics, as a process of the kinds of

virtuous and vicious cycles in existence in the organisation, across time. This paradoxical perspective is important because it can show how an organisation, faced with different changing opportunities and structures, moves into virtuous and vicious cycles through time, in an attempt to create corporate entrepreneurship.

One of the most interesting areas of inquiry in this progressing field, and one which is still highly under-researched is the focus on entrepreneurial cognition. By building cognitive maps of corporate entrepreneurial systems, this will permit an analysis based upon many variables, viewed together and understood as a set, in order to further understand this entrepreneurial cognition better. Such a viewpoint may help the researcher in understanding that innovation in organisations may not, to all intents and purposes, be the result of a small number of eccentric and unconventional individuals acting independently or the outcome of overwhelming external influences. Instead, it can be viewed as the role of the organisations acting as self-generating entrepreneurial systems comprising a complex network of conditions and interactions, which can be highlighted and understood, in order to further encourage entrepreneurship within an organisation.

1.2.2 Corporate culture

In so far as corporate culture is concerned, it has been variously defined by many authors. According to Schein (1985), corporate culture is the pattern of shared assumptions, invented, discovered or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration. These assumptions have then grown and worked well enough within the organisation to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 1985).

Conceptually, culture shapes how groups attempt to solve problems that are presented to them by their environment (Schein, 1985). From Geletkanycz's (1997) perspective,

cultural values affect how organisational members perceive opportunities in their environment, and their decision about innovation, risk taking and urgency of changing.

From a cultural perspective, corporate entrepreneurship occurs when members of a company embark on purposeful enactment of actions which ultimately result in new revenue sources. From the writings of Max Weber (1947), culture at the societal level has been identified as important to the development of capitalistic institutions, economic growth and a specific manifestation of capitalism-entrepreneurship. Research so far seems to indicate, though, that the most important barriers to entrepreneurship are largely non-economic. What it has found is that culture certainly does matter. From Weber (1947), it can be deduced from the history of economic development, that culture almost makes all the difference. In his writings Schein (1985) mentions that the culture an organisation has will shape the organising ability to solve problems that are presented to it, even though as mentioned by Hunt (1995) the method through time, can be paradoxical in nature.

In particular, the cultural aspect of entrepreneurship is an area where academic research, predominantly empirical research, remains in short supply. Several authors, in particular Zahra and Dess (2001) and Jennings and Lumkin (1989), note the need for empirical research on culture and entrepreneurship. While there have been numerous studies focusing on various factors contributing to or establishing corporate entrepreneurship, newer studies are required to understand the cultural influences on the process of corporate entrepreneurship. To add to this, most past research into corporate entrepreneurship and culture has been conducted in the United States of America or by researchers working in US based universities (Kuratko, 1999). The importance of this study also lies in understanding the effect of culture from a South African perspective in promoting corporate entrepreneurship, and taking into consideration variables that are relevant in the South African context.

1.2.3 The model

From most of the authors incorporated in this research it will be seen that entrepreneurship matters and that culture certainly matters to entrepreneurship. What is not clear however is how this entrepreneurship, can emerge within an organisation. The definitions of such a culture and emergence of entrepreneurship and dimensions associated with it will be based on theories both from an organisational culture and corporate entrepreneurship, which will look at what they mean and what effect they have on each other. It will also seek to find how culture can have an effect on how entrepreneurship emerges in an organisation, thus enabling theory-driven investigations at the intersection of these rather obscure domains.

The results of this research culminated in a model that provides a description of how culture affects the process of corporate entrepreneurship. This model incorporates several variables derived from analysis of the corporate entrepreneurship and corporate culture literature, as well as an analysis of an entrepreneurial organisation. Ideas contributing to innovation arise largely as a result of the "independent" activities of individual organisational members (Burgelman, 1984). This technique models causal relationships between variables within a belief system as reported by individual respondents. This technique is important because it permits the identification of positive feedback loops within entrepreneurial systems that may provide an explanation for the non-linear transformation characteristics of these systems. Bygrave and Hofer (1991) say that an essential characteristic of entrepreneurial outcomes is that they are non-linear changes of state. Current models provide no explanations for how these non-linear changes characteristic of entrepreneurial ventures may occur. This approach will be very beneficial, since it will provide a more holistic perspective of the corporate entrepreneurship process and expand the subject beyond correlation models.

1.3 PURPOSE OF THE STUDY

Kanter (1983) describes entrepreneurship as an essential feature of any high-performing firm, whether existing or a start-up. Other researchers such as Covin (1991) and Zahra (2003) suggest that, to be competitive in the 21st century, firms need to be more

entrepreneurial if they are to be more profitable, or have a significant market presence. A better understanding of what motivates and hinders corporate entrepreneurship is essential, given the considerable number of corporate failures and high rate of failures of new ventures, innovation and new product attempts.

In South Africa where unemployment is one of the socio-economic issues that plague the country, entrepreneurship remains a topical area where practising managers, government officials and CEO's continuously seek guidance in order to increase its practice in the country.

According to the works of authors such as Hamel and Pralahad (2001), Drucker (1985), Porter (2000) and Kanter (1989), sustainable competitive advantage requires a repeated effort in developing new sources of revenue from products and services that meet or exceed the needs of the next generation of customers. For corporates to achieve this sustainable competitive advantage will require them to deal appropriately with the continuously unstable, dynamic, turbulent and rapidly changing situations facing them.

Few authors have attempted to identify and analyse the impact of organisational culture on entrepreneurial activities. While researchers of corporate entrepreneurship do agree that organisational culture is related to entrepreneurial outcomes, there has been very little evidence of such a relationship and how it initially came about within organisations and what continues to drive it.

For practising managers in the South African context, this study could provide them with a description of the organisational culture associated with entrepreneurial strategies and outcomes. For participants in this study it could help them in detecting the degree to which their firm has a culture that fosters corporate entrepreneurship in South Africa and how best to allow the entrepreneurship to emerge in the organisation. In addition, for the participants involved, it can add insight to the degree to which their company and divisions in question have an organisational culture that is entrepreneurial, which could

help the participants in identifying aspects of their organisation that facilitate or impede it.

Research on entrepreneurship, particularly firm level entrepreneurship has grown in scope and depth over the last 30 years, creating a major renaissance in the field. This research has enriched and extended the literature in significant and imperative ways. For future scholars in this field, this research can create further understanding into the entrepreneurial culture of firms and how practising managers can take action that is quantifiable and measurable in enabling growth in revenues from new products, services and business ventures.

1.4 DEFINITION OF TERMS

Entrepreneurship – According to Joseph Schumpeter, entrepreneurship is the transformation of innovation (no matter what its source), into a new product, service, or business in order to take advantage of a present market offering (Schumpeter, 1934). It can occur within an existing organisation or through the creating of a new organisation, and it implies that a single entrepreneur or group of entrepreneurs attempt to capture revenue from previously untapped, under-exploited or non-existent market opportunities.

Corporate entrepreneurship – Corporate entrepreneurship is entrepreneurship within (or in association with) an existing organisation, which may or may not lead to a new organisation (Burgelman, 1983; Pinchot, 1985; Sharma & Chrisman, 1999). Corporate entrepreneurship, intrapreneurship, corporate venturing and other terms have been used to describe similar concepts.

Culture – Culture is a system of socially constructed values, beliefs and behavioural norms that members of a group develop and pass on to new members. These values, beliefs and norms have resulted from the group's successful dealings with problems of the environment, activity, time and relationships among people (Schein, 1992). This culture can also be reinforced by the internal variables, such as history, organisational

resources, visionary leadership, human resources management practices, organisational structure and processes and the composition and group dynamics of the management team

Organisational culture – This influences how organisational members view the world in which their organisation exists. It includes implicit, shared values about how the world works, what is human nature, how work should be organized, and according to what criteria decisions should be made (Schein, 1992). Organisational culture, according to Jaques (1952) is an enduring organisation-level construct that is relatively stable over time, but does change.

Entrepreneurial organisational culture – This is a system of shared values, beliefs and norms of members of an organisation, including valuing creativity and tolerance of creative people, believing that innovating and seizing market opportunities are appropriate behaviours to deal with problems of survival and prosperity, environmental uncertainty, competitors threats and expecting organisational members to behave accordingly. These shared beliefs, values and norms are manifested in the reported attitudes of the employees of an organisation. Entrepreneurial Organisation Culture (EOC) is therefore an organisation-level construct that is operationalised by aggregating individual-level measures (McGuire, 2001).

