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**FACTORS THAT PROMOTE CORPORATE
ENTREPRENEURSHIP WITHIN THE FIRST RAND
BANK**

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ABSTRACT

The environment in which a business operates is not static. Intensifying global competition and rapid technological progress put pressure on business to change. Better quality and service are no longer enough to give a competitive advantage. This can be achieved by entrepreneurial organisations. Through corporate entrepreneurship, an organisation can improve its competitive standing. This research aims to identify the factors that promote corporate entrepreneurship in First Rand Bank.

The Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Hornsby, Kuratko and Zahra (2002) was used to measure corporate entrepreneurship (CE). The instrument contains 48 Likert-style questions that were believed to assess a firm's internal entrepreneurial environment. Data were gathered from 186 respondents representing the three divisions of a large bank.

The results showed that although corporate entrepreneurship exists in First Rand Bank, it is not supported by a clear strategy. Employees do not have time to engage meaningfully in CE. New and young employees in particular do not believe CE is promoted to the same extent as those employees that have been in the organisation longer.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

Christopher Tshepo Chaka

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CHAPTER 1: INTRODUCTION

The banking system in any economy is a vital service industry and where it is competitive and efficient, it is able to spur efficiency and innovation elsewhere in the economy. South African banks compete in various ways with each other and with other financial institutions. In general, the banks compete in terms of price, service standards, advertising, innovation in products and services offered, relationship management and product differentiation (Falkena, Davel, Hawkins, Llewellyn, Luus, Masilela, Parr, Pienaar, and Shaw, 2004).

Corporate entrepreneurship (CE) is used in a broad sense to include the development and implementation of new ideas in an organization (Hornsby, *et al.*, 2000). The South African financial services sector in general and banks in particular have to embark on strategic transformation if they are to remain competitive (Falkena *et al.*, 2004).

Banks traditionally have an interest income of 51.8% of total income, while non-interest bearing income makes up 48.2% (Fin24, 2004). It shows that banks are increasingly recovering costs from clients through transactions, particularly when income from interest is growing slowly (Falkena *et al.*, 2004).

South Africa's banking industry is dominated by four major commercial banking groups: Absa, First National Bank, Standard Bank and Nedcor. These provide

retail and investment banking services in competition with a wide range of niche commercial banks (Falkena *et al*, 2004).

There are 25 locally controlled banks, 2 mutual banks, 7 foreign-controlled banks, 14 branches and 60 representative offices of foreign banks in South Africa (SA Financial Sector Forum, 2006). European and American banks with licenses in South Africa have concentrated on corporate rather than retail banking. They gained market share rapidly by charging aggressive lending margins which the less cost-efficient South African banks were unable to match (Falkena *et al*, 2004).

Because banking in South Africa is not a homogeneous business, banks are involved with different customers, different markets and different products. The South African banking industry is relatively concentrated in terms of market share of assets. The five largest South African banks (accounting for 86% of deposits) are ABSA, First Rand Bank (FNB), Nedcor, Standard Bank and Investec (Falkena *et al*, 2004). Lumpkin and Dess (1996) noted that CE can be used to improve competitive positioning and transform organisations, their markets, and industries as opportunities for value creating innovation are developed and exploited.

1.1 The Research Problem

The objective of the research is to assess the extent to which Corporate Entrepreneurship (CE) is fostered and encouraged within First Rand Bank by:

- Assessing the level of CE within First Rand Bank and using the Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Hornsby *et al* (2002). The tool will be used to highlight what factors promote or hinder CE in First Rand Bank.
- Making recommendations based on findings.

The Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Hornsby *et al* (2002) has been shown to be a useful tool on assessing CE by the authors. It identifies areas where employees and managers can make significant differences and assist organisations develop strategies that can positively spur and sustain entrepreneurial efforts.

1.2 Background

Globalisation has made the environment turbulent for any business. This coupled with the ever changing markets, consumers and technology has forced local banks to rethink how they deliver their services so as to remain profitable and have a competitive advantage over their peers. A corporate entrepreneurial culture in an organisation can give it a competitive advantage over its competitors. Organisations able to exploit the competitive advantages they own today, while simultaneously making decisions to shape the advantages they intend to own and use tomorrow, increase the probability of long term survival, growth and financial success (Kurakto, Ireland and Hornsby, 2001).

Michie and Padayachee (1997) argue that intensified international competition has put emerging markets like South Africa under pressure to be competitive in the global village. They also argue that the financial sector of an economy is the backbone of sound economic policies. Zahra and Garvis (2000) argue that globalisation is a complex, challenging and costly process. As a result, the success of CE efforts can significantly influence firm performance.

FNB's representative says that due to the many varied options banks have for their clients, a single scenario does not reflect the broad range of options available. According to Nedbank it is an issue that causes vast numbers of executive headaches backing remarks made by Absa who argue that banks have been product-driven for too long rather than solutions orientated (Finweek, 2005).

True competitive advantage arises from radical innovations (Kemelgor, 2002). It is a given the financial services sector environment in South Africa has become turbulent. As such South African local banks have to find ways of doing things differently. They must continually innovate to remain competitive. Competitive advantage is realised amongst other things through continuous innovation. Organisational cultures that embrace and promote entrepreneurial thinking are important for the South African financial services sector to survive the wrath of globalisation.

Bartlett and Ghoshal (1994) describe the new economy as being information based, knowledge driven and service intensive. Skilled, knowledgeable and motivated people are central for any business. Focusing on these key elements

can aid First Rand Bank gain a competitive advantage over its local and international competitors.

1.3 Aim of the study

This study focuses on First Rand Bank, the banking division of the First Rand Group, a South African diversified financial services group. It aims to assess entrepreneurship at an organisational level within First Rand Bank using an empirical tool, the Corporate Entrepreneurial Assessment Instrument (CEAI) to identify the internal factors that influence employees at different levels within the different divisions of First Rand Bank to participate in corporate entrepreneurship activities. A firm-level analysis of entrepreneurship is appropriate because entrepreneurial effectiveness is arguably a firm-level phenomenon (Covin and Slevin, 1991).

Therefore, this study seeks to identify the internal factors that exist within First Rand Bank and their importance in fostering CE thus creating a competitive advantage for First Rand Bank.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Research findings consistently suggest that internal organisational factors, in particular play a major role in encouraging corporate entrepreneurship (Covin and Slevin, 1991). Zahra and O'Neil (1998) point out that the factors in the external environment and the organisation interacts, challenging managers to respond creatively and act in innovative ways. While there is no agreement on which key internal organisational factors stimulate CE, research emphasises the need in creating an environment that encourages innovation and entrepreneurship.

2.2 What is Corporate Entrepreneurship?

The essence of entrepreneurship is innovation (Drucker, 1985) leading to wealth creation (Khandwalla, 1987) and sustained growth of organization (Lumpkin and Dess, 1996).

Although scholars have begun paying increasing attention to entrepreneurial activities within existing organisations (Zahra, 1986, 1995, 1996), there has been a striking lack of consistency in the manner in which these activities have been defined (Sharma and Chrisman, 1999). Stopford & Baden-Fuller (1994)

expressed concern about this lack of universally acceptable definitions. This is partly because entrepreneurship has meant different things to different people (Gartener, 1990: McMullan and Long, 1990). Although authors generally agree on the nature of entrepreneurial activities within existing organisations, differences in the terminology used to describe those activities have created confusion (Sharma and Chrisma, 1999).

2.3 The different Definitions of CE

Although various authors generally agree on the features that are unique in CE, they often use different terms to express themselves (Sharma and Chrisma, 1999). While this is not uncommon in behavioural sciences in general, and in new emerging disciplines in particular, an acceptance of a common set of definitions is necessary for scientific progress.

Table 2-1: Some definitions of CE

Authors(s) & Year	Definition suggested
Burgleman (1983)	CE refers to the process whereby firms engage in diversification through the internal development. Such diversification requires new resource combinations to extend the firms activities in areas unrelated, or

Authors(s) & Year

Definition suggested

	marginally related, to its current domain of competence and corresponding opportunity.
Jennings & Lumpkin (1989)	CE is defined as the extent to which new products and/or markets are developed. An organisation is entrepreneurial if it develops a higher than average number of new products and or new markets,
Zahra (1993)	CE is a process of organisational renewal that has two distinct but related dimensions innovation and venturing, and strategic renewal.
Chung and Gibbons (1997)	CE is an organisational process for transforming individual ideas collective actions through management uncertainties.
Sharma and Chrisman (1999)	CE is the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation.

Covin and Miles (1999) identified the three aspects of CE as:

- 1) an “established” organisation enters a new business
- 2) an individual or individuals champion new product ideas with a corporate context
- 3) an “entrepreneurial” philosophy permeates an entire organisation’s outlook and operations

They argue that there is significant differences of opinion among CE researchers regarding what attributes must be present in order to label a firm entrepreneurial. That said, the findings are relevant in the case of First Rand Bank because it is an established organisation made up of individuals from different walks of life working in a particular culture.

Lumpkin and Dess (1996) describe CE in terms of five dimensions (autonomy, innovativeness, risk taking, proactive-ness and competitive aggressiveness). They, nonetheless, conclude that it is unclear whether all five dimensions will always be present in entrepreneurial firms, or whether any of these dimensions must always be present for an organisation to be entrepreneurial.

