

**THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT  
PRACTICES, CORPORATE ENTREPRENEURSHIP AND  
BUSINESS PERFORMANCE IN MEDIUM AND LARGE  
BUSINESSES IN GAUTENG PROVINCE**



by

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## ABSTRACT

Globalisation is creating profound and substantial changes for businesses and industries throughout the world. These changes have forced businesses to re-evaluate their organisational philosophy and strategic approaches to become more competitive. Businesses in general have to deal with internal and external challenges. To address these challenges, there is a significant amount of written consensus internationally, which denotes that established businesses should encourage entrepreneurial activity throughout their operations to compete successfully on a continuous basis. Therefore, businesses should identify and implement entrepreneurial actions such as developing new products and ideas or adapt their internal processes to new situations. Corporate level entrepreneurship plays an indispensable role in improving productivity and promoting economic growth. Entrepreneurial activities can result from individual creativity or pursuit of self-interest and some of these activities could eventually receive the business's formal recognition and thus become an integral part of the business concept. Entrepreneurial activities are often initiated by individuals within an organisation. Therefore, one way in which organisations can remain competitive in today's rapidly changing environment is to address the issue of achieving productivity through their employees. Human resources can either hinder or encourage corporate entrepreneurship. This study addresses the relationship between human resource management practices, corporate entrepreneurship and business performance in medium and large businesses. Four hypotheses were put forward for testing.

A quantitative, formal and cross-sectional approach was used. Data were collected using a survey and self-administered questionnaires were emailed to 744 human resource managers in medium and large businesses in Gauteng. A response rate of 47.6 percent was achieved as 351 usable questionnaires were received. Items in the questionnaire were adapted from previous studies. Factor analysis was conducted to test the validity and reliability of the research instrument. Both descriptive and inferential statistics were applied to test the hypotheses.

The empirical evidence indicated that corporate entrepreneurship is stimulated by better employee relations, selection practices, compensation, high levels of employee development and skills training. Selection and staffing are the most significant drivers of corporate entrepreneurship. The evidence further shows that human resource management practices influence business performance as well as that a positive relationship exists between innovation intensity and risk propensity, and business performance.

The results also show that corporate entrepreneurship is a mediator between human resource management practices and business performance. As this was the first formal study conducted, which aimed to determine the influence of human resource management practices on corporate entrepreneurship and how it affects businesses performance, it can serve as a guideline for businesses in South Africa to assess their entrepreneurial intensity and corporate entrepreneurial climate.

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# CHAPTER 1

## INTRODUCTION AND PROBLEM ORIENTATION

### 1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Globalisation in the 21<sup>st</sup> century, which is characterised by more foreign investment, mergers and acquisitions and advances in information technology, has posed many challenges to companies. Companies have been led to re-evaluate their organisational philosophy and strategic approaches to become more competitive. Schmelter, Mauer, Börsch and Brettel (2010:715) argue that companies in general have to deal with external and internal challenges. Firstly, companies encounter challenges of the external environment to keep pace with rapid technological evolution, globalisation and progressively sophisticated competitors. Secondly, companies must also deal with internal challenges of modernising bureaucratic structures and processes, which can lead to slow decision-making and an inability to adapt to new situations.

Currently firms react differently to obstacles and challenges experienced in their businesses. Some reduce costs by moving to low-cost areas and others by reducing the number of employees. These measures may only produce short-term outcomes and often do not provide the long-term outcomes that the firms may need. Therefore, in addressing these challenges there is a growing consensus that established companies should encourage entrepreneurial activity throughout their operations to compete successfully on a continuous basis (Schmelter *et al.*, 2010:712). In this context, firms must improve their flexibility and gain competitive advantages by encouraging entrepreneurship through their operations. Therefore, firms should rather identify and implement entrepreneurial actions, such as developing new products and ideas or by adapting their internal processes to new situations. Entrepreneurship, and more so, corporate level entrepreneurship, play an indispensable role in improving productivity and promoting economic growth. This type of entrepreneurship is referred to as corporate entrepreneurship in the literature. The question is, how can corporate entrepreneurship be fostered in established companies to address these challenges?

Zahra (1991:261) postulates that corporate entrepreneurship activities can be formal or informal in nature. Formal efforts are seen as those that are designated from units to spearhead corporate entrepreneurship activities, but not all initiatives originate from these units. Informal efforts occur autonomously, with or without the approval of the official organisation. Such informal activities can result from individual creativity or pursuit of self-interest, and some of these efforts eventually receive the firm's formal recognition and thus become an integral part of the

business concept. Entrepreneurial activities are often initiated and carried out by individuals within an organisation. One way organisations can remain competitive in today's rapidly changing environment is to address the issue of achieving productivity through their employees. Human resources can either encourage or hinder corporate entrepreneurship.

The human resource is one of the most important resources for the successful development of every company. The success of any company does not lie in its assets alone but between the ears of its people. The question is often how critical the human resource function is in that achievement, as other critical factors such as product development, leadership, market advantage and research and development also play a role. The importance of human resources as a source of competitiveness in developing countries has been identified as these countries engage more and more in international competition. Edralin (2010:25) argues that companies realise more and more that nurturing an entrepreneurial culture through the implementation of various human resource management practices (HRMPs) will enhance their firm's ability to be more competitive and produce better performance levels.

Firms that wish to improve their performance need to be more proactive, innovative and risk-taking. There is the belief that corporate entrepreneurship is a vehicle towards making the shift from bureaucracy to innovation (Shaw, O'Loughlin & McFadzean, 2005:394). Kuratko, Morris and Covin (2011:11) describe corporate entrepreneurship as a term used to describe entrepreneurial behaviour inside established mid-sized and large organisations. Corporate entrepreneurship thus rests upon an organisation's ability to create innovative activities such as the development of new products, services, technologies, administrative techniques and strategies.