1.5 DELIMITATIONS

- This study does not aim to challenge the existing definitions in the field of corporate entrepreneurship.
- This study will not attempt to challenge the validity of the current instruments used to test and assess organisational culture.
- This study will not attempt to include all the potentially relevant variables that might be included in research on corporate culture and corporate entrepreneurship.
- This study will not address the relationship between culture, entrepreneurship and the success of the organisation.

- This study will address but not extensively explore the external nature of the environment in which the organisation operates, namely environmental dynamism, governmental regulation, availability of capital and other market conditions, the general state of the economy and competitors actions.
- This study will not address how changes in company strategy can affect the outcome of entrepreneurship.
- This study will not attempt to identify cultural variations within its respondents that might correspond to occupational, hierarchical, and ethnic or gender groups, to name just a few.
- The study will not attempt to distinguish a difference in cultures across the international offices in the different countries.

1.6 ASSUMPTIONS

- The organisation that will be assessed will be an entrepreneurial organisation, but that divisions and people within the organisation could display different levels of entrepreneurship;
- Culture within the organisation can be assessed through the reported values, beliefs and norms of the organisational members;
- Culture develops over time and is influenced by the historical events in the life of the organisation;
- History is embedded in the values, beliefs and norms held by organisational members; and
- There is one predominant characteristic culture in a given organisation, rather than multiple competing sub-cultures.

CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

The main purpose of this section is to explore the existing literature and emerging themes within the literature. As Wiersma (1995:406) puts it, "the review of the literature provides the background and context for the research problem. It should establish the need for the research and indicate that the writer is knowledgeable about the area".

The first part of the literature review will discuss entrepreneurship, including corporate entrepreneurship. It will focus on the antecedents, manifestations and assessments of corporate entrepreneurship.

The second part of the review will investigate at culture and corporate culture. It will look at the various levels of organisational culture and the existing conceptual models.

The final part of the review will combine the two areas of corporate organisational culture and corporate entrepreneurship. It will consider qualitative studies in the field of entrepreneurial organisational culture and the various entrepreneurial culture constructs that have been identified by various authors.

The understanding of current models and theories of corporate entrepreneurship reviewed in this literature review will determine the variables that will be used to build the model, and also ascertain if there is consensus among researchers and theorists regarding the influence of the variable on entrepreneurial outcomes.

2.2 ENTREPRENEURSHIP

2.2.1 Entrepreneurship defined

There are several conceptualisations of entrepreneurship in the academic literature and, as a consequence of that, an assortment of definitions of the term. Shane and Venkataraman (2000) indicate that perhaps the largest obstacle to creating a conceptual model in the field of entrepreneurship is formulating a definition for the word. Therefore, it will be necessary to define the term relevant to the study in question.

A dictionary definition of the term entrepreneur is a person "who organises, operates and manages a business undertaking, assuming the risk for the sake of profit" (Concise Dictionary, 1989:251). It should be noted that entrepreneurial activity may, but does not automatically imply the creation of new and separate business entity. It does however imply organising ideas, and bringing them to market, and assuming the risks inherent in a competitive marketplace. A more comprehensive definition of entrepreneur was perhaps proposed by Kuratko and Hodgetts (1998:30) when they stated that:

> An entrepreneur is "an innovator or developer who recognises and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money or skills; assumes the risks of the competitive marketplace to implement these ideas; and realises the rewards for these efforts."

The word "entrepreneurship" derives from the French verb "entreprendre", which means "to undertake" (Vérin, 1982; Jennings, 1994). It is sometimes said that entrepreneurship originated from the discipline of economics. Pioneers of the field – Richard Cantillon in 1755 and Jean-Baptise Say in 1803 – were, however, interested in more than the economy, and they investigated the managerial aspects of enterprises, business development and business management (Filion, 1997).

On the other hand, Jean-Baptiste Say (Valery, 1999:5) defined it as a person who "shifts economic resources out of an area of lower and into an area of higher productivity and

greater yield". Notwithstanding these pioneering contributions, it is the work of Schumpeter in 1934 that has contributed the most to understanding the role of entrepreneurship in the economy.

Joseph Schumpeter, a prominent young economist in the 1930's and 1940's, launched the study of entrepreneurship (Schumpeter, 1934, 1947, 1954). He linked entrepreneurship with innovation as a driving dynamic economic disequilibrium. He saw the entrepreneur as creating new combinations of production, and entrepreneurship as a destabilising force which started the process of "creative destruction". In Schumpeter's view "the impetus for the economic system came from men (and women) of courage, men (and women) who risked their fortunes to implement new ideas, who dared to innovate, to experiment and to expand" (Heilbroner, 1955:256).

Ansoff (1979:55) extended Schumpeter's definition when he described entrepreneurship as "…the process of replacing obsolete product market combinations with newer ones of greater profit potential…" Entrepreneurship is therefore an *ongoing process* rather than an event.

Although Schumpeter's conceptualisation is frequently cited in the literature, there is also disagreement among various researchers about what is included in the domain of the concept entrepreneurship. Sharma and Chrisman (1999:23) reviewed terms and conditions in the entrepreneurship literature and concluded that the literature "reveals an ambiguity in terminology used". Specifically they found that about 80% of the articles they reviewed used definitions that followed Schumpeter, while the remaining used definitions by Gartner. Gartner (1990:20) on the other hand, stipulates "entrepreneurship is manifested in the creation of a new organisation". The reason for the significance of Gartner's stipulation is that it excludes much of corporate entrepreneurship – the domain of this study.

For purposes of this study, the definition of entrepreneurship, following Schumpeter's work, neither requires nor precludes the creation of a new organisation. The formation of a firm is a single, one time entrepreneurial event. Any firm can cease to be

entrepreneurial if it ceases to pursue revenues by transforming innovation into new products, services or business ventures in order to take advantage of a market opportunity. On the other hand, an existing firm can also begin to engage in, or bring change to its commitment to entrepreneurship.

However it should also be noted that although entrepreneurs can be creative, creativity should not be confused with entrepreneurship. Drucker (1985:172) notes that "creativity is a natural and spontaneous activity while entrepreneurship requires effort, planning and management". Entrepreneurs identify new market niches, substitute products and services for existing or new customers, and new processes that enable them to produce goods or services more efficiently, or of a different quality, than competitors can.

2.2.2 What makes a corporate entrepreneurial?

Like entrepreneurship, corporate entrepreneurship has been cited and defined in various ways in the literature, however the concept has not be consistently defined (Zahra, 2001). The terms "intrapreneurship" (Pinchot, 1985; Kuratko, Montagno & Hornsby, 1990; Kuratko, 1993) and "corporate venturing" (Ellis & Taylor, 1987) have also been used throughout literature to describe activities similar to corporate entrepreneurship. In order to reduce confusion with various terms, it is important to distinguish between the two types of entrepreneurship, i.e. "independent entrepreneurship" and "corporate entrepreneurship". According to Sharma and Chrisman (1999:19), independent entrepreneurship can be described as "entrepreneurship through the creation of a new organisation independent of any association with an existing organisation". On the other hand, corporate entrepreneurship can be described as "entrepreneurship within or in association with an existing organisation, which may or may not lead to the creation of a new organisation" (Sharma & Chrisman, 1999:30). Entrepreneurial activities are thus not limited to independent business people, nor do they involve all individuals who operate an established business. Rather an entrepreneur is anyone who helps move the economy forward by disrupting the equilibrium of the market through new combinations of

resources (Schumpeter, 1934). Thus entrepreneurship can occur throughout large corporations and involve any number of individuals.

Within corporations this entrepreneurship could manifest itself in the form of creating opportunities in existing markets.

2.2.3 Other antecedents of corporate entrepreneurship

Frameworks by various authors such as Covin and Slevin (1991), Lumpkin and Dess (1999), Morris (1998) and Zahra (1999), recognise organisational culture as an antecedent to corporate entrepreneurship. However, as can be seen in Figure 2.1, the strategy that an organisation chooses to pursue, the opportunities and constraints in its environment, and its organisational characteristics, including culture, affect the degree to which a firm is entrepreneurial. These additional antecedents will be explored below.