One thing is clear though from the literature on CE, that is, most authors accept that all types of entrepreneurships are based on innovations (Stopford and Baden-Fuller (1994). Innovation in this paper refers to the introduction of a new product, process, technology, system, technique, resource, or capability to the organisation or market. However, there is more to CE than innovation. The objective of sustaining high performance or improving competitive standing

through actions that radically energize organisations or “shake up” the status quo in their industries or markets is equally important.

CE is not just the old wine of organisational innovation in new bottles (Covin and Miles, 1999). Rather CE refers to a distinct, multidimensional, and empirically verifiable set of organisational phenomena. CE revitalises, reinvigorates, and reinvents. It is the spark and catalyst that is intended to place firms on the path to competitive advantage or keep them in competitively advantageous positions. To complete legitimacy CE will only be realised when both innovation and the rejuvenation and redefinition elements are widely recognised as defining the essence of the construct.

Zahra (1995, 1996) defines CE as the sum of a company’s innovation, renewal, and venturing efforts.

- Innovation involves creating and introducing products, production processes, and organisational systems.
- Renewal means revitalising the company’s operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and creatively leveraging them to add value for shareholders.
- Venturing means the firm will enter businesses by expanding operations in existing or new markets. As noted by Stevenson and Gumpert (1985), innovation is the “heart of entrepreneurship”.

For the sake of clarification in terminology and the recognition of the entrepreneurial efforts of individuals working in a corporate set up, in this study, entrepreneurship is understood to encompass acts of organisational creation, renewal, or innovation that occur within or outside an organisation.

Adonisi (2005) defines CE to constitute the sum of the organisation:

(1) innovation (2) renewal (3) venturing (4) proactiveness (5) risk taking. This definition is comprehensive in that it encompasses all the elements of CE. Adonisi (2005) argues that CE is pivotal to the strategic renewal, profitability and innovation of the firm and has been viewed as a driver of new businesses.

2.4 Factors that promote CE

In order to enable an organisation to constantly breathe an air of innovation and excitement, there is a need to develop an economic and political eco-structure that does not impede small and large scale redeployment of resources in new ways towards creative ends (Brazeal and Herbert, 1999). Therefore, organisations must create systems that focus the attention of individual participants on innovation as an important and expected activity and direct group and firm behaviours towards entrepreneurial ends (Russell, 1999).

Entrepreneurial organisations will institutionalise practises that establish an organisational environment in which innovation is considered an accepted and appropriate response to organisational problems (Russell, 1999).

Most organisations do not realise when and what changes are required to foster and promote CE (Ramchandran, Devarajan and Ray, 2006). Hornsby *et al* (1993) presented an exploratory study that used five conceptually distinct internal factors that support corporate entrepreneurship. They proposed at least five internal organisational factors that could promote CE as;

1) *The appropriate use of rewards:* The literature stresses that an effective reward system that spurs entrepreneurial activity must consider goals, feedback, emphasis on individual responsibility and results based incentives (Sathe 1985).

2) *Gaining top management support:* The willingness of senior management to facilitate and promote entrepreneurial activity in the organisation, including championing innovative ideas as well as providing necessary resources, expertise or protection (Stevenson and Jarillo, 1990: Kuratko et al, 1993).

3) *Resource availability:* Employees must perceive the availability of resources for innovative activities to encourage experimentation and risk taking (Slevin and Covin, 1997).

4) *Supportive organisational structures:* The structure must foster the administrative mechanisms by which ideas are evaluated, chosen and implemented. Structural boundaries tend to inhibit the flow of information for employees in corporate entrepreneurial activities (Naman and Slevin, 1993).

5) Risk taking and tolerance for failure: employees must perceive an environment that encourages calculated risk taking while maintaining reasonable tolerance for failure (Stopford and Baden Fuller, 1994).

According to Hornsby *et al* (1993) management has control on each of the above elements. Therefore management can promote or inhibit CE in an organisation.

2.5 The Role of Organisational Culture in CE

Cornwall and Perlman (1990) argue that culture is a key determinant of, and the first step in fostering, entrepreneurial activity within an organisation. Organisational culture can be defined as the shared set of values, beliefs, attitudes, expectations, and assumptions, passed from one generation of employees to the next, that determine the norms for appropriate behaviour organisation (Wheelen and Hunger, 1988). An organisation's ability to develop and maintain entrepreneurial posture is contingent upon that organisation's culture.

Culture touches and influences everything that people do. Positive cultures are ones that are in line with an organisation's vision, mission and strategies (Floyd and Wooldridge, 1999). In entrepreneurial organisations positive cultures support organisational entrepreneurship. In organisations where entrepreneurship is lacking as a strategic goal, the culture does not support risk

taking, searching for opportunities and innovation (Cornwall and Perlman, 1990).

Just as culture may affect entrepreneurial posture, it is likely that entrepreneurial posture will help to shape an organisation's culture (Cornwall and Perlman, 1990). Some of the cultural phenomena thought to be associated with entrepreneurial posture are:

- Entrepreneurial posture is positively related to the degree to which the organisational culture values and supports the open expression of novel or radical ideas.
- Entrepreneurial posture is positively related to the degree to which the organisational culture values and supports the empowerment of middle and lower level employees.
- Entrepreneurial posture is positively related to the degree to which the organisational culture values and supports the belief that change and innovation are inherently positive and essential for long-term organisational survival.

Therefore culture plays an important role in influencing employees' willingness to accept entrepreneurial change (Floyd and Wooldridge, 1999) and as Barney (1991) emphasises, organisational culture can be a source of sustained competitive advantage. Culture allows organisations to develop a core set of

assumptions, understandings and implicit rules that govern the day-to-day behaviour in the workplace (Ramchandran, Devarajan and Ray, 2006).

Entrepreneurial culture should encourage employees to be creative and innovative, to experiment with new products, to make suggestions for the improvement of products and internal processes, to take risks, responsibility and ownership of their creations (Nayager and van Vuuren, 2005). CE can thus be sustained in the organisation if it is embedded in the culture of the organisation (Nayager and van Vuuren, 2005).

2.6 Forms of CE

Covin and Miles (1999) conceptualize four types of CE, with each one orientated to either rejuvenating or intentionally redefining the organisation or establishing innovation. They identified the four forms of CE as:

- Sustained regeneration
- Organisational rejuvenation
- Strategic renewal and
- Domain redefinition

It is important to emphasise that these forms will often concurrently exist in entrepreneurial organisations. Nonetheless they are presented separately to elucidate the characteristics of what would be some of the most common firm-level manifestations of entrepreneurial processes.

2.6.1 Sustained Regeneration

According to Covin and Miles (1999) this is the most frequently recognised CE form. Firms that engage in sustained regeneration are those that regularly and continuously introduce new products and services and enter new markets. They tend to have cultures, structures, and systems supportive of innovation. They also tend to be learning organisations that embrace change and willingly challenge competitors for market share. Moreover at the same time they are introducing new products and services or entering new markets. Significantly they view their capacities for innovation as essential core competencies that must be protected, nourished, and leveraged through corporate strategies of continual product/service development.

2.6.2 Organisational Rejuvenation

The firm's internal processes, structures, and capabilities are the targets of organisational rejuvenation. Concerned primarily with improving the firm's ability to execute strategies, organisational rejuvenation often entails changes to the value chain activities. This CE form seeks to sustain or improve the organisation's competitive standing by altering its internal processes, structures, and / or capabilities. Stopford and Baden-Fuller, (1990) refer to it as corporate rejuvenation. It is important to recognise that firms need not change their strategies in order to be entrepreneurial (Covin and Miles 1999). Rather CE

may involve efforts to sustain or increase competitiveness through the improved execution of particular pre-existing business strategies.

2.6.3 Strategic Renewal

Strategic renewal is used to refer to the CE form whereby the organisation seeks to redefine its relationship with its markets or industry competitors by fundamentally altering how it competes. At its best, CE as a strategic renewal allows the organisation to more profitably exploit product-market opportunities. Often, this outcome is achieved when the firm repositions itself in ways that allow simultaneous exploitation of current competitive advantages and exploration for advantages that will lead to future success (Ireland, Hitt and Vaidyamath, 2002)

2.6.4 Domain Redefinition

Domain redefinition is a term used to refer to the CE form whereby the organisation proactively creates a new product market arena that others have not recognised or actively sought to exploit (Covin and Miles 1999). The focus here is exploring what is possible rather than exploiting what is currently available. Under such a scenario, the entrepreneurial firm may be able to create the industry standard or define the benchmark against which later entrants are judged.

The forms discussed relate to the organisation's ability to regularly introduce new products or enter new markets. According to Covin and Miles (1999) it is important to emphasise that these forms will often concurrently exist in entrepreneurial organisations. They also acknowledge that, in reality organisations cannot *a-priori* determine a particular CE outcome.

Since the outcomes of entrepreneurial processes are uncertain, a form of CE cannot be readily enacted as a deliberate strategy with the expectation that particular outcomes will necessarily be realised.

2.7 CE Strategy

According to Russell and Russell (1992) entrepreneurial strategy is the component of corporate strategy that promotes the persistent search for competitive advantage through innovation. Without specific goals and strategies for innovation, entrepreneurship will happen by chance and haphazardly (Nayager and van Vuuren, 2005). As a result CE strategy is increasingly recognised as a strategic option organisations choose to pursue (Kuratko, Ireland and Hornsby, 2001).