The purpose of this study is to contribute to the growing body of knowledge and literature by investigating the roles of both corporate entrepreneurship and HRMPs. Both corporate entrepreneurship and HRMPs' roles should be investigated in order to adapt to internal cultural processes and other factors contributing to the achievement of superior performance. The aim of the study is to determine whether entrepreneurial HRMPs can affect a firm's performance through corporate entrepreneurship.

## **1.2 PROBLEM STATEMENT**

South Africa, like most of its global counterparts, is facing tough economic conditions and with the current downgrade to junk status, the economic growth will be slower (Omarjee, 2017:1). A downgrade, according to Mothibi, CEO of Productivity SA (Mothibi: 2016:1), could cause the



risk of triggering capital outflows, the rand plummeting, higher inflation and interest rates and rising bond yields, thereby increasing the cost of investment, leading to lower growth and the possibility of a recession. Mothibi (2016:1) further attributes poor productivity as South Africa's key economic problem. A decline in growth, results in lower revenues. This lower revenue and the inability of the private sector to create employment are contributing factors for the high unemployment rate in South Africa.

A possible solution to these problems can be for businesses to be innovative. Firms that want to be successful must improve their flexibility, competitiveness and reactivity, and nurture entrepreneurship through their operations. These conditions are associated with corporate entrepreneurship or intrapreneurship, which involves creating an entrepreneurial culture within businesses and increasing the firm's innovative capacity. Miller (1983:772) defines corporate entrepreneurship as the activities that a firm undertakes to enhance product innovation, risk-taking and proactive response to environmental forces. Other empirical research has shown that corporate entrepreneurship also has a positive impact on organisational performance (Kuratko *et al.*, 2011:248; Lumpkin & Dess, 1996:163; Zahra, 1991:259). Therefore, given the effectiveness of corporate entrepreneurship in improving organisational growth and profitability, this study wishes to identify the factors contributing to or enhancing corporate entrepreneurship in South African firms.

Previous research has identified various sources, such as the firm's external environment, (Covin & Slevin, 1989:75), organisational culture (Zahra, 1991:259), structure (Miller, 1983:770) and HRMPs (Hayton, 2005:21; Morris & Jones, 1993:890). This study subscribes to the approach that the most important factors to promote a corporate entrepreneurship strategy concern the firm's ability to facilitate entrepreneurial attitudes among employees and establish human resource practices to support them. Thus, how to organise people and tasks in ways to develop entrepreneurial actions and to develop support systems to encourage risk-taking among employees (e.g. rewards and compensation systems that reinforce individual entrepreneurial actions) are key questions that must be answered in order to stimulate innovation and promote corporate entrepreneurship.

Given the importance of HRMPs for corporate entrepreneurship, research is needed on the human factors governing the emergence of corporate entrepreneurship in South African businesses, which can improve organisational growth, and the profitability of the firm. There is substantial prior research that shows that corporate entrepreneurship has a positive influence on firm performance (Edralin, 2010:38; Yu, 2010:118). Schmelter *et al.* (2010:735) provide further

evidence that HRMPs play a significant role in fostering and maintaining high levels of corporate entrepreneurship. To date a study addressing these issues has not yet been done in South Africa. Other studies conducted in South Africa covered a range of topics such as “The impact of corporate entrepreneurship on service innovation in firms operating in South Africa” (Ravjee & Mamabolo, 2019), “Assessment of corporate entrepreneurship and levels of innovation in the South African short-term insurance industry” (Groenewald, 2010) and “Nurturing the corporate entrepreneurship capability” (Scheepers, Hough & Bloom, 2008). The outcomes of these studies indicate that strategic leadership should support corporate entrepreneurship, encourage autonomy and provide rewards for entrepreneurial behaviour. A gap in the literature is thus identified, namely, to determine how HRMPs can be used to encourage corporate entrepreneurship.

### **1.3 RESEARCH OBJECTIVES**

After identifying the research problem, one needs to develop research objectives. Kent (1993:320) states that research objectives are there to spell out what the research is designed to explore, measure or explain. Objectives may be spelled out in terms of hypotheses or be formulated as research questions or statements.

This study is guided by the following primary research question:

- To what extent do HRMPs influence business performance through corporate entrepreneurship?

This study attempts to answer the following secondary research questions:

- To what extent do HRMPs influence corporate entrepreneurship?
- To what extent does corporate entrepreneurship influence business performance?

#### **1.3.1 Primary Objective**

The primary objective of the proposed study is to investigate the relationship between HRMPs, corporate entrepreneurship and business performance in medium and large businesses in Gauteng province.

#### **1.3.2 Secondary Objectives**

The secondary objectives are classified into theoretical and empirical objectives.

### **1.3.2.1 Theoretical objectives**

An extensive literature review of secondary data on corporate entrepreneurship and HRMPs, and their relationships to business performance was conducted. The secondary data for the literature review were obtained from scholarly articles, research reports, books, conference proceedings, studies conducted by academics, government institutions and non-governmental organisations working in the field of entrepreneurship, and internet searches.