Conceptual Framework of Corporate Entrepreneurship

(Adapted from Zahra, 1993)

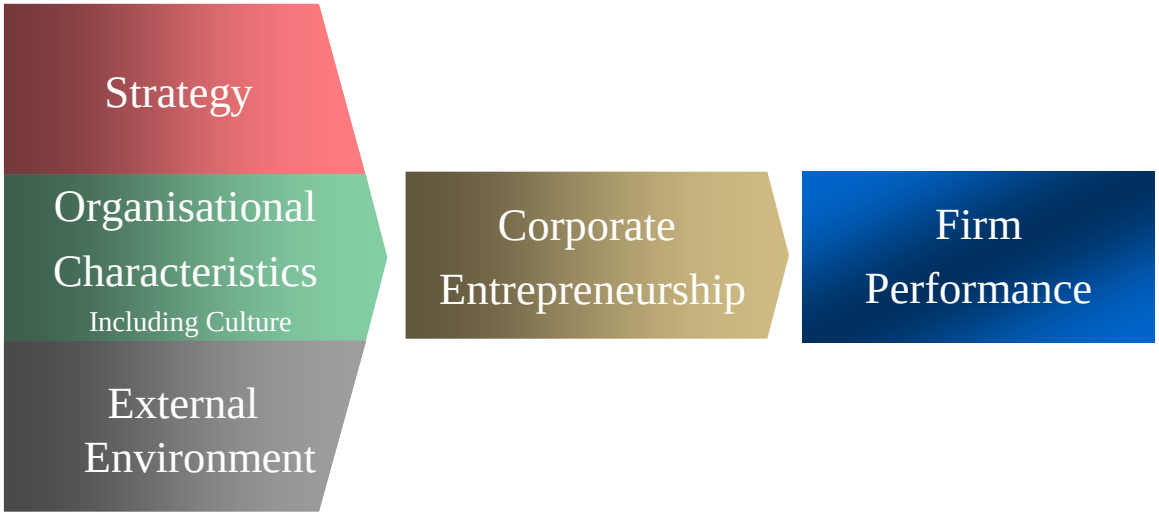


Figure 2.1: Conceptual framework of corporate entrepreneurship (Adapted from Zahra (1993))

2.2.3.1 Strategy influences on corporate entrepreneurship

Mintzberg (1983) says that an organisational strategy based on innovation is inherently uncertain – neither the result nor the means of achieving the desired effect for any given innovation venture can be determined in advanced. Therefore policy makers within the organisation cannot use conventional methods of organisational control in order to manage the innovation process. According to Burgelman and Sayles (1986) and Mintzberg (1983), policy makers are limited to three options which are set out below:

Strategy 1: Design the organisational context that is conducive to the autonomous generation of entrepreneurial initiatives. This entails the creation of structures and a culture that facilitates entrepreneurial behaviour.

Strategy 2: Provide the organisation with a sense of overall direction for innovative initiatives through an entrepreneurial vision.

Strategy 3: Ensure that promising ventures receive necessary resources as they move through the uncertain development process.

Covin and Slevin (1991) provide a construct termed entrepreneurial posture – a termed used to capture the behaviours of several top managements related to corporate entrepreneurship.

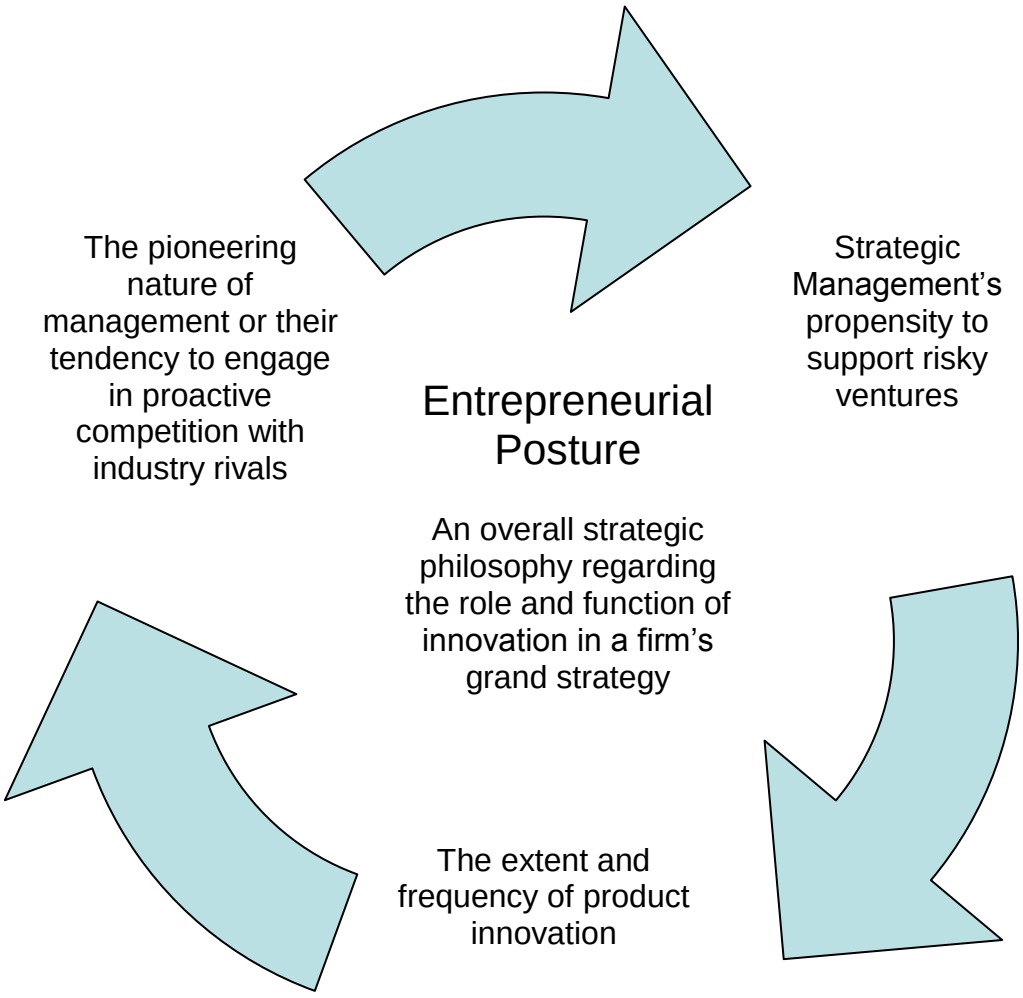


Figure 2.2: Entrepreneurial posture (Adapted from Covin and Slevin (1991))

The concept of entrepreneurial posture will be important to the model because it captures the propensity of decision-makers, policy makers and managers to encourage entrepreneurial efforts by employees and to provide the resources and organisational context that facilitate corporate entrepreneurship.

2.2.3.2 Environmental influences on corporate entrepreneurship

External environments provide the context that either facilitates or hinders the emergence of corporate entrepreneurship. According to Covin and Slevin (1991:11), the

environment plays a "seminal role in entrepreneurship theory and design". In Zahra's (1991) terms, information from the environment is presented in the form of "precipitating events" that stimulate entrepreneurial activities. These precipitating events, which can provide opportunities for companies that have nurtured a culture of entrepreneurship, can be noticed by its employees, and be acted upon, while at the same time they can go unnoticed by employees in less entrepreneurial organisations (Miller & Friesen, 1985). It is clear that not all companies will react in the same entrepreneurial spirit to precipitating events, even while operating in similar context (Miller & Friesen, 1985). However, if an organisation wants to take full advantage of precipitating events which expose opportunities for a company, it is imperative that the entrepreneurial behaviour within the firm be closely monitored, which is the interaction between individual responses, precipitating events and organisational characteristics, such as culture.

2.2.3.3 Individual influences on corporate entrepreneurship

As mentioned above, if an organisation wants to take full advantage of precipitating events, the factor of individual characteristics needs to be carefully considered. Much of the literature on individual characteristics has been largely focused on the traits that distinguish entrepreneurs from the rest of the population (Brockhaus, 1982; Gartner, 1988).

Hornsby, Naffziger, Kuratko and Montagno (1993) state that there are distinctive characteristics that define potential entrepreneurial behaviour such as the propensity in taking risk, the desire for autonomy, the need for achievement, the orientation towards goals and the internal locus of control. However, as great as the emphasis is on individual characteristics, much of the essence of entrepreneurial initiatives lies in the setting in which it occurs, and that is within the organisation. Many of the critical success factors for Corporate Entrepreneurship lie in the direct and indirect influence and control of top management. Therefore, for individuals to realise their entrepreneurial characteristics, factors such as reward systems, reporting relationships, access to financial resources and a host of other factors that influence and shape the behaviour of these

individuals, needs to be carefully considered and monitored. These factors together constitute the organisational context and inherently affect the culture within the organisation.