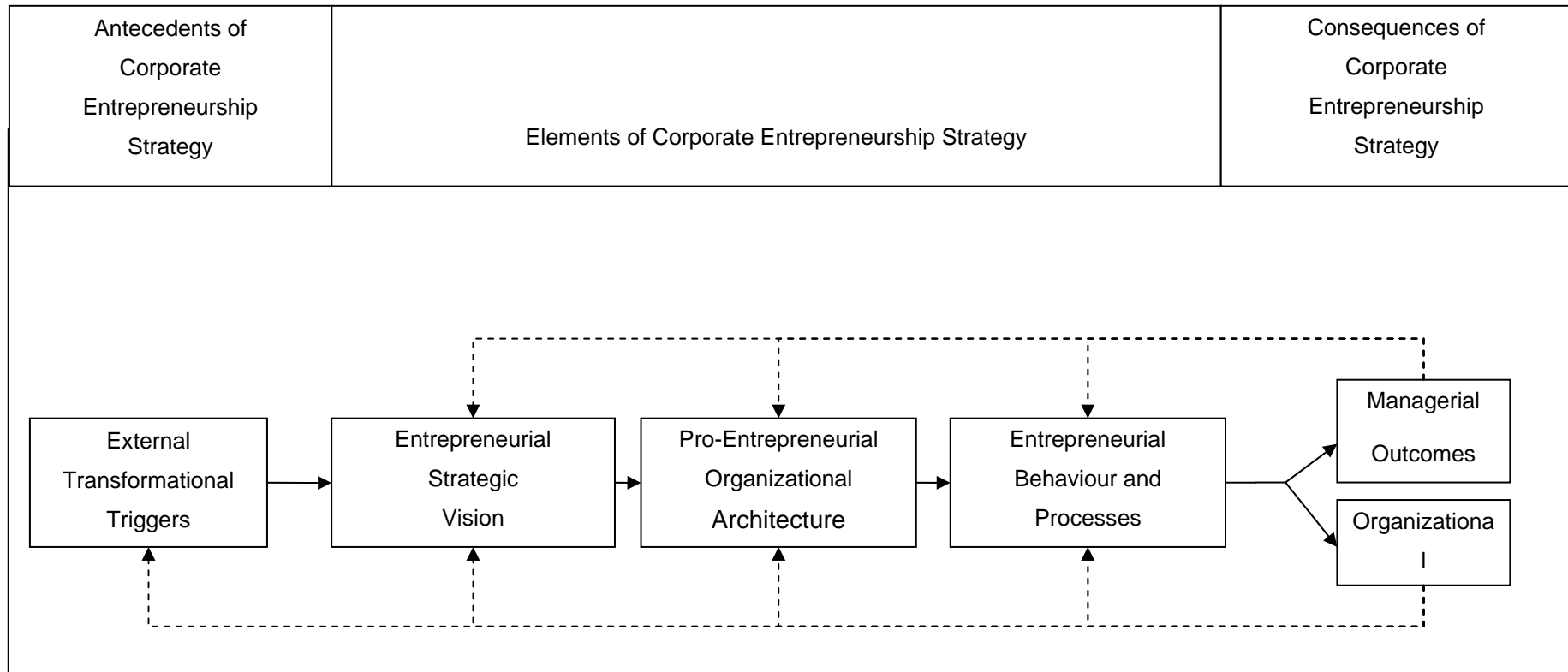
The choice of using CE strategy as a primary means of strategic adaptation reflects the organisation's decision to seek competitive advantage principally through innovation and entrepreneurial behaviour on a sustained basis. CE strategy is a fundamental orientation toward the pursuit of opportunity and growth that exists when embraced throughout the organisation and defines the essence of the organisation's functioning. Thus, CE is not to be found at one

level in the organisation. Rather, it is reflected across the organisation and is ingrained as part of its core being, and holds across time. The presence of CE creates opportunities to be innovative and more dynamic, even though it exposes the organisation to risk.

Ireland, Kuratko and Covin (2003) introduced a CE strategy model (see Figure 2 -1) based on elements identified by Burgelman (1983). The model can be used for any medium to large organisations (Ireland, Krutako and Covin, 2003). This is because it proposes that senior level managers in an organisation establish an entrepreneurial strategic vision and guide the emergence of pro-entrepreneurship organisational architecture. By so doing, senior managers purposefully shape the strategic context of entrepreneurial initiatives (Lovas and Ghoshal, 2000).

Middle and first level managers are responsible for executing induced entrepreneurial initiatives and instigating autonomous entrepreneurial initiatives. According to the model of CE strategy, managers at all levels operate as innovators and as part of the overall entrepreneurial process.

Figure 2-1 A model of Corporate Entrepreneurship Strategy



Source: Ireland, Kuratko and Covin (2003)

2.7.1 A Model for CE strategy

Antecedents of CE

External Transformational Triggers

In the model Ireland, Kuratko and Covin (2003) argue that CE strategy is a logical response to the presence of often related environmental triggers: intense competition, rapid technological change, short product life cycles and evolving product market domains. In response to one or more triggers, entrepreneurial organisations manifest CE strategies through three elements: an entrepreneurial strategic vision, pro-entrepreneurial organisational architecture, and entrepreneurial behaviour and processes from the top to the bottom of the organisations.

Elements of CE strategy

a) *Entrepreneurial Strategic Vision*

In the model an entrepreneurial strategic vision represents a commitment to innovation and entrepreneurial behaviour that is expressed in general terms. Entrepreneurial strategic vision is more a reflection of an entrepreneurial mindset – a way of thinking about business that “captures the benefits of uncertainty” (McGrath and MacMillan, 2000)

b) *Pro-entrepreneurial Architecture*

The model also describes a pro-entrepreneurship organisational architecture as an organisational context that exhibits certain attributes (relating to structure, systems, culture, resources, etc.) that individually and collectively encourage entrepreneurial behaviour. CE strategies are vacuous without pro-entrepreneurship organisational architectures. This is because the organisationally pervasive entrepreneurial behaviour that defines CE strategies cannot occur unless the internal environment first elicits then supports and nurtures it (Morris and Kuratko, 2002).

c) *Entrepreneurial Behaviour and Processes*

Entrepreneurial behaviour in the model is described as any newly fashioned set of actions through which companies seek to exploit entrepreneurial opportunities competitors have not noticed or exploited. With novelty (new resources, new customers, new markets, or a new combination of resources, new customers and markets) as its defining characteristic, entrepreneurial behaviour is both an organisational and an individual-level phenomenon that is framed around three key components: innovativeness, risk-taking and pro-activeness (Miller, 1983).

Consequences of CE strategy

Entrepreneurial outcomes at the individual and organisational levels result from using entrepreneurial behaviours as the foundation for implementing CE strategy. Ireland, Kuratko and Covin (2003) argue that unique yet interrelated

outcomes accrue to individual managers and to the organisation. Individual managers and organisations evaluate the outcomes that have been achieved and the subsequent consequences relative to incurred costs and opportunity costs. Resulting from these evaluations are decisions regarding the status (continuance, rejection, or modification) of personal entrepreneurial behaviour (an individual-level issue) and the status (continuation, rejection, or modification) of the CE strategy (an organisational issue). For individual managers, the principal consequences to be evaluated concern the degree to which the organisation recognised and rewarded their entrepreneurial behaviour.

a) Managerial Outcomes and Consequences

The existence of an entrepreneurial strategic vision promotes awareness throughout the organisation and influences the general direction in which entrepreneurial initiatives and their associated behaviours should take shape. The existence of pro-entrepreneurship organisational architecture further encourages and nurtures entrepreneurial behaviour. The managerial outcomes associated with entrepreneurial behaviour include individual knowledge and skill development as well as contributions made to the implementation of CE strategy.

b) Organizational Outcomes Consequences

The organisational outcomes of CE strategy include things that accrue to the organisation as a direct result of implementing a CE strategy namely

organisational learning and competence development and strategic repositioning and domain alteration. The benefits for the organisation if successfully implements a CE strategy include placing the organisation in a new position within its pre-existing product-market domains and / or alteration of the attributes of that domain(s).