The theoretical objectives of the study are as follows:

- To conceptualise corporate entrepreneurship from the literature.
- To conceptualise HRMPs from the literature.
- To conceptualise business performance from the literature.
- To review literature on medium and large businesses in SA

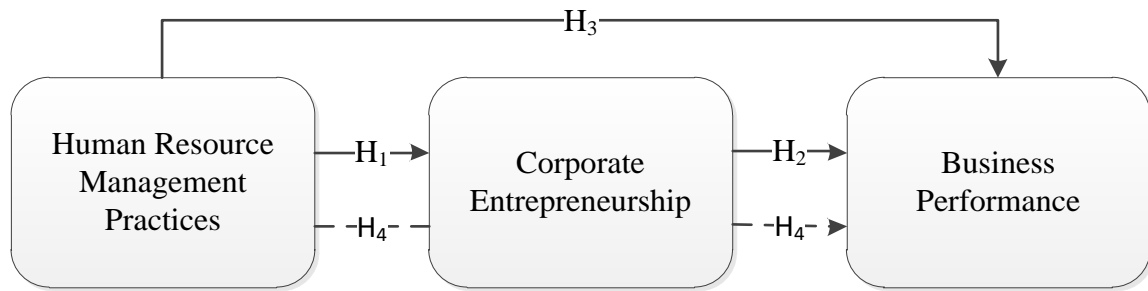
### **1.3.2.2 Empirical objectives**

The empirical objectives of the study are as follows:

- To determine the levels of implementation of HRMPs.
- To determine of the levels of implementation of corporate entrepreneurship.
- To determine the factors that influence business performance.
- To investigate the relationship between HRMPs and business performance
- To determine the relationship between HRMPs and corporate entrepreneurship.
- To investigate the relationship between business performance and corporate entrepreneurship.

## **1.4 CONCEPTUAL FRAMEWORK FOR THE STUDY**

The study postulates that corporate entrepreneurship mediates the relationship between HRMPs and business performance. The framework presented below is developed to guide the investigation of the relationship between HRMPs, corporate entrepreneurship and business performance as indicated in Figure 1.1 below.



**Figure 1.1: Conceptual framework for the relationship between HRMPs, corporate entrepreneurship and business performance (own compilation)**

## 1.5 HYPOTHESES OF THE STUDY

In this study, relationship hypotheses are used as this examines the relationship between two or more variables (Cooper & Schindler, 2014: 195). Neuman (2014:92) describes a hypothesis as a proposition to be tested or a tentative statement of a relationship between two variables. A hypothesis is actually that which one wants to know. Based on the research mentioned earlier, this study aims to determine the correlation between corporate entrepreneurship and HRMPs and the relationship between HRMPs and business performance. The term null hypothesis reflects the concept that this is a hypothesis of no difference and therefore always includes a statement of equality. On the other hand, the alternative hypothesis is the complement of the null hypothesis and postulates some difference and inequality (Cooper & Schindler, 2014:432).

The study intended to test the following hypotheses which are based on the conceptual framework in Figure 1.1.

- H1: HRMPs have a positive influence on corporate entrepreneurship.
- H2: Corporate entrepreneurship has a positive influence on business performance.
- H3: HRMPs have a positive influence on business performance.
- H4: Corporate entrepreneurship is a mediator between HRMPs and business performance.

## 1.6 LITERATURE REVIEW

The literature review will present a brief overview of the constructs: corporate entrepreneurship, HRMPs and business performance.

### 1.6.1 Corporate entrepreneurship

Companies in general, according to Schmelter *et al.* (2010:715), are faced with two significant challenges. Businesses must firstly make adjustments to deal with external environmental challenges such as globalisation, rapid technological evolution and sophisticated competitors. Secondly, businesses have to deal with internal challenges of modernising bureaucratic structures and processes which can hamper decision-making and that could lead to an inability to adapt to new situations. Companies, however, react differently to their obstacles and challenges. Some reduce costs, which can be achieved, by reducing the numbers of employees or moving production sites to low-cost areas. Actions such as these produce short-term outcomes and often do not provide the long-term outcomes that the firms may need. Instead, companies should rather identify and implement entrepreneurial actions, such as developing new ideas and products (innovativeness) and adapting their internal processes to new situations (flexibility). These two concepts of innovativeness and flexibility are the focus of corporate entrepreneurship. Thus, entrepreneurial activity as proposed by corporate entrepreneurship seems to be a solution for the spectrum of established companies to remain competitive and viable. This said, the question of how to foster corporate entrepreneurship in established companies must be considered.

Corporate entrepreneurship is perceived in various ways by researchers and practitioners. The literature reveals that there seems to be a considerable degree of ambiguity as to the precise meaning of this construct, as it gains momentum as a research interest among academics and practitioners, particularly in the field of entrepreneurship and strategic management in the past years. Rutherford and Holt (2007:30) conceptualise corporate entrepreneurship as the "process of enhancing the ability of the firm to acquire and utilise the innovative skills and abilities of the firm's members." Shaw *et al.* (2005:394) assert that corporate entrepreneurship can be defined as "the effort of promoting innovation from an internal organisational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation, and commercialisation of said opportunities." Antoncic and Hisrich (2000:23) refer to corporate entrepreneurship as "a process of creation of new business ventures, and other innovative activities such as development of new products, services, technologies, administrative techniques, strategies, and competitive postures." Sharma and Chrisman (1999:12), on the other hand define corporate entrepreneurship as "the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal innovation within that organisation." According to Zahra (1991:260), corporate entrepreneurship is the process of creating new business within established firms to improve

organisational profitability and enhance a company's competitive position or the strategic renewal of existing business. Stevenson and Jarillo-Mossi (1990:13) define corporate entrepreneurship as "the ability of individuals within the firm to pursue opportunities that define the ability of the whole organisation to be entrepreneurial."

#### **1.6.1.1 Features of corporate entrepreneurship**

Corporate entrepreneurship research, according to Antoncic, Cardon and Hisrich (2004:173), has evolved into three focal areas with the first area of focus being on the individual intrapreneur, emphasising the intrapreneur's individual characteristics. The second area of focus is on the formation of new corporate ventures where the emphasis is on different types of new ventures and the third focus is on the entrepreneurial organisation emphasising the characteristics of these organisations.

This study will also focus on the first area as identified by Antoncic *et al.* (2004:173), namely the individual intrapreneur. The construct corporate entrepreneurship will be referred to as the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal innovation within that organisation (Sharma & Chrisman 1999:12).