Sundbo (1999) states that, individuals need to be empowered in order to become innovative and entrepreneurial. This author identifies three pre-conditions of successfully empowering employees to promote Corporate Entrepreneurship, namely double-loop, single-loop and Deutero learning described below.

Double Loop Learning:	The development and harnessing of entrepreneurial spirit and competency
Single Loop Learning:	The employees development of entrepreneurial skills and ideas, guided by management with satisfactory and healthy exchange of ideas between parties
Deutero Learning:	Institutionalising of double and single loop learning as part of employees tasks in order to establish a learning-orientated corporate entrepreneurial culture with flexible exchange and application of knowledge.

These “empowerment norms” emphasise the importance of the relationships between individual and organisational factors in the advancement of a culture that fosters Corporate Entrepreneurship.

2.2.3.4 Team influences on corporate entrepreneurship

Although a lot of emphasis is placed on individuals as champions in the initiative of Corporate Entrepreneurship, 'It Is Difficult To Clap With One Hand (gu zhang nan ming)' as the old Chinese saying goes. It is arguable that despite the idealistic perception of the entrepreneur as the single-handed hero, the reality is that successful entrepreneurs either have built teams around themselves or were part of a team throughout. It is within these teams that individuals operate to form the whole. Teams play a significant role in

ensuring that the projects achieve significant support and are duly implemented with success.

Team composition

The heterogeneity in top teams represents a differentiation in values, belief structures, leading to a greater search for information (Dutton & Duncan, 1987), and the ability to manage a larger variety of strategic issues. Higher innovation and creativity are associated with heterogeneity (Katz, 1982; Wanous & Youtz, 1986), whereas team homogeneity can lead to complacency about the status quo, and high commitment to prior actions (Janis, 1972). Heterogeneity additionally provides a stimulus for innovation, as ideas come from a greater variety of backgrounds. Heterogeneity in functional backgrounds is also particularly important in complex environments, where the firm faces conflicting demands from multiple constituencies (Lawrence & Lorsch, 1967; Pfeffer & Salancik, 1978).

2.2.4 Manifestations of corporate entrepreneurship

Some researchers describe several manifestations of corporate entrepreneurship. Some manifestations represent minor changes in the way a firm does business while others represent radical change. Covin and Miles (1999) indicate that "innovation is the single common theme underlying all forms of corporate entrepreneurship". While this is not a sufficient condition, they claim that "without innovation, there is no corporate entrepreneurship" (Covin & Miles, 1999:58).

Accepting that innovation is a characteristic of corporate entrepreneurship, there is disagreement among researchers about whether or not new products or services need to be developed internally in order to have evidence of corporate entrepreneurship. For example, another author, Russell (1999), stipulated that corporate entrepreneurship is about the internal generation of innovations. He defined corporate entrepreneurship as "the improvement of firm competencies and the extension of its opportunity set through

internally generated innovation" (Russel, 1999:16). For purposes of this study however, entrepreneurship is considered to occur, "whatever the source of an innovation".

2.2.5 Assessment of corporate entrepreneurship

Most prior studies have attempted to link entrepreneurial activities to the firm's overall financial performance. Other firm-level outcomes that have also been identified in literature as important indicators of corporations that are entrepreneurial include (1) revenue growth, (2) firm profitability, (3) value creation, (4) the number and value of new products, (5) the number of patents acquired, (6) the radical nature of new products and technologies, (7) the frequency of venture creation, (8) the speed of entry into new markets, and the (9) magnitude and/or growth of revenues, profits and employment (Zahra, 1996; Schoonhoven, Eisenhardt & Lyman, 1990; Knight, 2000).

Zahra (1996:56) however warns against assessing entrepreneurship with measures of firm profitability because the two do not necessarily represent the same construct. Zahra states that:

> "Both the popular press and practitioner-orientated literature claim that entrepreneurial activities are inherently linked to higher company performance. However, the notion of equifinality suggests that organisations can utilise different orientations to reach the same objectives and achieve the same outcome. Consequently there may be no performance differences between entrepreneurial and conservative firms".

Researchers recommend, among many possible objective measures of entrepreneurship, the number, value and/or radical nature of new products. It should be noted that the radical nature of new products may be misleading. While they are measures of innovation, they do not fully capture entrepreneurship. What distinguishes highly entrepreneurial firms from less entrepreneurial firms is the extent to which they obtain revenue from new sources over a certain period of time. Zahra (1999) found that

entrepreneurial companies obtain a higher percentage of their revenues from business ventures introduced in the past three years than do less entrepreneurial firms.

A three-year time period has been used in studies of corporate entrepreneurship by Zahra (1999), Colvin (1999) and others, which corresponds with Drucker's (1985:173) suggestion that "every three years, every single product, process and staff activity should be put on trial for its life". At 3M, a company known for its entrepreneurship, managers are expected to obtain 25% to 35% of revenue from products introduced in the last three years (Von Hippel, Thomke & Sonnack, 1999). Using a single year's data may be misleading, given the irregularities of product launches, differences among the firm's core technologies and different cycles of new product development.

Lee, Lee and Pennings (2001) studied entrepreneurship in a sample of 137 Korean technology companies, and found a significant correlation between three-year sales growth and corporate entrepreneurship as measured by an index of six objective items:

- the number of R&D employees;
- the number of products/services that created a new market niche successfully;
- the number of risky R&D projects;
- expenditure on risky R&D projects;
- the number of first-mover projects; and
- expenditure on first mover projects.

Their entrepreneurship measure is an indication of a firm's strategic orientation towards innovation and risk, but it does not capture revenue from new sources. In addition, CEO's and non-entrepreneurs may interpret risk differently. Nonetheless, their study established that revenue growth over time is a likely indicator of corporate entrepreneurship.

In his 1996 study, Zahra (1996) measured corporate entrepreneurship with a 14-item Likert-type scale completed by 127 CEO's of Fortune 500 companies. A factor analysis

revealed three factors, which correspond to the three manifestations of corporate innovation:

- commitment to innovation;
- venturing activities; and
- strategic renewal.

Zahra (1996) established the validity of his subjective measures by finding a significant correlation between subjective measures and (1) Miller's strategic posture index and (2) an objective index of corporate entrepreneurship, the three-year average of spending on R&D as a percentage of sales, the number of new products, and the percentage of revenue from business that did not exist three years earlier.

On the other hand, Pearce and Carland (1999) used a single measure of corporate entrepreneurship as their dependent variable, which is "Management places importance on introducing new products and services". They found that a significant, positive relationship between their independent variable, i.e. a measure of entrepreneurial strategic posture, and the single measure of entrepreneurship.

Based on the preceding review above on Entrepreneurship and Corporate Entrepreneurship, the following objective measures will be used in the study to identify an organisation that is entrepreneurial, that will be used in the study:

- the percentage of new products, services and business ventures/acquisitions or mergers introduced within the past three years; and
- increases in firm revenue over the past three years in relation to those new products.

2.3 CULTURE

2.3.1 Culture defined

In 1874, Edward Tylor, who is credited with initiating the discipline of anthropology, defined culture as "that complex whole which includes knowledge, belief, morals, law, custom, and any other capabilities and habit acquired by man as a member of society" (Malinowski, 1945:109). Subsequent to Tylor's work, anthropologists (and later management researchers) have attempted to identify the critical components in the domain of culture. In the 1940's, Malinowski proposed that cultural manifestations (such as Tylor's morals and customs) represent a group's response to the basic problems of human existence. He felt that what differentiates one culture from another is the form of institution developed to deal with a universal problem (Malinowski, 1945).

While Malinowski was mainly concerned with institutions as the primary indicators of culture, Kluckhohn and Strodtbeck (1961), focused on the values and beliefs that differentiate members of different groups. They described cultures as "value orientations" that groups develop to address the common human problems that all people at all times must solve.

A more recent definition of culture is that of Hofstede (1991:19), who defined culture as "the interactive aggregate of common characteristics that influence a group's response to its environment". Hofstede's model of national culture comprises the values, beliefs and norms of group of people on five cultural dimensions, namely

- Power Distance;
- Individualism vs Collectivism;
- Masculinity vs Femininity;
- Uncertainty Avoidance; and
- Confucian Dynamism.

Hofstede operationalised culture by collecting responses on a survey that, when aggregated, characterised a group according to its members, values (what is good, what is right), their beliefs (about human nature, work and leisure, the world) and their norms (what are their expectations of behaviour). Hofstede's national culture construct has been validated, and the instrument has been revised and extended (Hoppe, 1990).