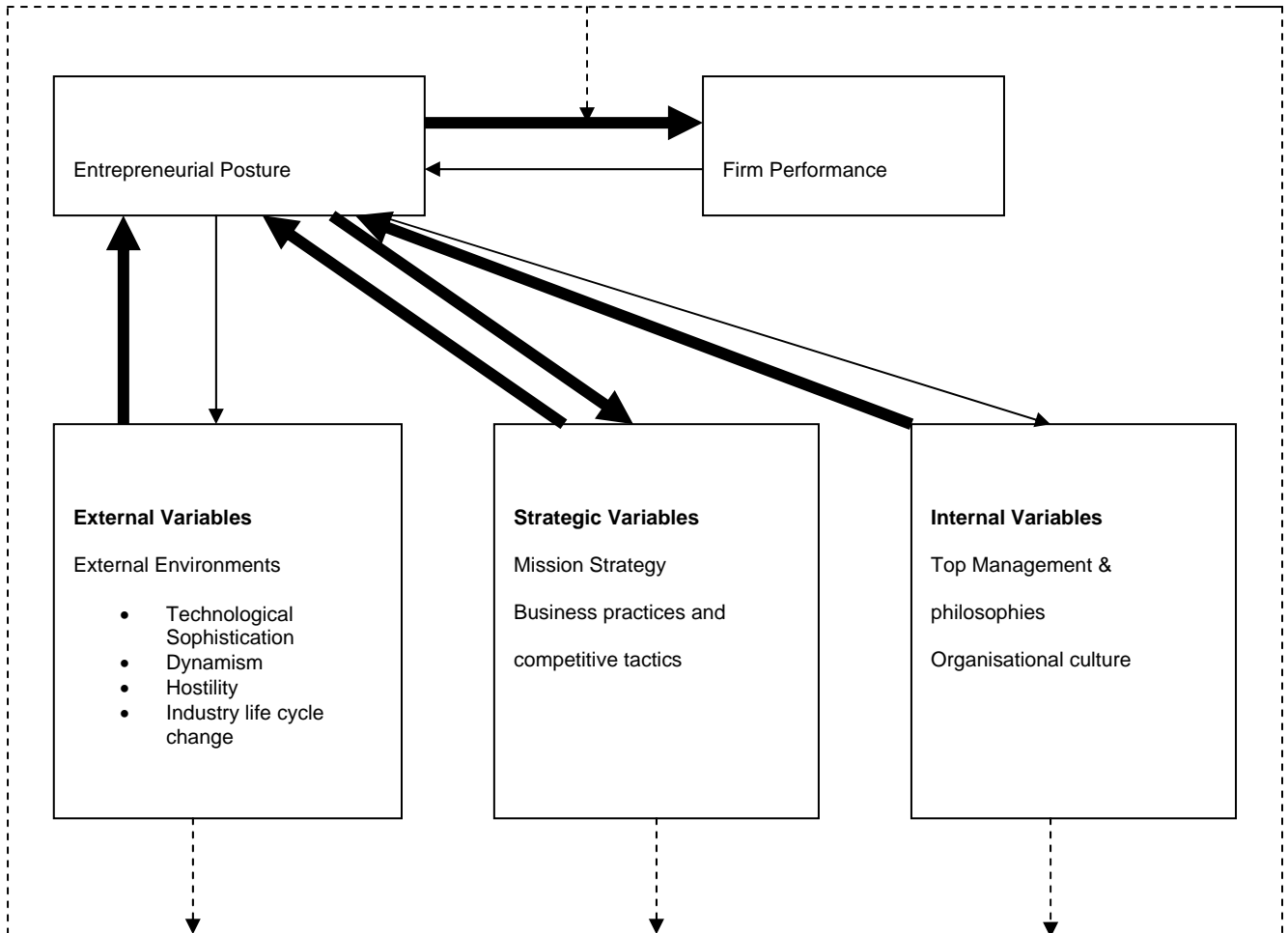
2.8 CE Theories

Contemporary theories and models of entrepreneurial behaviour emphasize the interaction between an individual's personality and the environment (Gartner, 1986). Entrepreneurship is described as a dimension of strategic posture represented by an organisation's propensity to act in competitively aggressive, proactive manners, and reliance on frequent and extensive product innovation (Covin and Slevin, 1991). In theory, organisations with entrepreneurial postures are risk taking, innovative and proactive.

2.8.1 The CE Model of Covin and Slevin

Covin and Slevin (1991) have suggested an integrative model that explains the association between a company's posture and its environment, strategy, internal factors and organisational performance. Their model is shown in Figure 2-2 below.

Figure 2-2 The Covin and Slevin Model for CE level of behaviour in organisations



-----> Indicates a moderating effect

—————> Indicates a strong main effect

—————> Indicates a weaker main effect

Source: Covin & Slevin, 1991

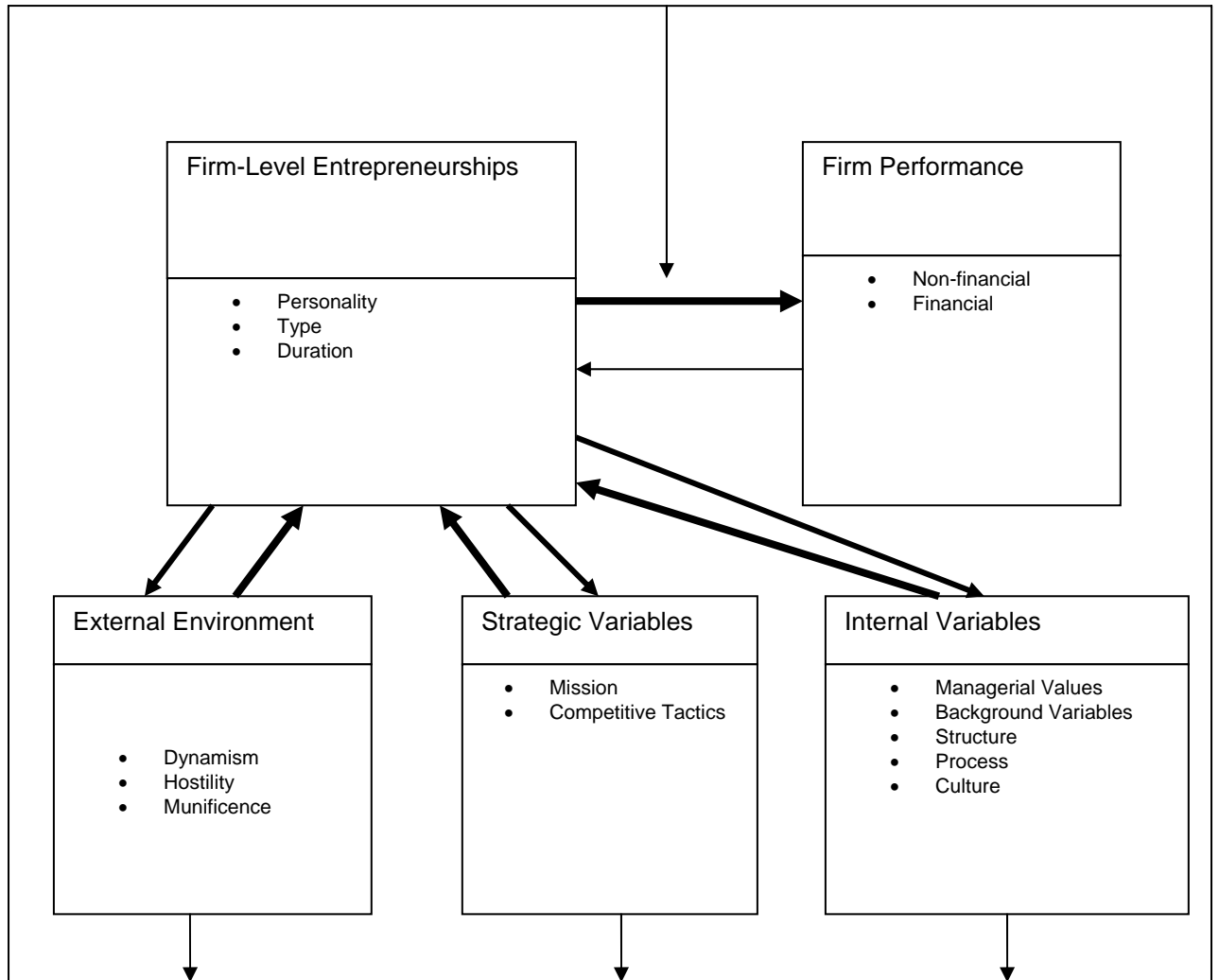
The key to the model are external environmental, strategic and internal variables which lead to the firm level behaviour. According to this model entrepreneurial orientation leads to the three categories of external environmental, strategic and internal variables although with a weaker effect, but has stronger relationship with firm performance. Another key feature of this model is that it indicates that the three categories of external environmental, strategic and internal variables have a moderating effect on the relationship between entrepreneurial orientation and firm performance.

Zahra (1993) criticises Covin and Slevin (1991) model on the grounds that it does not clearly distinguish entrepreneurial behaviour from constructs such as “intensity of behaviour”, “formality of entrepreneurial activities undertaken by the firm” as well as the “duration of such efforts”. Zahra’s argument is that the constructs although related, they are essentially distinct.

2.8.2 The CE model of Zahra

Zahra’s (1993) model (see Figure 2-3) suggests a different classification of the environment set than suggested by Covin and Slevin (1991). He eliminates the technological sophistication which is encapsulated in environmental dynamism.

Figure 2-3 The CE Model of Zahra



Source: Zahra(1983)

In defining entrepreneurial behaviour, Zahra (1993) emphasises the need to consider domestic as well as international entrepreneurial activities. Zahra (1993) further argues that managerial values and background, organisational

structure, managerial process and organisational culture should be considered in developing CE models.

This study has taken cognisance of the importance of a more parsimonious classification system and many of the variables mentioned by Zahra have been covered in detail in this chapter.

2.9 Conclusion

Research on CE has grown rapidly over the past decade. Although scholars generally agree on the nature of entrepreneurial activities within existing firms, differences in the terminology have created some confusion. The literature converges on the fact that innovation, broadly defined, is the single common theme underlying all forms of CE. However, the presence of innovation *per se* is insufficient to label a firm entrepreneurial.