#### **1.6.1.2 Efforts that promote corporate entrepreneurship**

The growing interest in corporate entrepreneurship has also shown that the literature on the factors that facilitate entrepreneurial culture in the firms is evolving. There seems to be a desire to understand more about the dynamics of the process, context, and people variables to explain the firm's ability to increase its entrepreneurial behaviour. Rutherford and Holt (2007:431), in their empirical study on the innovativeness dimension of corporate entrepreneurship and its antecedents, used three precursors of corporate entrepreneurship, namely: process, context, and individual characteristics. Process variables pertain to how corporate entrepreneurship is "facilitated by leaders, encompassing the specific strategies they use to encourage entrepreneurial behaviour". Context variables refer to those that "address the circumstances that describe the organisation as it embarks on strategic renewal efforts and the diffusion of corporate entrepreneurship "(Rutherford & Holt, 2007:431). People/individual variables are those that "describe who is being asked to engage in entrepreneurial activities, describing their general disposition, skills, abilities, and attitudes". Rutherford and Holt (2007:442) determined that these antecedents were largely effective in explaining both types of corporate entrepreneurship behaviours.

Other researchers emphasise various other factors that should be considered to foster corporate entrepreneurship and firms' policies, cultures and procedures (Antoncic, 2007:318; Gurunathan, Krishnan & Pasupathy, 2004:57) that promote entrepreneurship. The culture should be such that employees are allowed to take risks, innovate, be proactive and be allowed to express unorthodox ideas (Chen, Zhu & Anquan, 2006:539; Kenny and Mujtaba, 2007:78; Lassen, Gertsen & Riis, 2006:366). Empowering the workforce in their normal course of work is of critical importance and it assists with the creation of a workforce that can help to maintain its competitiveness and promote a climate that is conducive to the realisation of high achievements.

Rewards also enhance the motivation of individuals to engage in entrepreneurial behaviour. It is therefore important to attend to staffing issues, which will foster and facilitate entrepreneurship. However, HRMPs have to be integrated if you wish to stimulate and reinforce needed characteristics and behaviours from employees. It is thus useful to implement HRMPs and determine attributes required to further entrepreneurship.

### **1.6.2 Human resource management practices for entrepreneurship**

The heart and soul of any enterprise is people. Various decision areas influence the work environment but human resource management is perhaps the most vital. There has been a fundamental transformation of the human resource management function in companies in the past few decades. Historically, the human resource management function was first concerned with the administering of employee benefits and imposing rules and procedures on employee hiring, promotion and firing; nowadays many companies understand that the human resource management function must play a strategic role in developing core competencies and achieving sustainable competitive advantage through people (Kuratko *et al.*, 2011:243). Kuratko *et al.* (2011:243) further state that consistent with this strategic role is the recognition that HRMPs might be associated with entrepreneurship. Yang and Lin (2009:1980) see HRMPs as investments in human capital to the extent that when employees perform, they add value to the company.

Schmelter *et al.* (2010:719) state that HRM can be understood in three ways. Firstly, it can be seen as managing human capital by selecting relevant sets of knowledge, skills, abilities and other characteristics with regard to corporate entrepreneurship. For any organisation to be effective, their employees need to have certain characteristics. These characteristics, according to Schuler (1986:617), refer to the behaviours, attitudes, ways of doing things and thinking about things and are determined by the strategy or direction the organisation follows. It is therefore clear that different strategies would require different characteristics. Kanter (1985:48) states that

what is required from employees in firms striving to be entrepreneurial, is quite different from what firms require when pursuing a non-entrepreneurial posture.

Therefore, organisations can choose to foster and facilitate highly innovative creative behaviour or highly repetitive predictable behaviour. Schuler (1986:618) further stresses that not all characteristics are equally relevant in the execution of all strategies. He suggests that employee characteristics such as creative and innovative behaviour, risk-taking, a long-term focus, a focus on results, flexibility to change, cooperation, independent behaviour, tolerance of ambiguity and a preference to assume responsibility are associated with successful entrepreneurial efforts.

Secondly, Schuler (1986:617) states that HRMPs in any organisation articulates its true culture. Thirdly, Schmelter *et al.* (2010:719) describe human resource management as a system of management activities, which are targeted to induce changes in the employee base toward corporate entrepreneurship. From this systemic view, the human resource management field appears to have experienced a fundamental transformation from a micro-oriented, bureaucracy-based, tool-driven discipline to one centred on various aspects of the human resource management system corresponding with business strategies (Morris & Kuratko, 2002: 235).

Schuler (1986:619) argues that entrepreneurial behaviour could be fostered by putting together consistent sets of human resource management practices. In addition, the human resource literature has shown that specific factors within the organisation, such as creativity or teamwork skills enhances the intensity of the five corporate entrepreneurship dimensions: innovativeness, risk propensity, pro-activeness, new business venturing and self-renewal (Kaya, 2006:2075). Overall, the design of HRMPs should meet these “entrepreneurial criteria” to boost corporate entrepreneurship.

This study proposes that there are specific HRMPs with regard to entrepreneurial criteria that foster entrepreneurial thinking, orientation, and activity within employees, thereby creating and nurturing corporate entrepreneurship activity. Thus, the hypotheses rely on the assumption that the design of HRMPs should accord with key corporate entrepreneurship dimensions to enhance corporate entrepreneurship.

This study focuses on six HRMPs that the respective literature envisages to have a strong positive impact on corporate entrepreneurship. These are: (1) planning (Morris & Jones, 1993), (2) staff selection (Edralin, 2010; Hayton, 2005; Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986), (3) rewards/compensation (Edralin, 2010; Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986; Tichy, Fombrun & Devanna, 1982), (4) training and development



(Edralin, 2010; Kaya, 2006, Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986), (5) performance appraisal (Edralin, 2010; Morris & Jones, 1993) and (6) employee relations (Edralin, 2010).

The HRMPs needed to nurture entrepreneurship will now be discussed.