Benedict (1946) noted that one of culture's critical functions is informing members how they should treat deviants. Deviants are described as those members of a group whose behaviour violates shared norms of acceptable behaviour. In all culture, standards are established to delineate the "normal" behaviour expected of members. Benedict notes, "in a sense, deviants represent and define a culture's boundaries" (Sathe, 1985:205). By pointing out what is unusual or unacceptable behaviour, deviants clarify just what a given group's norms of normal behaviour are. For any culture to survive over time, it necessarily sanctions certain deviant behaviours. However, cultures vary both in the amount of deviance permitted on the part of members and the areas of life in which deviance is tolerated. Cultural norms, in fact, include the "rules for breaking rules" of any given group (Schein, 1992; Verkuyten, 1994; Benedict, 1946).

2.3.2 Corporate culture

Like members of all groups, members of organisations develop a culture that they pass on to their new members (Schein, 1992). Organisational culture influences how members view the world in which their organisations exists. It includes implicit, shared values, beliefs and behavioural norms about how the world works, what human nature is, how work is or should be organised, and on what criteria decisions should be made (Schein, 1992).

2.3.3 Meaning and levels of organisational culture

In 1952, Elliot Jaques (1952:251) provided the following definition of organisational culture:

> "A customary and traditional way of thinking and doing things, which is shared to a greater or lesser degree by which all its members and which new members must learn, and at least partially accept, in order to be accepted into service in the firm.
>
> Culture in this sense covers a wide range of behaviour:
> The methods of production; job skills and technical knowledge; attitudes toward discipline and punishment; the customs and habits of managerial behaviour; the objectives of the concern; its way of doing business; the methods of payment; the values placed on different types of work; beliefs in democratic living and joint consultations; the less conscious conventions and taboos.
>
> Culture is part of second nature to those who have been with the firm for some time. Ignorance of culture marks out the newcomers".

Jaques assessed the culture of a British firm through repeated observations and interventions (changes in structure and personnel practices) over four years. His focus on personnel practices as indicators of a given organisational culture was adopted by researchers in the United States in the 1950's and 1960's, many of whom were associated with Likert at the University of Michigan (Ashkanasy, Broadfoot & Falkus; 2000).

Researchers began to investigate personnel practices as manifestations of a group's underlying values, beliefs and norms; they "interpreted their observations of personnel practices as cultural rites and ceremonials" (Trice & Beyer; 1993:28). From this tradition arose the methodology of measuring culture through surveys with Likert-type response formats.

Schein's work on organisational culture in the 1980's includes the most widely cited definition of, and approach to understanding, organisational culture. Schein (1992) points out that at one time in the organisation's history, the group consciously attempted certain courses of action. If these actions did not lead to success, the group attempted other actions. The more successful the group was in dealing with its problems, the more

likely it would be to take similar actions when faced with similar situations. At some point, the group began to adopt such actions without making an explicit decision to do so (Ashkanasy, Broadfoot & Falkus; 2000). At this point, certain values, beliefs and norms became embedded in the organisational culture. Schein's (1992:12) definition of culture follows:

> "…. culture is a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."

Schein described three levels of culture using an iceberg metaphor. On the surface are *artifacts*, the visible organisational structures and processes. Underneath the artefacts lie *values*, the strategies, goals and philosophies of an organisation. At the deepest level are basic *assumptions*. Assumptions are the unconscious and taken-for-granted beliefs, perceptions, thoughts and feelings of those in the organisation. Schein asserts that assumptions can be altered, albeit indirectly, by the introduction of new values and new behaviour by leaders. If success is experienced, then organisational members will internalise these newly introduced values, and gradually they may change their basic assumptions. Figure 2.r depicts Schein's levels of culture, with an indication of the relative degree to which different aspects of culture can be observed.

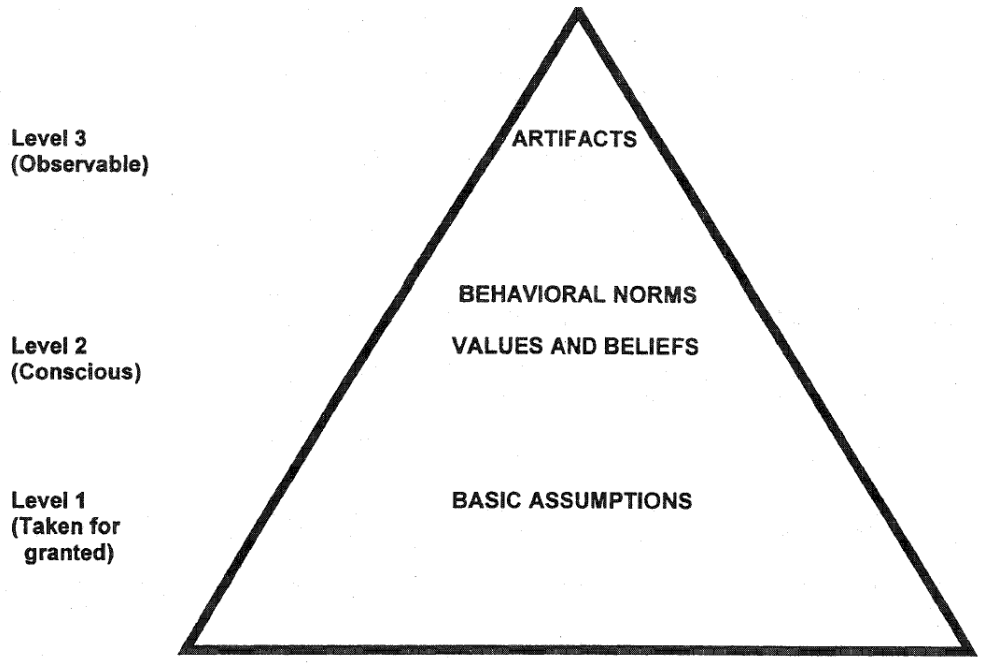


Figure 2.3: Levels of culture (Adapted from Schein (1992))

Below artefacts are behavioural norms, and then values and beliefs, which are consciously held, and can be reported by organisational members. Norms are prescriptions for behaviour, behavioural blueprints for organisational members in general and for people who fill specific roles (Ott, 1989:36). Ott (1989) contends that norms are pivotal to understanding organisational culture, and are much more important than artefacts, rites or rituals. Hall (1977) writes that norms are synonymous with organisational culture. Behavioural norms enable members to predict the behaviours of others and know what behaviour others expect of them (Rousseau, 1990).

"Values are conscious, affective (value-laden) desires or wants. They are the things that are important to people: the shoulds, should nots, and ought-to-be's of organisational life" (Hall, 1977:39). Hall (1977) expands by stataing that beliefs are "consciously held, cognitive (mental) views about truth and reality. Sathe (1988:10) writes that shared values and beliefs are "justifications of behaviour," they provide the underlying reasons that organisational members behave the way they do. Like norms and values, "beliefs are conscious and thus can be identified without too much difficulty" (Ott, 1977:42).

In summary, norms are organisational members expectations of how to act, values are what organisational members hold be important, and beliefs are what organisational members believe to be real and true. Because they are conscious, norms, values and beliefs can be reported to outsiders.

2.3.4 Cultural diversity

Chung and Gibbons (1997) explain that what differentiates effective entrepreneurial organisations from the less effective ones is the ability to manage cultural diversity. This aspect of culture acknowledges the diversity that exists in the organisation, because different norms emerge within different groups (Schein, 1999). Chung and Gibbons (1997) further explain that the cultural values that encourage innovation provide fundamental information to organisational members about what is expected of them in the organisation. However Chung and Gibbons (1997) also warn that cultural norms can paradoxically facilitate and inhibit entrepreneurial activities within the organisation, as the organisation desperately "clings to whatever made it a success" (Schein, 1999:13), and further hinders it from learning and changing.

2.3.5 Measurement of corporate culture

"Among culture researchers, there is disagreement about how organisational cultures can and should be assessed" (Ashkanasy, Broadfoot & Falkus, 2000:131). Pettigrew (1979) recommends an analysis of symbols, language, ideology, beliefs, rituals and myths. Researchers such as Schein, Martin, Ott and Sackmann, suggest that culture can at best be understood by using multi-methods that lead to an in-depth personal understanding of an organisation over time, usually including participant-observation and detailed, open-ended interviews (Schein, 1992; Martin, 1992; Ott, 1989; Sackmann, 1997). Nevertheless, quantitative, survey-based methods have been used in culture research for more than four decades, (Ashkanasy, Broadfoot & Falkus, 2000).