Also over the last decade the role of employees in CE activity has been recognised in the literature. The empirical research on the internal organisational factors that may foster employees' activity has been limited, both in scope and volume. However the literature does converge on least five possible factors namely; -

- The appropriate use of rewards
- Gaining top management support
- Resource availability

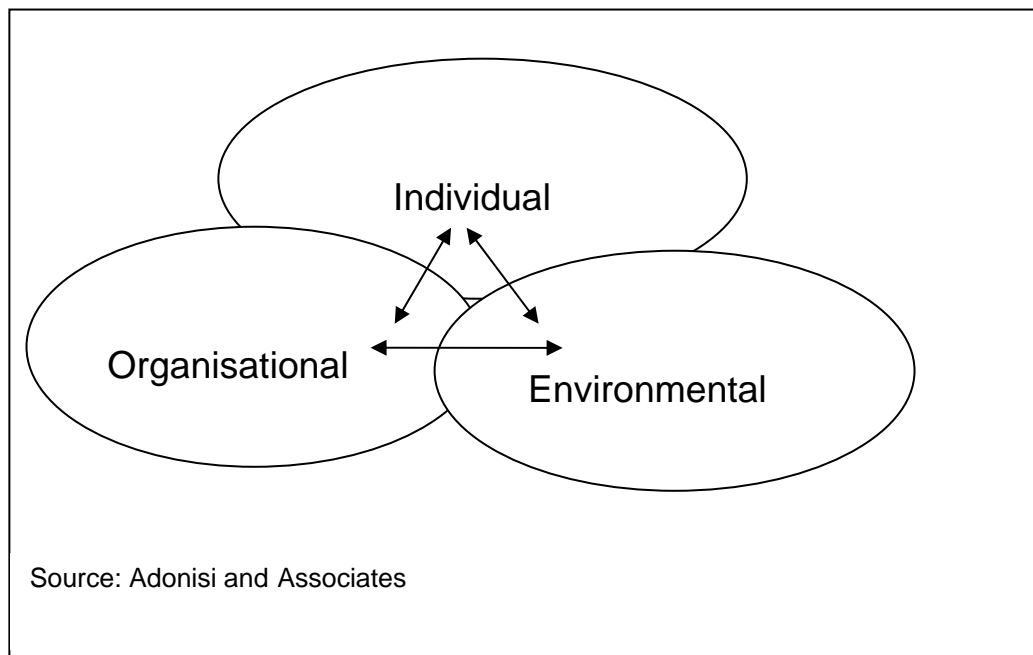
- Supportive organisational structure and
- Risk taking and tolerance for failure

The literature on the internal factors was utilised to develop an assessment instrument called the Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Hornsby *et al* (2002).

Covin and Miles (1999) conceptualise four forms of CE, with each one oriented to either rejuvenating or intentionally redefining the organisation or establishing innovation. Structurally complex firms such as those engaging in product and / or diversification may simultaneously use more than one or even all four CE forms in different parts of the company. Viewing CE as a system of roles provides a theoretical basis for connecting entrepreneurial activity to the organisation's agenda. CE is important to an organisations long-term competitive-ness.

The models developed depict the organisational system elements that relate to entrepreneurial behaviour among larger, established firms, but may also be applicable in varying degrees to many smaller firms. What comes out clearly in the literature is that there is an inter-active relationship between the organisational, environmental and individual factors (see Figure.2-4).

Figure 2-4 The Inter-active relationship between Individual, Organisational and Environmental in Corporate Entrepreneurship



Culture is an important determinant influencing individuals' willingness to accept entrepreneurial change and can be a source of competitive advantage. Therefore developing a culture that encourages creativity and creates passion for the organisation is important.

A CE strategy is fundamental for the pursuit of opportunity and growth that exists when embraced throughout the organisation and defines the essence of a firm's functioning. It is a shared ideology that has more to do with "commitments to ways of acting and responding than with the organisation

specific position within the organisation its external environment”. Thus CE strategy is not to be “found at” one level or place within the organisation. Rather, it is reflected across the organisation and ingrained as part of its core being, and holds across time.

First Rand Bank can no longer rely on better service and lower costs to give it a competitive advantage in the market. These strategies can easily be replicated by opposition. Adaptability, flexibility, speed, aggressiveness and innovativeness are increasingly necessary. These are attributes of an entrepreneurial organisation.

CHAPTER 3: THE RESEARCH QUESTION

This research study seeks to investigate the extent to which corporate entrepreneurship is promoted or inhibited within First Rand Bank. It also seeks to identify the organisational factors that promote and / or inhibit CE within First Rand Bank. In pursuit of this objective, the following research questions are investigated: -

Research Question 1

To what extent is management support used to promote CE within First Rand Bank?

Research Question 2

To what extent is Work Discretion used to promote CE within First Rand Bank?

Research Question 3

Are Rewards used appropriately to promote CE within First Rand Bank?

Research Question 4

Are Resources (Time) made available to promote CE within First Rand Bank?

Research Question 5

To what extent do organisational boundaries promote CE within First Rand Bank?

CHAPTER 4: Research Methodology

This study is exploratory in nature because its intention was to determine the factors that promoted or inhibited CE within First Rand Bank.

4.1 Population

A survey was used because First Rand Bank is an established organization with a total of 34 770 employees. For this study, the population is all the First Rand Bank employees broken down as follows: -

Wesbank	8588 employees
Rand Merchant Bank (RMB)	3621 employees
First National Bank (FNB)	22561 employees
Total	34 770 employees

4.2 Sampling

The population for this study was all the employees of First Rand Bank (34 770 people.) The size of the population made it “impractical and uneconomical to involve all the members of the population in the research study” (Welman and Kruger, (2005) p. 46).

For reasons of convenience and economy non-probability sampling was used. The disadvantage of using non probability sampling is that one can not estimate

the sampling error (Welman and Kruger, (2005) p. 46). Inferences made about the population based on this sample are “more likely to be misleading and erroneous” (Wegner, 1999 p.171)

Because the population was composed of clearly recognizable, non-overlapping subpopulations (employees are employed by only one of the three banking divisions) quota sampling was used. The advantage of using quota sampling as opposed to simple random sampling was to ensure that important strata were represented in the sample (100 questionnaires were send out to each of the three divisions) .

4.3 The Research Instrument

The Corporate Entrepreneurship Assessment Instrument (CEAI) developed by Horsby *et al* (2002) was used. This is a self-completion questionnaire that seeks to identify the internal organizational factors that promote or inhibit CE in an organization. The measuring instrument used a five-point Likert scale with options that ranged from strongly disagrees to strongly agree.

The questionnaire consisted of two parts (see Appendix A). The first part consisted of demographic questions about gender, age, tenor *etc.* These variables in combination were necessary for the description of the individual completing the questionnaire and later for the descriptive statistics once the analysis was done.

The second part of the questionnaire consisted of questions based on factors believed to impact on CE in organizations (Hornsby *et al*, 2002). This part consisted of the following five sections:

Section 1: Management Support for corporate entrepreneurship

This section was made up of 19 questions around the willingness of senior management to facilitate and promote entrepreneurial activity in First Rand Bank, including championing innovative ideas as well as providing necessary resources, expertise and/ or protection.

Section 2: Work Discretion

This section was made up of ten questions around risk taking and tolerance for failure. This was because employees must perceive an environment that encourages calculated risk taking while maintaining reasonable tolerance for failure.

Section 3: Rewards/reinforcement

This section was made up of six questions around the appropriate use of rewards. An effective reward system that spurs entrepreneurial activity must consider goals, feedback, emphasis on individual responsibility and results based incentives.

Section 4: Time availability

This section was made up of six questions that interrogated whether First Rand employees actually have time to think and act entrepreneurially. There must be time to encourage experimentation and risk taking.

Section 5: Organizational boundaries

This section had seven questions around the organizational structure. The structure must foster the administrative mechanisms by which ideas are evaluated, chosen and implemented.

4.4 Data Collection

A pilot study was conducted to achieve an acceptable level of face validity which served as a basis to continue with the data collection. Seven respondents chosen at random were asked to complete the questionnaire. As a result of the pilot study, some of the questions or statements were rephrased or edited to make them more understandable without changing the meaning of the question/statement and negatively influencing the validity and reliability of the measuring instrument.

Self-completion questionnaires were handed to 300 First Rand Bank employees (100 for each division) with a covering letter (see Appendix B). A total of 186 questionnaires were returned, achieving a response rate of 62%.

4.5 Data Analysis

The statistical calculations of the study were done using Hintze's (1997) Number Cruncher Statistical System (NCCS). Data were collected through completion questionnaires and analysed by calculating Chronbach's alpha values and ANOVA for each of the factors. Internal consistency reliability measures were assessed on the factor structures using the Cronbach's procedure available in the SPSS statistical package. The Cronbach alpha coefficients for the factors were as follows: -

Management support = .903, Work Discretion = .872,
Rewards/Reinforcement =.877, Time Availability = .117
Organisational Boundaries = .817

For Time Availability (factor 4) questions 36, 39 and 40 were reversed so that they would comply with the wording and scoring for the other 45 questions. The Cronbach's alpha coefficient for Time Availability thereafter was .664. The generally agreed lower limit for the Cronbach alpha coefficient is 0.70, although the requirement may be lowered to 0.60 in the case of exploratory research (Hair *et al* , 1998 p118)

Principle component analysis per factor was done to verify the CEAI. A correlation analysis was also done to verify the independence of the factors.

CHAPTER 5: RESULTS

This chapter describes the results of the analyses in order to furnish answers to the five research questions that underpin this study. ANOVA was used in answering the questions to test the relationship between CE and the biographic variables. The aim of this study as mentioned in Chapter 1 is to determine the factors that promote CE within First Rand Bank. The research data for the study was collected from the three First Rand Bank divisions. The descriptive statistics are illustrated in Table 5-1 to Table 5-5.