#### **1.6.2.1 Planning**

Any recruitment and selection of staff ideally starts with personnel planning. Human resource planning is defined as the process of anticipating (forecasting) and providing for the movement of people into, within and out of an organisation (Dressler, Barkhuizen, Bezuidenhout, De Braine, Du Plessis, Nel, Stanz, Schultz & Van der Walt, 2011:134; Grobler, Wörnich, Carrell, Elbert & Hatfield, 2011:113). Noe, Hollenbeck, Gerhart and Wright (2012:194) describe human resource planning as a process of forecasting, goal setting and strategic planning, and program implementation and evaluation. Schuler (1986:619) provides a useful framework, outlining choices for establishing specific linkages between human resource management and entrepreneurship. Outlining choices that would stimulate innovation and a willingness to work with others seems more consistent with a long-term orientation, an emphasis on formal planning, and with high employee involvement. According to Schuler (1986:619), calculated risk-taking can be facilitated using more broadly written job descriptions that focus more on results than process. Objectives and accomplishments (results) should serve as the content of job descriptions as this will drive employees to work toward implementing ideas and systems. Organisations must engage in formal planning, as this will enable an organisation to provide employees employment security, a facet of human resource management critical for stimulating long-term orientation and moderate risk-taking behaviour (Schuler, 1986:620).

#### **1.6.2.2 Staff selection**

A successful innovation process requires highly qualified people to be involved (Hayton, 2005:29). For corporate innovation in terms of corporate entrepreneurship, the objective of staff selection is to form an appropriate resource base of human capital to foster entrepreneurial activity in an organisation. During the selection process, companies can determine the problem-solving and teamwork attitudes and behaviours of prospective employees. The assumption is that selective hiring is an important tool companies can use to influence their corporate entrepreneurship level. Previous human resource management research results have suggested that companies that employ staff with expert knowledge and several entrepreneurial abilities, such as creativity and proactiveness, can react quickly when unexpected opportunities or

changes occur (Kaya, 2006:2084). Thus, in general, the selection criteria should be in line with the corporate entrepreneurship dimensions of innovativeness, risk propensity, proactiveness, corporate venturing, and self-renewal (Schmelter *et al.*, 2010:720). Schuler (1986:619) postulates that entrepreneurial behaviour is fostered to the extent that staffing choices offer individuals broad career paths and multiple ladders, have implicit criteria and open procedures, use external sources and allow extensive socialisation.

### **1.6.2.3 Rewards/compensation**

A general objective of incentives is to change attitudes and motivate employees. Compensation/total rewards refer to extrinsic rewards (monetary) such as salary and benefits as well as to intrinsic rewards (non-financial) such as achieving personal goals, autonomy and more job opportunities (Grobler *et al.*, 2011: 401). Kaya (2006: 2085) found that incentives that enhance positive attitudes and employee motivation can contribute to the firm's growth and performance. Morris and Jones (1993: 880) state that personal incentives (financial and non-financial) are necessary to reinforce the risk-taking and persistence required to implement an entrepreneurial concept and that these incentives must be significant to retain entrepreneurial employees. In this study's context, it is interested in appropriate rewards built on a performance evaluation that considers entrepreneurial activity. Thus, the staff evaluation should include explicit measures of innovativeness and risk propensity.

### **1.6.2.4 Training and development**

Beyond ensuring employees' entrepreneurial abilities through staff selection criteria, Khandwalla (2006:7) observes that appropriate abilities can be acquired through training and development. In general, training and development are critical for the firm's performance and competitive advantage and training can overcome the factors that decrease employees' job performance and satisfaction (Schmelter *et al.*, 2010:721). Training and development practices can promote entrepreneurial behaviour to the extent that they apply to a range of job situations, emphasise quality of work life, encourage employee participation and rely upon minimal organisational structure (Schuler, 1986:623). Changing job demands and continually changing technologies suggest a need for training that is ongoing, is less standardised, and focuses on individual knowledge requirements (Kuratko *et al.*, 2011:251). This training approach enables employees to respond in unique ways to new challenges, adapt to dynamic environmental conditions, and feel comfortable with ambiguity.

Firstly, it is important to foster entrepreneurial activity in the corporate context through training activities that enforce interpersonal skills such as the ability to work in a team. Secondly, training that supports creativity will strengthen innovativeness and potentially strengthen self-renewal and new business development. Thirdly, training sessions on how to transfer new ideas into business will lead to higher intensity for risk propensity and proactiveness (Schmelter *et al.*, 2010:724).

#### **1.6.2.5 Performance management**

Performance management is described as a process which significantly affects organisational success by having managers and employees work together to set expectations, review results and reward performance (Grobler *et al.*, 2011:293). Schuler (1986:621) concurs and states that entrepreneurial orientation is fostered to the extent that appraising practices emphasise results criteria, use longer-term criteria, encourage higher employee participation and recognise the accomplishments of groups of individuals. These appraising practices stimulate risk-taking, a willingness to assume responsibility and a longer-term orientation. Sharing information on the individual performance of employees fosters organisational openness and it enhances the loyalty and trust of the employees to the firm. Performance management will thus be seen as the process through which managers ensure that employee activities and outputs contribute to the firm's goals.

#### **1.6.2.6 Employee relations**

Recruitment and placement, training and development, and compensation are at the heart of human resource management. However, people expect something more. They expect their employers to treat them fairly and to provide a safe environment. Therefore, employee relations refer to a set of processes and procedures utilised in the interaction (e.g. communication, interpersonal relationships, participation in decision-making) between the employees and the employer to attain their respective goals, while accommodating the needs of both parties (Edralin, 2010:32). In this study, the processes as proposed by Edralin will also be researched as well as employment equity and affirmative action as these two processes are pro-active, conscious efforts to redress the disadvantages of the past and to increase the representation of marginalised groups of the population in organisations.