For purposes of this research, the culture within the selected organisation will be measured using in-depth open-ended interviews, with the aim of providing a description of the process by which culture affects corporate entrepreneurship.

2.4 ORGANISATIONAL CULTURE AND CORPORATE ENTREPRENEURSHIP

While much of the focus of research in this field has been on the organisational characteristics that foster entrepreneurship, Gartner (2000) suggests that in entrepreneurship research, the research questions should focus rather on the process of entrepreneurship and how its antecedents have an effect on that process. His proposition is that entrepreneurship is a multidimensional process and that entrepreneurial traits and characteristics constitute just one area and component to this process. He believes that it is critical to understand that corporate entrepreneurship is a multifaceted process, with many contributing variables that lead to the implementation of innovative ideas. Gartner (2000) has called for studies that build on the previous literature and the development of theories for the study of the entrepreneurial process.

Within this section of the literature review, various models and theories of corporate entrepreneurship will be reviewed in order to determine if there is an agreement regarding the important variables, and how these variables influence the outcome of entrepreneurial activities. The variables that will be identified will ultimately be the building blocks of the model.

2.4.1 Qualitative studies that identify organisational characteristics that foster corporate entrepreneurship

Cornwall and Perlman's study

Organisational culture has generated a significant amount of research interest since the early 80's. Much of this research has gone into understanding and describing the various characteristics that make up an entrepreneurial organisation. For instance, Cornwall and

Perlman (1990) describe entrepreneurial organisations as risk-taking and future-focused with flexible organisational boundaries and frequent, open communication in all directions. According to these authors, members of entrepreneurial organisations value both creativity and productivity; they do not accept that there must be a trade-off between the two. In entrepreneurial organisations, they claim there are norms which mean that members are expected to exhibit opportunity seeking and risk-taking behaviours. In addition, members expect to be supported and rewarded for exhibiting these behaviours. Members of entrepreneurial organisations expect to be empowered. They believe that important decisions should be based on the contributions of multiple organisational members at all levels. Cornwall and Perlman (1990) describe a culture for organisational entrepreneurship as one that elicits commitment to and a passion for the work done. The heroes of a culture for organisational entrepreneurship are the people who take risks (their status, job, income, future, opportunities or safety) in the service of the group and its beliefs (Deal & Kennedy, 1982).

Finally Cornwall and Perlman (1990) suggest ten characteristics of a culture corporate entrepreneurship as set out in the table below:

Table 2.1: Ten characteristics of culture corporate entrepreneurship

Risk	Taking chances, innovation and new ideas at all levels of the organisation are expected, emphasised, supported and rewarded.
Earned respect	A sense that the organisation is special in what it stands for, what it does and how it does it, and that it demands and deserves uncommon effort and contribution from those who work there.
Ethics of Integrity, trust and credibility	People in the organisation have the obligation to each other to behave in the "right" way.
People	The knowledge that people will be included in, not excluded from, what is important from the organisation.
Emotional commitment	Appreciation and high respect for evangelical zeal People are allowed to feel strongly about what they do and to communicate their feelings openly and honestly.
Work is Fun	People think, "we might as well have fun doing this; we spend a lot of time in the office and invest a lot of ourselves in the office."
Leadership at all levels	Allowing people at all levels of the organisation the freedom and opportunity to provide leadership for others.
Value wins	Everything that the organisation does, must have some value and meaning for its customers and its workers.
Relentless attention to detail, people. Structure and process	Organisational members believe that if something does not work well, it can be fixed. If it does work well, it can be improved.
Effectiveness and efficiency	The entrepreneurial organisation has the discipline to execute daily activities and at the same time allow for innovation and risk-taking.

Winslow's study

Another author, Winslow (1990:258), writes that organisational culture affects entrepreneurship at the firm level by exerting "definite and persuasive pressure" on people to shape their behaviour to conform to values, beliefs and assumptions held by the group. Members adapt their behaviour to fit expectations embedded in the organisation's culture. Winslow adds that in an entrepreneurial culture, impertinent behaviour occurs and is allowed to occur; people are being creative and solving problems are not expected to conform to a traditional business behavioural code of conduct. Winslow suggests that entrepreneurial organisational cultures can be differentiated from other cultures in the way that deviants are treated.

Sathe's study

Another in-depth study field conducted by Sathe (1988), looked at four large US firms, he identified two distinct patterns of corporate entrepreneurship. The first, "*surface pattern*" was found in firms whose senior management consider innovation and new business ventures to be important. The second "*deep pattern*" was found where entrepreneurship is an important shared value. The deep pattern describes a culture of entrepreneurship that has served to shape the behaviours, policies, and decisions in the history of firms that have consistently been entrepreneurial over a long period of time (Sathe, 1988:18). Sathe (1998) identified the defining characteristics of deep pattern entrepreneurship firms and contrasted them with characteristics of the surface pattern firms, as set out in the table below

Table 2.2: Characteristics of deep pattern entrepreneurship firms vs surface pattern firms

Self Selection	In the firms with surface pattern entrepreneurship, internal entrepreneurs are appointed from within or hired from the outside. They are selected by senior management to run projects, divisions that require changes and new ventures. Sathe (1988) found that applied entrepreneurs in the two firms with a surface pattern varied regarding their knowledge of the project and conviction that the endeavour be successful. In the two deep pattern companies, however, internal entrepreneurs select themselves and "bubble up" into entrepreneurial roles. Sathe (1988) found that in deep pattern companies, internal entrepreneurs are very knowledgeable about the entrepreneurial project, and very committed to its success. He describes how culture is related to the self-selection process in the deep pattern companies as follows: "With this value [entrepreneurship] deeply held and widely shared, there was little to "mandate" entrepreneurship or "appoint" entrepreneurs. Socialised into such a culture from early in their careers, managers who were so inclined sought out opportunities to make their entrepreneurial mark (Sathe, 1988:46)."
Intrinsic motivation	According to Sathe (1988), in the deep pattern, money is not seen as the primary motivator by the entrepreneurs in these companies. Entrepreneurs are rewarded with recognition, increased status and additional opportunities to engage in entrepreneurship. In the surface pattern, internal entrepreneurs see money and fulfilling a mandate as the primary motivators.

Learning from failure	With reference to Sathe (1988:46), "the company attitude toward failure had a crucial impact on managers' motivations to engage in entrepreneurial activity." In the deep pattern companies, failure is considered normal and an opportunity to learn; it does not lead to scape-goating or apportioning blame. One manager interviewed by Sathe (1988:47) in a deep company remarked, "If we succeeded at every venture we tried, we would be the biggest company by now! Failure is normal. What is important is what we learn from it". In surface pattern companies, however, entrepreneurs refer to their company's treatment of failure as "management by gotcha!". Surface pattern cultures are blame-orientated with "do not mess up" norm (Sathe, 1988:49).
Designation and control	Since entrepreneurial activity is inherently uncertain, companies with both deep and surface patterns had control systems in place for new projects and ventures. While surface pattern companies estimated the viability of projects based on financial and market analyses, deep pattern companies relied more on the judgement of committed entrepreneurs than on the numbers, Sathe (1988:47). remarks, "When faced with difficult decisions about which opportunities to pursue and how long to pursue them, the management of these [deep pattern] firms had a clear philosophy: … the judgements and convictions of those engaged in the entrepreneurial activity carried the day."
Open communication	In deep pattern companies, senior executives are kept fully informed about the progress of entrepreneurial activities. While some "bootlegging" may occur at lower levels, the norm is "no hiding" information. In surface pattern companies, the openness of communication varies (Sathe, 1988:48).
Insubordination	Sathe (1988) found that in surface pattern companies, senior executives issue edicts and insubordination is not tolerated. In deep pattern companies, however, executives trust entrepreneurs who "know their territory" (Sathe, 1988:48) and tolerate some insubordination.
Budget cuts	In both deep and surface pattern companies, budgets are cut from time to time, which affects entrepreneurial activities. In surface pattern companies, entrepreneurs believe that such cuts harm activities and represent a lack of commitment by executives. In deep pattern companies, entrepreneurs see budget cuts as unfortunate obstacles to be dealt with.