5.1 Descriptive Statistics

Table 5-1 Division Employed

Division Employed					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	FNB	52	28.0	30.6	30.6
	Wesbank	51	27.4	30.0	60.6
	RMB	67	36.0	39.4	100.0
	Total	170	91.4	100.0	
Missing	System	16	8.6		
Total		186	100.0		

Table 5-1 shows that RMB had the highest number of respondents (39.4 %) whilst FNB and Wesbank had almost equal representation (30.6% and 30% respectively). Employment information was missing from 8.6% of the total respondents.

Table 5-2 Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<30	67	36.0	37.2	37.2
	30-40	76	40.9	42.2	79.4
	41-50	32	17.2	17.8	97.2
	51-60	5	2.7	2.8	100.0
	Total	180	96.8	100.0	
Missing	System	6	3.2		
Total		186	100.0		

Table 5-2 shows that 40.9% of the total respondents were between 79.4% of the valid responses are below 40 years old.

Table 5-3 Gender

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	94	50.5	51.4	51.4
	Female	89	47.8	48.6	100.0
	Total	183	98.4	100.0	
Missing	System	3	1.6		
Total		186	100.0		

Table 5-3 shows that males constituted 51.4% of the responses and only 1.6% of the total respondents did not indicate their gender.

Table 5-4 Length of Service

Length of Service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>1yr	22	11.8	12.3	12.3
	1-3yrs	51	27.4	28.5	40.8
	3-5yrs	30	16.1	16.8	57.5
	5+yrs	76	40.9	42.5	100.0
	Total	179	96.2	100.0	
Missing	System	7	3.8		
Total		186	100.0		

Table 5-4 shows that whilst 68.3% of the valid responses have been employed by First Rand Bank for more than three years, 12.3% have been employed for less than a year.

Table 5-5 Job Grade

Job Grade					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-Managerial	98	52.7	54.4	54.4
	Middle Manager	55	29.6	30.6	85.0
	Senior Manager	24	12.9	13.3	98.3
	Executive Manager	3	1.6	1.7	100.0
	Total	180	96.8	100.0	
Missing	System	6	3.2		
Total		186	100.0		

Table 5-5 shows that only 1.7% of the respondents are Executive Managers whilst 54.4% of the respondents are non-managerial.

5.2 Internal Consistency Analysis of Factors

Table 5-6 Reliability Statistics

Factor		Cronbach's Alpha
1	Management support	0.90
2	Work discretion	0.87
3	Rewards/Reinforcement	0.88
4	Time availability	0.66
5	Organisational boundaries	.082

The internal reliability of the factors is displayed in Table 5-6. The reliability coefficient varies from 0.66 and 0.88. These measurements may be regarded as reliable since they are all above 0.6. Two of the measurements are above 0.8 which can be regarded as good (very reliable).

Correlation Matrix of the Factors

Table 5-7 Correlation of the Factors

	Mgt. support	Work discretion	Rewards/ Reinforce ment	Time availability	Org. Boundaries
Management support	1				
Work discretion	.633	1			
Rewards/ Reinforcement	.586	.636	1		
Time availability	.187	.066	.010	1	
Organisational Boundaries	.236	.293	.392	.079	1

Table 5-9 shows that there is positive correlation between the factors at the 95 per cent confidence level with the exception on Time Availability and Work Discretion, Rewards/Reinforcement and Organisational Boundaries.

5.3 Results of the Research Questions by Demographic Profiles

Factor means and standard deviations

The means and standard deviations for the five research questions that underpin this are illustrated in Table 5-8 below.

Table 5-8 Means and Standards Deviations

Factor	Mean	Std. Deviation
Management support	3.2462	.55937
Work discretion	3.3382	.63405
Rewards/Reinforcement	3.5065	.79271
Time availability	2.7755	.63097
Organizational boundaries	3.1735	.76764

It can be deduced from Table 5-8 that although the level of deviation amongst the factors is not high, that the means (on a scale of 1 to 5) are fairly high. First Rand Bank appears relatively lower on time availability and higher on Rewards/Reinforcement. The staff are neutral or indifferent concerning Organisational Boundaries. Further exploration regarding the data set needed to be conducted and based on the data available, five independent variables, division employed, age, gender, length of service and job level were included for each of the research questions.

5.3.1 Research Question 1

To what extent is management support used to promote CE within First Rand Bank?

Table 5-9 Score for management support by biographic variable

Division Employed		FNB	Wesbank	RMB	
	<i>Mean</i>	3.2747	3.2763	3.2028.	
	<i>Std Dev.</i>	.5355	.6413	.5576	
Age		<30yrs	30-40yrs	41-50yrs	51-60yrs
	<i>Mean</i>	3.2231	3.3594	3.5655	2.9500
	<i>Std Dev.</i>	.7369	.5951	.4569	.3873
Gender		Male	Female		
	<i>Mean</i>	3.3323	3.1539		
	<i>Std Dev.</i>	.5297	.5884		
Length of Service		>1yr	1- 3yrs	3-5yrs	5+yrs
	<i>Mean</i>	3.2105	3.1156	3.2912	3.3142
	<i>Std. Dev.</i>	.4582	.6546	.4379	.5733
Job Level		Non-Managerial	Middle Manager	Senior Manager	Exec. Manager
	<i>Mean</i>	3.1663	3.2053	3.6292	3.5263
	<i>Std. Dev.</i>	.5555	.5841	.3907	.5021

Table 5-9 shows the mean scores by biographic variable for Research Question 1. Of the three First Rand Bank divisions, RMB employees rate management support the lowest. The 51-60 year old employees in First Rand Bank have the lowest management support rating. Together with employees 30 years and younger, their scores are lower than mean for First Rand Bank (see Table 5-8). However, the standard deviation of employees younger than 30 years were high for management support indicating that there was a wide spread around the mean and therefore a wide spread of opinions on this factor. The females' mean score is lower than that of their male counterparts. In their first year of employment, First Rand Bank employees rate management support higher than they do between one and three years.

Non-managerial employees have the lowest mean score and executive managers the highest.

5.3.2 Research Question 2

To what extent is Work Discretion used to promote CE within First Rand Bank?

Table 5-10 Mean Score for Work Discretion by biographic variable

Division		FNB	Wesbank	RMB	
Employed	<i>Mean</i>	3.3170	3.4479	3.2452.	
	<i>Std.Dev.</i>	.5355	.64131	.5576	
Age		<30yrs	30-40yrs	41-50	51-60
	<i>Mean</i>	3.2231	3.3594	3.5655	2.9500
	<i>Std. Dev.</i>	.7369	.5952	.4569	.3873
Gender		Male	Female		
	<i>Mean</i>	3.4284	3.1539		
	<i>Std Dev.</i>	.5297	.5884		
Length of Service		>1yr	1- 3yrs	3-5yrs	5+yrs
	<i>Mean</i>	3.1632	3.1653	3.3643	3.4817
	<i>Std.Dev</i>	.7023	.6815	.6261	.5410
Job Level		Non- Managerial	Middle Manager	Senior Manager	Executive Manager
	<i>Mean</i>	3.2078	3.3722	3.7048	3.9333
	<i>Std.Dev.</i>	.6438	.6677	.3232	.4619

Table 5-10 shows that RMB has the lowest mean rating for Work Discretion. It also shows that employees between the ages of 51-60 rate Work Discretion in First Rand Bank lowly (mean is 2.95 and standard deviation is .3873). The standard deviations for employees younger than 30 years was high for work discretion, indicating that there is a wide spread around the mean and therefore

a wide spread of opinions. Middle managers also had a relatively high standard deviation also indicating a wide spread of opinions. The standard deviations were also high for employees who are less than one in the organisation. Females rate work discretion lower than their male counterparts. Executive Managers rate Work Discretion highly and their standard deviation was lower. This indicates a general consensus that there is work discretion at their level.

5.3.3 Research Question 3

Are Rewards used appropriately to promote CE within First Rand Bank?

Table 5-11 Score for Rewards/Reinforcement by biographic variable

Division		FNB	Wesbank	RMB	
Employed	<i>Mean</i>	3.3867	3.5884	3.4571	
	<i>Std. Dev.</i>	.8751	.7447	.7775	
Age		<30yrs	30-40yrs	41-50yrs	51-60yrs
	<i>Mean</i>	3.3535	3.5822	3.6552	2.2917
	<i>Std. Dev.</i>	.8894	.7359	.7559	.3436
Gender		Male	Female		
	<i>Mean</i>	3.6389	3.3721		
	<i>Std. Dev.</i>	.7151	.8536		
Length of Service		>1yr	1- 3yrs	3-5yrs	5+yrs
	<i>Mean</i>	3.1632	3.1653	3.3643	3.4817
	<i>Std.Dev.</i>	.7023	.6815	.6261	.5410

Job Level		Non- Managerial	Middle Manager	Senior Manager	Exec. Manager
	<i>Mean</i>	3.4750	3.4183	3.5517	3.5342
	<i>Std.Dev.</i>	.8606	.8695	.6638	.7718

Table 5-11 shows that FNB has the lowest mean rating for Rewards/Reinforcement. However, the standard deviation for all the three divisions is high indicating that there is a wide spread around the mean and therefore a wide spread of opinions around rewards. The same can be said for age, gender, length of service and job level.

5.3.4 Research Question 4

Are Resources (Time) made available to promote CE within First Rand Bank?