#### **1.6.3 Business performance**

Researchers have used various variables to measure firm performance. Singh (2004:305) measures BP using firstly, 'organisational performance' and secondly, 'market performance'.

The organisational performance variable covers such aspects as product quality, customer satisfaction, new product development, ability to attract employees, ability to retain employees, and relations between management and employees. The market performance variable covers aspects like marketing of products or services, growth in sales, profitability and market share. In their study, Ahmad and Schroeder (2003:24-25) investigated the impact of HRMPs on operational performance measures as well as on an intangible performance measure. Operational performance measures include variables such as quality, cost, delivery, flexibility and the speed of new product introduction whereas the intangible performance measure included organisational commitment.

Akdere (2009:1950), in his study describes organisational performance using three sub-variables: employee and customer satisfaction and financial outcomes-related variables. He uses the variables, operating margin and net margin to measure the organisational financial performance outcomes. Kaya (2006: 2079) uses the variables to describe firm performance as adopted from Wiklund and Shepherd. These include nine different dimensions and include sales growth, market share growth, return on sales, return on assets, overall profitability, product/service quality, new product/service development capacity, job satisfaction of employees and customer satisfaction. For the purpose of this study, some of dimensions used by Kaya (2006:2079) to describe firm performance will be used and they will include the overall profitability, turnover growth, overall level of market share, new products/services development and assets acquisition.

#### **1.6.4 Description of medium and large businesses**

In this study, medium and large businesses were considered as respondents, as the researcher is of the opinion that such businesses will have a resource manager. In the Oxford Advanced Learner's Dictionary (Crowther, 1995:260), the word corporate is referred to as relating to large multinational corporations. The National Business Act 102 of 1996 as amended (2004:15) uses both qualitative and quantitative criteria to classify businesses. In terms of the qualitative criteria, which relate to the ownership structure, the business must be a separate and distinct entity, not be part of a group of companies, include any subsidiaries and branches when measuring size, be managed by its owners and lastly it must be a natural person (Nieuwenhuizen & Gideon, 2019:10). The quantitative criteria appears in the Schedule to the Act and classifies businesses into micro, small and medium using total full-time paid employees, total annual turnover and total gross asset value in respect of different sectors as guidelines (Nieuwenhuizen & Nieman, 2019:11).

The European Union, The United States of America, Australia and Denmark also classify businesses using the same qualitative and quantitative criteria. According to Senderovitz (2009:985), medium-sized businesses in the European Union should employ 250 full-time paid employees, in Australia between 20-200 employees and in Denmark 50-100 employees. Businesses are seen as large when they employ more than the number of medium-sized businesses (Senderovitz, 2009:985). This study classified medium and large businesses according to the number of employees. A medium-sized business, according to the National Small Business Act (2004:15) of South Africa, should have a 100 or more employees depending on the sector. The Act does not have a description for large businesses. However, for the purpose of this study all businesses having 50 or more employees were considered as respondents as the researcher presumes that businesses with 50 or more employees would appoint a human resource manager to handle all human resource related matters.

## **1.7 METHODOLOGY**

Research methodology is referred to as the methods used for collecting and analysing data. This section provides a summary of the research methodology employed in this study. The subjects covered include the research design, the literature study, the empirical study and the procedures, the method of data collection and procedures, data analysis, statistical procedures and the reliability and validity of the study.

### **1.7.1 Research design**

The research design delineates the structure of the investigation in such a way as to attain answers to the research objectives. Cooper and Schindler (2014:125) describe a research design as the plan and structure of investigation so conceived as to obtain answers to research questions. Babbie and Mouton (2011:74) describe a research design as a plan or blueprint of how you intend to conduct the research. According to Cooper and Schindler (2006:139), a number of different research design approaches exist but no single classification system defines all the variations that must be considered.

This study reflects the philosophy of positivism as data was collected to develop hypotheses and as such, the emphasis will be on quantifiable observations that lend themselves to statistical analysis (Saunders, Lewis & Thornhill, 2012:134). Under such a philosophy, research is undertaken in a value-free way where the researcher is independent of the data and maintains an objective stance (Saunders *et al.*, 2012:134). As this study collected data to test hypotheses, it will therefore follow a deductive approach and as such can be regarded as a formal study.

### **1.7.2 Literature study**

This quantitative study follows a two-stage research design. The first stage includes an extensive literature review of secondary data on corporate entrepreneurship, human resource management practices and their relationship to business performance. The secondary data for the literature review are obtained from scholarly articles, research reports, books, conference proceedings, studies conducted by academics, government institutions and non-governmental organisations working in the field of entrepreneurship and internet searches.

### **1.7.3 Empirical study**

The empirical study involved the sampling design, procedure of data collection, data analysis, and validity and reliability.

#### **1.7.3.1 Sampling design**

Sampling is the process of selecting a few from a bigger group to become the basis for estimating the prevalence of an unknown piece of information, situation or outcome regarding the bigger group (Kumar, 2011:193). Based on this view, the sampling design for this study comprised the target population, the sampling frame, sample size, sampling approach and sampling technique.

#### **1.7.3.2 Target population**

A population, as described by Saunders *et al.* (2012:260), is a full set of cases from which a sample is taken. Cooper and Schindler (2014:338) describe the population as a total collection of elements about which you wish to make some inferences. The population for this study is the human resource managers of medium and large businesses in the Gauteng province in South Africa.

#### **1.7.3.3 The sampling frame**

A sample frame refers to a list containing all the elements of the total population. A sample frame (complete list) of the members of the total population in Gauteng was obtained from the website of *Who Owns Whom*. The firms on the *Who Owns Whom* website are listed alphabetically and include both listed and unlisted firms. Only a sample of these firms were used to draw conclusions about the entire population (Cooper & Schindler, 2006:402).