Sathe, like Winslow, notes that the behaviour of entrepreneurs sometimes deviates from what is typically expected of members of large bureaucracy. In deep pattern companies, executives believe that talented entrepreneurs need to be given leeway. Therefore, some insubordination is accepted. On the other hand, Cornwall and Perlman (1990) suggest

that hiding information and "bootlegging" entrepreneurial projects off of other budgets is a necessary evil. Sathe, however again found that "bootlegging" is out of the usual run of things in the deep pattern companies, at least on large projects; in such firms, information about entrepreneurial activities flows freely; nothing is kept hidden from executives.

Morris' study

The entrepreneurial organisation culture of Morris (1989), based on his review of the literature and his own research on the entrepreneurial intensity of private and public-sector organisations, also provided a description of the culture he thinks makes an entrepreneurial organisation. This is set out in tbale 2.3 below.

Table 2.3: Morris' description of the culture of entrepreneurial organisation

Strong culture	Morris (1989:100) claims that entrepreneurial organisations tend to foster a strong culture. He describes such a culture as being built around a central set of values that pervade every aspect of company operations. He believes that employees are indoctrinated to internalise these values, and those who do not, rarely last.
Commitment to innovation	According to Morris (1989), the values of members of entrepreneurial organisations include commitment to innovation. "Such a commitment becomes impossible when the pervading emphasis is on imitation of competitors, conservation and self-aggrandisement" (Morris, 1989:101).
Risk taking and tolerance of failure	Morris claims that risk-taking and tolerance of failure distinguish the culture of an entrepreneurial organisation from other cultures. Entrepreneurial intensity is associated with acceptance of failure.
Proactiveness	Employees are preoccupied with demands of the future more than the present. "The company that stresses reliability or efficiency may find the marketplace puts a much higher premium on flexibility and value for the dollar" (Morris, 1989:100).

Zaltman, Duncan and Holbek's study

In 1973, Zaltman, et al. (1973) defined the intrapreneurial process as occurring in three stages, namely the initiation stage, the development stage and lastly the implementation

stage. These variables represent outcomes that are the result of the interaction among organisational and environmental influences. They are described below.

Table 2.4: Intrapreneurial process in three stages

Initiation	This is the stage where new ideas occur, either through the creative acts of organisational members or the creation of opportunities for innovation as the result of some form of environmental scanning. This could also emerge as a combination of both elements. This stage is primarily the domain of autonomous individuals or very small groups in the entrepreneurial firm (Burgelman, 1984).
Development	Ideas in the initiation stage are not perceived by members of the organisation as formal new ventures. In order for them to move into the development stage, these ideas need to become more structured, and the organisation, along with its individuals, needs to be aware of the potential of the idea and its rewards to the organisation. In addition the idea needs to gain support from the organisation in the form of resource allocation in order to explore the idea further.
Implementation	The implementation phase occurs after successful development and refers to incorporating successful new ventures as ongoing operations of the organisation.

2.4.2 Quantitative studies that identify organisational characteristics that foster corporate entrepreneurship

2.4.2.1 Innovative norms and innovative climate

A review of the literature led to the identification of two published empirical studies that identified additional variables that could be included in the model, namely, "Innovative Norms" and "Innovative Climate". Following table 2.5, the two studies will be discussed.

Table 2.5: Additional variables identified in two empirical studies

Author (Year)	Items/Dimensions	Sample/Informants	Main Findings of Research
Siegel & Kaemmerer (1978)	61 Items 1 - Support for creativity 2 - Tolerance of Differences 3 - Personal Commitment	1,899 Students and teachers at 2 traditional and 2 innovative schools	Positive relationship between "innovative climate" and the "innovativeness" of public schools
Russell & Russell (1999)	31 Items Unidimensional (8 dimensions proposed)	77 CEO's or heads of SBU's (diverse industries)	Positive relationship between "innovative norms" and the "entrepreneurial strategy".

The Siegel & Kaemmerer (1978) study found significant differences between the climates of two types of school. A factor analysis disclosed three innovation climate factors.

Support for creativity: This is the extent to which members perceive their organisations as supportive of independent pursuits of new ideas.

Tolerance of differences: The innovative organisation is tolerant and supportive of diversity and people can be different without getting into trouble.

Personal commitment: Members are loyal to the organisation and see its goals as compatible with their individual goals.

As noted in an earlier section of this literature study, it was established that entrepreneurial posture refers to the tendency of strategic leaders and managers to engage in entrepreneurial ventures as an ongoing strategy. Therefore strategic leaders operating from a entrepreneurial posture will tend to create and reinforce values and norms that generate intrapreneurial behaviours, such as those described in the Cornwall and Perlman (1990) study, the Sathe (1998) study, which introduced the “deep pattern” entrepreneurial firm as well as the Entrepreneurial Organisation Culture of Morris (1989), that also provided a description of the culture he thinks makes an entrepreneurial organisation.

These studies support and verify the Russell ans Russell (1992) study, which effectively says that the innovative norms are behavioural expectations regarding taking action and

being supportive of innovation in a given organisation. Norms are based on values that group members share. In their study they found that innovative norms were conceptualised as fitting into eight dimensions. In their study Russell and Russell (1992) state that:

> "Norms related to fostering creativity, searching for information from external sources, providing resource support for testing new ideas, keeping an open-mind towards new ideas, and tolerating failure in creative ventures all support the emergence of untried, new ideas in the entrepreneurial firm. The impact of external information search and creativity norms on the initiation of new ventures is mediated through the recognition of potential opportunities for innovation. The recognition that an idea has potential as an innovation opportunity is a necessary precondition to the initiation of the innovation process. External search norms combine with environmental precipitating events to increase the recognition of innovative opportunities within the entrepreneurial firm"

The eight dimensions mentioned above will be described in more detail below. The descriptions of the dimensions have been taken from the 1999 conceptual paper by Russell (1999:72). In 1992, Russell and Russell (1992) postulated eight innovative norms dimensions, but their analysis revealed a single factor model with 31 items. The norms mentioned in the Russell and Russell (1992) study set out below in table 2.6.

Table 2.6: Eight innovative norms by Russell and Russell (1992)

Value for innovation	This is seen as a practice and as a source of competitive advantage
Creativity norms	These are norms which encourage creativity among organisational members;
External source norms	These are norms which encourage the search for innovation opportunities from external sources
Championing norms	These are norms which facilitate resource support for innovation ventures
Information sharing norms	Norms that support the information sharing between individuals and groups regardless of organisational position
Failure tolerance norms	Norms that promote tolerance for failure when creative ideas or projects are not successful
Open-mindedness norms	These are norms which encourage the open-minded consideration of new ideas an projects
Innovation implementation norms	These are norms that support the implementation of innovation regardless of the involvement of the individual or group's involvement in the development of the ventures.

2.4.2.2 Interactive model of corporate entrepreneuring

Based on an analysis of some of the most consistent elements in literature, Kuratko, et al. (1990) developed a model called IAI (Intrapreneurial Assessment Instrument). Their research was found to be consistent with some of the existing literature, and resulted in five factors, which were considered to be areas that management had some control over. Each of the five factors will be briefly discussed below:

Table 2.7: Five factors of management

Management Support - This is the extent to which management structure itself encourages employees to believe that innovation is, in fact part of the role set for all members of the organisation.	Some of the specific conditions reflecting management support would be: quick adoption of employee ideas, recognition of people who present ideas, support for small experimental projects and seed money to get projects off the ground.
Autonomy/work discretion – This is the discretion that workers have to the extent that they are able to make decisions about performing their own work in the way that they believe is most effective.	Organisations should allow employees to make decisions regarding their own work process and avoid criticising employees for making mistakes when being innovative
Rewards/reinforcement – Rewards and reinforcement enhance the motivation of individuals to engage in innovative behaviour.	Organisations must be characterised by providing rewards contingent on performance, providing challenge increasing responsibility and making ideas of innovative people known to others in the organisation hierarchy
Time availability – The fostering of new and innovative ideas requires that individuals have time to incubate these ideas.	Organisations must moderate the workload of people, avoid putting time constraints on all aspects of a person's job and allow people to work with others on long-term problem solving
Organisational boundaries – These are the boundaries, real and imagined that prevent people from looking at problems outside their own jobs.	People must be encouraged to look at the organisation from a broad perspective. Organisations should avoid having standard operating procedures for all major parts of the job and should reduce dependence on narrow job descriptions and rigid standards of performance

2.4.3 Relevant models in the theory

The following table summarises additional various researched and accepted variables within models that have been researched/developed over the years by various authors. Some of these variables will form the building blocks of the model.