Table 5-12 Mean Score for Time Availability by biographic variable

Division		FNB	Wesbank	RMB	
Employed	<i>Mean</i>	2.9184	2.6341	2.7231	
	<i>Std. Dev.</i>	.6728	.5949	.5435	
Age		<30yrs	30-40yrs	41-50	51-60
	<i>Mean</i>	2.8307	2.6881	2.800	2.9583
	<i>Std. Dev.</i>	.6507	.6420	.6242	.5672
Gender		Male	Female		
	<i>Mean</i>	2.7822	2.7541		

	<i>Std. Dev.</i>	.6243	.6469		
Length of Service		>1yr	1- 3yrs	3-5yrs	5+yrs
	<i>Mean</i>	2.9561	2.7535	2.8111	2.6929
	<i>Std Dev.</i>	.5928	.5225	.7487	.6456
Job Level		Non-Managerial	Middle Manager	Senior Manager	Exec Manager
	<i>Mean</i>	2.7391	2.8571	2.7536	2.5556
	<i>Std.Dev.</i>	.6164	.6588	.7104	.5358

Table 5-12 shows that the mean score for Time Availability is below 3 for all the biographic variables. However the standard deviation is fairly high for FNB employees, high for employees employed by First Rand bank for periods ranging from 3 to 5 years and for senior managers.

5.3.5 Research Question 5

To what extent do organisational boundaries promote CE within First Rand Bank?

Table 5-13 Mean Score for Organisational Boundaries by biographic variable

Division Employed		FNB	Wesbank	RMB	
	<i>Mean</i>	3.2257	3.4792	2.8527	
	<i>Std Dev.</i>	.7571	.7281	.6905	

Age		<30yrs	30-40yrs	41-50	51-60
	<i>Mean</i>	3.0505	3.1944	3.2905	3.3214
	<i>Std Dev</i>	.8747	.7888	.6227	.4720
Gender		Male	Female		
	<i>Mean</i>	3.2055	3.1345		
	<i>Std Dev</i>	.7629	.7838		
Length of Service		>1yr	1- 3yrs	3-5yrs	5+yrs
	<i>Mean</i>	3.0214	3.0292	3.2857	3.2222
	<i>Std Dev.</i>	.7229	.8211	.5500	.7926
Job Level		Non- Managerial	Middle Manager	Senior Manager	Exec. Manager
	<i>Mean</i>	3.1584	3.2646	2.9130	3.2381
	<i>Std Dev.</i>	.8010	.7742	.6253	.2974

Table 5-13 shows that although RMB has the lowest mean score, Wesbank and FNB have higher standard deviations. Employees younger than 40 years also have high standard deviations. The same is true for males and females, employees employed for less than 3 years and non-managerial and middle managers. This indicates that there is a wide spread around the mean and therefore a wide spread of opinions on organisational boundaries.

CHAPTER 6: RESULTS DISCUSSION

In this chapter the results of this study will be evaluated and interpreted with respect to the five research questions.

6.1 Research Question 1

The first research question relates to the extent management support (Factor 1) is used to promote CE within First Rand Bank. The mean for management support within First Rand Bank is fairly high and the standard deviation fairly low as shown in Table 5-8. This is an indication that there is a general consensus that there is a level of management support for CE with First Rand Bank though the employees feel somewhat indifferent. Something is happening. More has to be done though. On a scale of 1 to 5 a mean of 3.2462 is bordering on indifference.

Without management support it is difficult for an entrepreneurial culture to permeate throughout the organisation since it is management that promote and foster a culture in an organisation (Cornwall and Perlman 1990). Cornwall and Perlman (1990) further argue that culture is a key determinant of, and the first step in fostering entrepreneurial activity in an organisation. Management has to be willing to facilitate and promote entrepreneurial activity in the organisation,

including championing innovative ideas as well as providing necessary resources (Stevenson and Jarillo 1990).

Efforts have to be directed towards the younger employees (less than 30 years old) whose standard deviation from their mean score of 3.2231 (almost indifferent) is .7369 (indicating wide spread opinions). The 51–60 year old employees have the lowest mean (2.95) and a low standard deviation (.3873). This can be interpreted to mean that they generally agree that there is not much management support to promote CE within First Rand Bank. It is important for First Rand Bank to use the older employees to pass down knowledge and skills to the younger employees and together engage in sustainable regeneration of First Rand Bank. According to Covin and Miles (1999) organisations that engage in sustained regeneration view their capacities for innovation as essential core competencies that must be protected, nourished, and leveraged through corporate strategies of continual product/service development.

Lack of management support will frustrate the young and restless that if guided by the older and more experienced could bring about the entrepreneurial spark and thus give First Rand Bank a competitive advantage. True competitive advantage arises from radical innovations (Kemelgor, 2002). First Rand Bank should encourage all employees to be innovative.

Non managerial employees also do not rate management support highly. They should enjoy a level of support that will encourage them to think of new ways of doing things better so that the organisation as whole functions efficiently.

In conclusion, there is no sufficient evidence in the data to suggest that management support is high when it comes to promoting CE within First Rand Bank. The support that is there could be a function of the employee/boss relationship without the extra mile being taken to promote CE. Alternatively communication might be inadequate for all to acknowledge the support that is given.

6.2 Research Question 2

Workers have the discretion to the extent that they are able to make decisions about performing on their own in a way that they believe is most effective (Hornsby *et al*, 1993). Workers 30 years old and younger and those employed by First Rand Bank for less than a year do not believe their work discretion is high. Their mean score of 3.2231 and 3.1632 respectively is lower than that of employees between the ages of 30 -50 years. In other words, according to Hornsby *et al* (1993) they do not believe they are allowed to make decisions about their work processes. Although this is negative as far as promoting CE is concerned it is understandable from a banking point of view.

As discussed in Chapter 1, banking in South Africa is not a homogenous business. Banks are involved with different customers, different markets and different products. As such it takes time for an individual to acquire the necessary skills at a given job level. Also because banking is highly regulated environment, mistakes made as a result of an employee not doing his job as per the laid down procedure can be costly for the bank. It is imperative therefore for procedures be adhered to. This explains why generally a young employee who has not been in the organisation for a long time and is a non-managerial position would get bored by the mundane nature of the job.

An interesting observation is that as one moves up the corporate ladder the work discretion mean score also increases with executive managers recording the highest score (mean is 3.9333 and standard deviation is .4619). Lumpkin and Dess (1996) describe CE in terms of five dimensions (autonomy, innovativeness, risk taking, proactiveness competitive aggressiveness). These dimensions become more challenging with seniority in an organisation. However, it does not mean that there should be no scope for improving work discretion. Employees must perceive an environment that encourages calculated risk taking while maintaining reasonable tolerance for failure (Stopford and Baden Fuller, 1994).

It can therefore be concluded that in First Rand Bank work discretion is commensurate with seniority and tenure. One has to have proved their competences before they can be entrusted with more responsibilities.

6.3 Research Question 3

Rewards and reinforcement enhance the motivation of individuals to engage in innovative behaviour (Hornsby *et al*,1993). This would appear to be a contentious issue within First Rand Bank. This is because the standard deviations for all the biographic variables are relatively high (see Table 5-11). This is an indication that that there is a wide spread around the mean which shows that there are extremes. There are some individuals who strongly agree with others strongly disagreeing.

The literature on CE stresses that an effective reward system that spurs entrepreneurial activity must consider goals, feedback, emphasis on responsibility and results based incentives (Sathe 1985). It would appear this does not happen within First Rand Bank. If there is a policy or strategy it is not communicated clearly for all to understand.

Kuratko *et al* (2003) argue that if a CE strategy is communicated clearly and employees at all levels buy into the strategy, that organisational will have a competitive advantage over its competitors. It can therefore be concluded that the management of First Rand Bank need to articulate a CE strategy that is clearly understood by all the employees highlighting rewards and reinforcement in a transparent manner.

6.4 Research Question 4

The fostering of new and innovative ideas requires that individuals have time to incubate these ideas (Hornsby *et al*, 1993). Table 5-12 shows that time is an impediment. Mean scores for all the biographic variables are less than 3 and the standard deviations are generally low. This is an indication that there is a general consensus amongst all the employees that time does not allow them to engage in entrepreneurial activities.

Hornsby *et al* (1993) argue that 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. For First Rand Bank this would be very difficult because workload can only be reduced by employing more people. As discussed in Chapter 1, South African banks are under pressure to manage their costs so as to remain competitive with international banks that are operating in the country. Salary costs are the biggest overhead for South African banks and to increase them in any way would be tantamount to shooting themselves in the foot.

Employees should be encouraged to be creative and innovative, to make suggestions for improvement of products and internal processes, to take risks, responsibility and ownership of their creations (Nayager and van Vuuren, 2005). This is something that can be achieved during any employee's normal duties and therefore does not need special time to be put aside. It can however be

concluded that employees at all levels believe that there is no time available to promote CE in First Rand Bank.

6.5 Research Question 5

RMB's mean score for organisational boundaries is lower than FNB's and Wesbank's. This is an indication structural boundaries tend to inhibit the flow of information for employees in corporate entrepreneurial activities (Naman and Slevin, 1993). The structure must foster the administrative mechanisms by which ideas are evaluated, chosen and implemented.