#### 1.7.3.4 Sample size

The level of accuracy required in the results of a research project is an important determinant of the sample size. Bryman and Bell (2007:195) indicate that when it comes to sample size, the larger the better. The biggest advantage of a large sample is that as sample size increases, sampling error decreases and the estimates will be more accurate. According to Saunders *et al.* (2012:265), the larger the sample size the lower the likely error in generalising about the population. The sample size for the study will be determined by referring to the sample sizes used in previous related studies. The taxonomy is presented in Table 1.1 below.

**Table 1.1: Basis for sample size of the study**

Constructs	Previous Studies	Sample size used
Human resource management and business performance	Hayton (2003:375)	99
	Akdere (2009:1945)	69
	Yang & Lin (2009:1965)	277
	Kehoe & Wright (2010:9)	56
	Fallahi & Baharestian (2014:126)	140
	Zehir, Gurol, Karoboga & Kole (2016:376)	297
Human resource management and corporate entrepreneurship	Edralin (2010:163)	20
	Schmelter, Mauer, Börsch & Brettel (2010:715)	214
Corporate entrepreneurship and business performance	Karacoaglu, Bayrakdaroğlu & San (2013:163)	140
Human resource management, corporate entrepreneurship and business performance	Kaya (2006:2074)	124

Leedy and Ormrod (2005:207) indicate that the population size is almost irrelevant beyond a certain point (at about 5000 units and more) and that a sample size of 400 should be adequate. The population for this study was 744 units. The entire population was sampled.

### **1.7.3.5 Sampling techniques**

A probability sampling method was applied in the study, as the possibility of each case being selected from the population is equal for all cases. Probability sampling is also associated with survey research strategies as in this study. The census sampling method was applied in the study.

### **1.7.4 Method of data collection and procedure**

Good decisions require good data; therefore care was taken in collecting primary data to ensure that it provided the decision maker with relevant, current and unbiased information. Primary data were collected by means of a survey addressed to the human resource managers of the firms. The survey was a self-administered questionnaire that was emailed to all the respondents. The questionnaire was partitioned into three sections. Section A elicited demographic information about the respondent and their firm. Section B dealt with the entrepreneurial behaviour of the firm covering questions on the risk-taking ability, innovative behaviour, new product development, methods and processes. Questions in this section were adapted from Morris and Jones (1993:885) and Schmelter *et al.* (2010:724). Section C required responses on the firms' human resource management practices. The various human resource management constructs were measured using five-point Likert scales with anchors of disagree (=1) and strongly agree (=5). Questions on planning were adapted from Morris and Jones (1993:881). Questions on staff selection were adapted from Schuler (1986:621), Morris and Jones (1993:881), Hayton (2003:383) and Schmelter *et al.* (2010:721). Questions on rewards/compensation were adapted from Schuler (1986:623), Morris and Jones (1993:881), Edralin (2010:35) and Schmelter *et al.* (2010:722). Questions on training and development were adapted from Schuler (1986:623), Morris and Jones (1993:881), Khandwalla (2006:9), Kaya (2006:2086) and Schmelter *et al.* (2010:722). Questions on performance appraisal were adapted from Morris and Jones (1993:881) and Edralin (2010:35). Questions on employee relations were adapted from Edralin (2010:36).

### **1.7.5 Data analysis and statistical approaches**

Cooper and Schindler (2014:86) state that data analysis is the process of editing and reducing the accumulated data to a manageable size, during which summaries are developed, patterns are found, and statistical techniques are applied. Quantitative data takes the form of numbers. It is imperative for researchers using quantitative data to be absolutely clear about the type of numerical data they are using. The questionnaires were edited to ensure that the data were accurate, consistent, uniformly entered, complete and arranged to simplify coding and



tabulation. The data were captured into a statistical software package and analysed by a statistician. The SPSS (version 3.0) statistical package was used in the interpretation of the data. Descriptive statistics were used to determine the central tendency (mean, media and mode). Inferential statistics were used to interpret the data further. To test the hypotheses a one-tailed test was done for the first, second and third hypotheses (these are one-directional) and a two-tailed test was done for the fourth hypothesis (this one is non-directional). Parametric tests were used to test the hypotheses. Correlations and multi-regression analysis were conducted to determine the relationships between the constructs and factor analysis was done to determine the variables that belong together and have overlapping characteristics. ANOVA was used to determine the statistical differences between the population subjects.

### **1.7.6 Reliability and validity**

To determine the quality of research findings in quantitative research, reliability and validity testing is used to assess the quality of such research and were thus used in this study.

#### **1.7.6.1 Reliability**

Reliability refers to consistency. Reliability refers to whether the data collection techniques and analytic procedures will produce consistent findings if they were repeated on another occasion (Saunders *et al.*, 2012:192). Therefore, when a research tool is consistent and stable it is said to be reliable. The greater the consistency of the tool, the greater its reliability (Kumar, 2011:182). There are various methods, such as test re-tests, internal consistency and alternative forms that must be considered at the questionnaire development stage to ensure reliability (Saunders *et al.*, 2012:430). Reliability in this study was ascertained using the internal consistency method as this is a formal study and only a single measurement instrument was administered to the respondents. A pilot study was conducted with respondents who did not form part of the sample for the study. The Cronbach Alpha coefficient was used to calculate internal consistency. The scales for this study were adopted from items used in previous studies and that also ensured that the instrument was reliable and valid.

#### **1.7.6.2 Validity**

The validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure (Kumar, 2011:178). Cooper and Schindler (2006:320) state that in quantitative research, validity consists of three major forms, namely: content validity, criterion-related validity and construct validity. Content validity was determined by pilot testing the questionnaire with a sample of the population that did not form part of the study. To ensure that

a criterion is relevant, free from bias, reliable and available, Likert scale questions are asked to address criterion-related validity. Furthermore, the scales for this study were adopted from items used in previous studies and therefore ensured that they were reliable and valid (Babbie & Mouton, 2011:122).