Table 2.8: Variables within models

Author	Model Info	Variables Used	Assessment
Guth and Ginsberg (1990)	A CE model was developed on the conceptualisation of CE The model breaks CE into categories of innovation/venturing and strategic renewal.	• Environment, Strategic Leadership • Organisational Conduct/Form • Organisational Performance	The model does not recognise reciprocal influences between the variables. No feedback loops are acknowledged within the model, except between organisational performance and Corporate Entrepreneurship
Covin and Slevin (1991)	An integrative model that explains the association between a company's entrepreneurial posture and its environment, strategy, internal factors and organisational performance.	• Entrepreneurial Posture • Firm Performance • External Variables • Strategic Variables • Internal Variables	The model is criticised on the grounds that it does not clearly define what entrepreneurial behaviour is nor does it differentiate between constructs. In addition the antecedents' conditions lack clarity. The model also assumes one entrepreneurial posture.
Zahra (1993)	A revised conceptual framework on firm-level entrepreneurship. The model suggests a more parsimonious classification of the environment set than suggested.	• Entrepreneurial Posture • Firm Performance • External Variables • Strategic Variables • Internal Variables • Managerial Values • Organisational Structure • Managerial Process • Organisational Culture	This model used a more parsimonious classification system and many variables used by Zahra were compressed under categories. However the effect of those variables under the larger categorise were not explored or the impact that they have on each other. Feedback loops were only considered at the higher category levels.
Lumpkin and Dess (1996)	A conceptual model of the entrepreneurial orientation-per-formance relationship. The authors describe entrepreneurial orientation in terms of five dimensions. (Autonomy, Risk Taking, Innovativeness, Proactiveness and Competitive Aggressiveness).	• Entrepreneurial Orientation • Environmental Factors • Performance • Organisational Factors	This model presents a static view of the firm with no feedback between performance, entrepreneurial orienta-tion and the environment.
Barrett and Weinstein (1998)	A model that depicts the relationships between corporate entrepreneurship, flexibility, market orientation and business per-formance.	• Market Orientation • Flexibility • Business Performance • Internal Variables • Strategy Variables	This model acknowledges the reciprocal influences between the different strategic constructs.

2.5 LITERATURE REVIEW: CONCLUSION AND SUMMARY

2.5.1 Literature review conclusion

Research into the nature of corporate entrepreneurship has grown tremendously through the last quarter of a century. There is an abundance of literature that expands on the importance of creativity and innovation in keeping an organisation healthy, viable and competitive. Drucker (1985) noted that entrepreneurship operates through the tool of innovation. It is a discipline that he says can be learned and developed (Drucker, 1985). At the same time, some of the strongest findings suggest that this innovation, which can lead to entrepreneurship, is closely associated with the environment.

As also noted by Carrier (1993), strategy and entrepreneurship literature has recognised the importance of continued innovation and an emerging body of literature seeks to identify the conditions required for entrepreneurship to occur within corporations. Encouraging innovative activities within a company involves assessing current strategies, current culture and the fit in creating an entrepreneurial climate, whilst also evaluating the results of these initiatives. However, a relatively smaller body of research exists which focuses on the organisational characteristics and a process that encourages a culture that leads to innovation, ultimately leading to an entrepreneurial climate. Given the relevance of organisational culture to innovation, and hence an entrepreneurial organisation, the managerial and human resource practices associated with developing an innovation and entrepreneurial supportive culture have become the subject of research interest. As Woodman, Sawyer and Griffin (1993:316) note "we know little about the process of how organisations successfully promote and manage the individual and organisational creativity and innovation".

From this literature review, it can be seen that various researchers of corporate entrepreneurship agree that internal organisation factors, which make up the culture of the organisation, are closely related to entrepreneurial outcomes and the process itself, at both the societal and organisational level. In fact, it can be deduced from the literature

that the most important barriers to entrepreneurship are non-economic and that what does matter is culture. Nonetheless, what cannot be claimed is the process of how that culture affects entrepreneurship, as little evidence has emerged on the various relationships between explicit variables and the feedback loops they have. In order to study the relationship between organisational culture and entrepreneurship, the method that will be used to develop the systems model will be deeply embedded in theory that has already been expressed, by researchers such as Morris (1989), Cornwall and Perlman (1990), Covin and Slevin (1991), Russell and Russell (1992, 1999), Sathe (1988) and Winslow (1990), Zahra (1991, 1993, 1999), to name but a few.

From the literature, several variables were strongly identified, and these are summarised in table 2.8 and 2.9 below. These variables will form part of the building blocks of the model.

2.5.2 Summary of variables identified in the qualitative and quantitative studies

Table 2.9: Summary of variables identified in the qualitative and quantitative studies

Variables Identified	Qualitative Studies						Quantitative Studies		
	Cornwall & Perlman	Winslow	Ekvall	Sathe	Morris	Zaltman et al	Siegel & Kaemmerer	Russell & Russell	Kuratko, Montagno & Hornsby
Boldness		Spontaneity	Dynamism	Delegation and Control	Proactiveness			Opportunity Recognition Norms	
Tolerance of Creative Deviance	Emotional Commitment	People Impertinent	Ideal Support	Insubordination			Tolerance for Differences		
Underdog Assertiveness	Earned Respect Emotional Commitment	Passion						Championing Norms	
Work Meaningfullness	Value Wins(people) Leadership at all Levels	Getting the job done Leaders Trust Competence	Challenge Freedom Idea Time	Self Selection Instrinsic Motivation Delegation and Control			Personal Commitment		Managerial Support Organisational Strucfure
Risk Taking	Risk		Risk Taking	Learning from Failures	Risk Taking and Tolerance of Failure		Support for Creativity	Creativity Norms Tolerance for Failure Norms	Organisational Structure Resource and Reward Availability
Open Communication			Trust and Oppenness	Open Communication				Information sharing Norms	
Cooperation	People		Conflicts						
Proactive Innovation	Relentless attention to Value Wins Customers	Concern with products			Commitment to Innovation Proactiveness		Support for Creativity	Value for Innovation Norms Implementation Norms	Time Availability
Voice		Leaders Trust Competence	Debates					Open-minded consideration norms	
Fun	Work is Fun	Spontaneity Experiment	Playfullness Humour						
Precipitating Events								Environment	
Organisational Structure								Organisational Structure	
Organisational Factors									Managerial Support Organisational Boundaries
Control									Autonomy/Work Discretion

2.5.3 Summary of variables identified in theoretical models

Table 2.10: Summary of variables identified in theoretical models

Variables Identified	Model Studies				
	Guth & Ginsberg	Slevin & Covin	Zahra	Lumpkin and Dess	Barrett & Weinstein
Entrepreneurial Posture	Strategic Renewal	Strategic Philosophy	Entrepreneurial Posture	Entrepreneurial Orientation	
Strategic Leadership	Characteristics, Values/Beleifs, Behaviour	Top management values and philosophies	Managerial Values	Organisation Factors	
Firm Performance	Effectiveness, Efficiency, Job Satisfaction	Firm Perfomance	Financial and Non-Financial	Sales growth, profitability	Business Performance
External Variables	Environment	Industrial life cycle changes, Technology sophistication, Precipitating Events	Hostility Dynamism Munificence, Heterogeneity	Dynamism Munificence Complexity	
Internal Variables		Organisational Structure, Business Practices	Organisational Structure	Organisational Structure, Strategy, Size, Strategy-making process, Firm Resources	Facilitating Influences
Entrepreneurial Orientation		Proactiveness, Risk Taking	Proactivessness		Flexibility
Market Orientation	Innovation/Venturing	Hostility Dynamism , Competitve Tactics	Competitive Approach, Initiative Venturing, Acquisitive Venturing, Opportunistic Venturing		

From the literature review questions emerged. This study will be organised around these questions.

2.5.3.1 Research question 1 (a)

From literature, what are the variables that describe and define the culture that underpins the process of corporate entrepreneurship?

2.5.3.2 Research question 1 (b)

From industry, what are the key elements that are explicitly and implicitly accepted as defining a culture that forms corporate entrepreneurship in a South African organisation? To what extend do these elements contribute to the entrepreneurship of the organisation and more importantly, its success?

2.5.3.3 Research question 2

Are the variables collected from literature and industry exclusively mutual? Where do overlaps and contradictions occur?

2.5.3.4 Research question 3

What is the outcome revealed by the model?

Having reviewed the literature on corporate entrepreneurship and culture, Chapter Three, "Research Methodology" describes how the study will be conducted in developing the model of how culture fosters corporate entrepreneurship in an organisation in South Africa, and how the research questions will be investigated.