Employees younger than 40 years rate organisational boundaries lower than those older than 40 years. However the standard deviation for the mean score is quite high indicating that there is a wide spread of opinions. The same is true for employees that have been in the organisation for less than three years. Whether the boundaries are real or imagined, they prevent people from looking at problems outside their own jobs (Hornsby *et al*, 1993). As discussed earlier, the young and new employees should be encouraged to bring in fresh and new ideas. If structures get in the way there is a danger that cross fertilisation between departments will not exist and the "silo mentality" will discourage the sharing of knowledge.

First Rand Bank employees must be encouraged to look at the organisation from a broad perspective. First Rand Bank should avoid having standard

operating procedures for all major parts of the jobs. This as discussed earlier is a challenge given the rigidity of the legislative environment South African Banks operate in. However, this should not discourage First Rand Bank from reducing dependence on narrow job descriptions and rigid standard of performance. The results in this study do not suggest that this is happening as much as it should hence the relatively low mean scores.

In conclusion, as shown in Table 5-8 First Rand Bank is promoting CE to a certain extent. With the exception of time availability the means for management support, work discretion, rewards/reinforcement and organisational boundaries are greater than three. It is however not doing enough for all the employees as is indicated by the relatively high standard deviations. This implies that the employee ratings vary for each of the factors.

It can also be concluded that judging by the results, there is no clear CE strategy in place. CE would appear to be promoted haphazardly amongst the three divisions and organisational boundaries stand in the way because of the silo structures within First Rand Bank. This could explain why ideally the young and new did not score highly for all the factors. It takes time for them to learn and understand an organisation the size of First Rand Bank and during the learning time they are not really comfortable with the way CE is promoted. Their perceptions change over time when they feel part of the family and have established their own networks.

CHAPTER 7: CONCLUSION

As discussed in Chapter 1 South African banks compete in various ways with each other and with other financial institutions. In general, the banks compete in terms of price, service standards, advertising, innovation in products and services offered, relationship management and product differentiation. The highly dynamic environment prevalent in the South African banking industry is forcing banks to develop competitive advantages that are sustainable.

7.1 Findings

As discussed in Chapter 5 and 6, the management of First Rand Bank can not be said to be ignoring CE altogether.

1. CE is being promoted to a certain degree. However this is being done piece meal and this can be attributed to the fact that there is no clear CE Strategy in place that is shared throughout First Rand Bank..
2. Young and new employees in First Rand Bank general perception is that management support, work discretion, rewards /reinforcement, time availability and organisational boundaries are not used sufficiently to promote CE within First Rand Bank. Perceptions changed after they have been in the organisation longer and amongst the older employees.

3. There is not enough time available to engage in CE. This was the perception across age, gender, tenure and seniority in First Rand Bank.

7.2 Recommendations to Management

As discussed in Chapter 1, organisations that are able to exploit the competitive advantage they own today while simultaneously making decisions to shape the advantages they intend to own and use tomorrow, increase the probability of long term survival, growth and financial success. This requires top management support to create an organisational setting that focuses attention of all the employees CE. First Rand Bank's management have to institutionalise elements of entrepreneurship if they are to remain competitive. Without specific goals and strategies for CE, entrepreneurship will happen by chance.

The choice of using CE strategy as a primary means of strategic adaptation reflects the organisation's decision to seek competitive advantage principally through innovation and entrepreneurial behaviour on sustained basis. As discussed in Chapter 2 and highlighted in Fig 2-1 senior level managers in First Rand Bank should establish an entrepreneurial strategic vision and guide the emergence of pro-entrepreneurial architecture by removing organisational boundaries that inhibit cross fertilisation of ideas within the group.

Middle managers are responsible for executing induced entrepreneurial initiatives and instigating autonomous entrepreneurial initiatives. Therefore they should be empowered and encouraged to foster CE in their business units. Because they are normally the interface between the non-managerial

employees and senior executives it is crucial that they make time to introduce new employees to First Rand Bank's entrepreneurial philosophy and foster the culture. Unwavering support has to come from the top because that is the only way it can cascade downwards.

If all employees buy into the CE strategy and support the vision that is set by senior management First Rand Bank will transform into an organisation where CE is part of the culture. Because culture plays an important role in influencing employees' willingness to accept entrepreneurial change it can be a source of sustained competitive advantage. As argued in Chapter 2, CE can be sustained in an organisation if it is embedded in the culture.

Whilst trying to change the culture, First Rand Bank's management should keep the communication channels open and transparent particularly so around rewards/reinforcement which appear to be contentious within the group.

First Rand Bank employees believe that they do have time to engage in CE activities. This can not be argued against given the demands of most banking jobs. Time should be made available regularly to get formal feedbacks from employees and recognition given to those that bring about positive entrepreneurial thinking around processes and procedures as well as those that go the extra mile in pursuit of customer satisfaction.

7.3 Recommendations to Employees

Employees should not be afraid to give feedback to managers and to make recommendations. It is easy to fall into the *laissez-faire* mindset and get into a comfort zone once one has spent time in the organisation. Entrepreneurial employees constantly challenge each others ideas, processes and procedures that do not add value to the customer or the bottom line. CE is a process that should include individuals in pursuit of instigating renewal or innovation with an organisation. Teamwork can only make it easier.

7.4 Limitations of the Research

The research was biased towards Guateng because of the ease of collecting data. Also the research did not correlate the entrepreneurial climate of First Rand Bank to their level of CE, that is, the number of new innovations or other entrepreneurial initiatives. Because the study was limited to one organisation it was not possible to test all factors raised in the literature. Possible areas for further research include looking at the South African financial sector as a whole and behaviour that encourages innovation in the South African context.

The researcher undertook this research to better understand the factors that promote CE in First Rand Bank.

The findings suggest that management support, work discretion, rewards and reinforcement, time availability and organisational boundaries are not being used to their full potential to promote CE within First Rand Bank.

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APPENDIX A

Corporate Entrepreneurship Assessment Questionnaire

This questionnaire is for a study being done on First Rand Bank. Please tick below details of your profile. Anonymity is guaranteed so please exclude your names and simply tick the appropriate blocks.

Division Employed	FNB	Wesbank	RMB	
Age	<30	30-40	41-50	51-60
Gender	Male	Female		
Length of Service	>1yr	1- 3yrs	3-5yrs	5+yrs
Job Grade	Non-Managerial	Middle Manager	Senior Manager	Executive Manager

Corporate Entrepreneurship Survey

Using a 5 point scale, rate the extent to which you agree with the statement,
where 1 = strongly Disagree and 5 = strongly agree

Response Scale	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
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Section 1: Management Support for corporate entrepreneurship

[Please tick (☑) only **one** response for each question]

	1	2	3	4	5
1. My organization is quick to use improved work methods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My organization is quick to use improved work methods that are developed by workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. In my organization, developing one's own ideas is encouraged for the improvement of the corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Upper management is aware and very receptive to my ideas and suggestions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Promotion usually follows the development of new and innovative ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Those employees who come up with innovative ideas on their own often receive management encouragement for their activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The "doers" are allowed to make decisions on projects without going through elaborate justification and approval procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Many top managers have been known for their expertise with the innovation process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Money is often available to get new project ideas off the ground	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Individuals with successful innovative projects receive additional reward and compensation for their ideas and efforts beyond the standard reward system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. There are several options within the organization for individuals to get financial support for their innovative projects and ideas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Individual risk takers are often recognized for their willingness to champion new projects, whether eventually successful or not.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. People are often encouraged to take calculated risks with new ideas around here.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. The term "risk taker" is considered a positive attribute for people in my work area.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. This organization supports many small and experimental projects realizing that some will undoubtedly fail.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. A worker with a good idea is often given free time to develop that idea.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. There is considerable desire among people in the organization for generating new ideas without regard to crossing departmental or functional boundaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. People are encouraged to talk to workers in other departments of this organization about ideas for new projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Section 2: Work discretion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. I feel that I am my own boss and do not have to double check all of my decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Harsh criticism and punishment result from mistakes made on the job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. This organization provides the chance to be creative and try my own methods of doing the job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. This organization provides freedom to use my own judgment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. This organization provides the chance to do something that makes use of my abilities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25. I have the freedom to decide what I do on my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26. It is basically my own responsibility to decide how my job gets done.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. I almost always get to decide what I do on my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. I have much autonomy on my job and am left on my own to do my own work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29. I seldom have to follow the same work methods or steps for doing my major tasks from day to day.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Section 3: Rewards/reinforcement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30. My manager helps me get my work done by removing obstacles.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31. The rewards I receive are dependent upon my work on the job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

32. My supervisor will increase my job responsibilities if I am performing well in my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33. My supervisor will give me special recognition if my work performance is especially good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34. My manager would tell his boss if my work was outstanding.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35. There is a lot of challenge in my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Section 4: Time availability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36. During the past three months, my work load was too heavy to spend time on developing new ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37. I always seem to have plenty of time to get everything done.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38. I have just the right amount of time and work load to do everything well.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39. My job is structured so that I have very little time to think about wider organizational problems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40. I feel that I am always working with time constraints on my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41. My co-workers and I always find time for long-term problem solving.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Section 5: Organizational boundaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42. In the past three months, I have always followed standard operating procedures or practices to do my major tasks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43. There are many written rules and procedures that exist for doing my major tasks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44. On my job I have no doubt of what is expected of me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45. There is little uncertainty in my job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
46. During the past year, my immediate supervisor discussed my work performance with me frequently.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47. My job description clearly specifies the standards of performance on which my job is evaluated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48. I clearly know what level of work performance is expected from me in terms of amount, quality, and timeliness of output.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>