## **1.8 ETHICAL CONSIDERATIONS**

It is always important to conduct fair and ethical research during the research process. Saunders *et al.* (2012:226) describe ethics in research as the standards of behaviour that guide the conduct of the researcher in relation to the rights of those who become the subject of the work or are affected by it. This study used internet-mediated access to respondents by using a self-administered questionnaire delivered via email. The purpose of the study was explained in the email to address a possible concern of the sensitivity of the topic. Respondents were informed that the information will be treated confidentially and that they and their organisation will remain anonymous. No identifiable information such as names were asked. Consent was therefore obtained when the respondent clicked on the link to the questionnaire. The research findings will be published as a thesis and will be primarily for academics, human resource managers and boards of directors of companies.

## **1.9 CHAPTER CLASSIFICATION**

### **Chapter 2: Corporate entrepreneurship**

Chapter 2 focuses on the literature review in the field of entrepreneurship and corporate entrepreneurship. Firstly, the definitions of entrepreneurship and corporate entrepreneurship are discussed. This is followed by a discussion of the characteristics of a corporate entrepreneur. Thereafter obstacles to corporate entrepreneurship are discussed and lastly the efforts that promote corporate entrepreneurship are addressed.

### **Chapter 3: Human resource management practices**

Chapter 3 gives an overview of the human resource management practices of human resource planning, recruitment and selection, rewards/compensation, training and development, performance management and employee relations. This is followed by a discussion of business performance. The relationship between corporate entrepreneurship, human resource management practices and business performance as well a discussion of medium and large businesses are then provided.

## **Chapter 4: Research Methodology**

In this chapter, the research methodology introduced in chapter one is discussed in more detail. The research problem, research objectives, and hypotheses are stated as well as the means of hypotheses testing. The chapter discusses the research design according to Cooper and Schindler (2014:126), outlining the specific methods used to gather the empirical information. This is followed by a detailed discussion of the sampling design and how the study is conducted. The data collection procedure is discussed in detail as well as the reliability and validity of the study. The section on the data analysis that follows covers the methods that are used to analyse the data.

## **Chapter 5: Presentation of findings and analysis**

Chapter 5 highlights the major findings of the research including both descriptive and inferential statistics. The findings are presented in tabular format as well as graphically.

## **Chapter 6: Conclusion, limitations and recommendations**

This chapter summarises the major purpose and findings of the study through revisiting the literature review and the empirical study. The research objectives and hypotheses are revisited. Finally, the limitations of the study, contributions to the field of entrepreneurship and corporate entrepreneurship and the use of HRMPs as well as recommendations for further research are presented.

### **1.10 CONCLUSION**

The aim of this chapter is to give an overview of the HRMPs that have been identified in the literature, which influence corporate entrepreneurship. The HRMPs under discussion include human resource management planning, recruitment and selection, rewards and compensation, training and development, performance management and employee relations. The discussion of these HRMPs looks at research done in this field and how it influences corporate entrepreneurship. Human resources play an essential role as they can encourage or hinder corporate entrepreneurship. Employees capable of innovation, risk-taking and exchanging knowledge, are necessary and this type of behaviour should be encouraged and rewarded. Traditionally, the focus of a human resource management system has been short-term, and the system has been used as a bureaucratic control mechanism to enhance efficiency. Now, practitioners and researchers agree that human resources can be a source of competitive advantage and should be managed strategically. Every organisation differs in how much effort it

invests into harnessing each of the seven HRMPs. An ideal situation would be when an organisation exerts the maximum effort possible to develop, institute, and implement each of these seven practices. That would necessitate a situation in which each of these HRMPs are explored and exploited to their highest potential.

## **CHAPTER 2**

### **CORPORATE ENTREPRENEURSHIP – A THEORETICAL OVERVIEW**

#### **2.1 INTRODUCTION**

Research regarding corporate entrepreneurship has grown rapidly since the 1980s (Antoncic & Hisrich, 2001:495; Dess, Ireland, Zahra, Floyd, Janney & Lane, 2003:351; Morris, Kuratko & Covin, 2011), but the field is still regarded as an emerging field of scientific enquiry (Sharma & Chrisman, 1999:11; Busenitz, Page West 111, Shepherd, Nelson, Chandler & Zacharakis, 2003:285).

The growth of interest in corporate entrepreneurship may be attributed to the challenges of the new competitive landscape (Hitt, Ireland, Camp & Sexton, 2001:1), whereby both internal and external forces have to be managed by businesses (Luke, Kerais & Verreynne, 2011:325). Environmental turbulence (Enginoglu & Arikan, 2016:15; Dess, Lumpkin & McGee, 1999:85), the pressures of the new economy (Wennekers & Turik, 1999:27; Dess *et al.*, 2003:352) and the difficulty of building a sustainable competitive advantage (Luke *et al.*, 2011:320) are some of the challenges that are driving enterprises to develop entrepreneurial strategies. It is thus clear that an entrepreneurial mindset is required for enterprises if they wish to compete effectively in this new competitive landscape (Hitt *et al.*, 2001:2). Enterprises that simply maintain their existing strategies and fail to reinvent their business models will face difficulties.

This chapter presents a review of various aspects in the field of entrepreneurship and more specifically, corporate entrepreneurship. The purpose of this review is to give a background of what entrepreneurship entails, and its relationship with corporate entrepreneurship. The chapter commences by analysing literature that focuses on the concept of corporate entrepreneurship, which includes a clarification of the construct of entrepreneurship. Thereafter, the discussion focuses on the characteristics that a corporate entrepreneur should possess. The next section concentrates on the obstacles to corporate entrepreneurship and finally, the chapter directs the attention to the efforts that promote corporate entrepreneurship. The purpose of this chapter is to conduct a literature review on corporate entrepreneurship.

## 2.2 CORPORATE ENTREPRENEURSHIP

A host of terms are used to describe the corporate entrepreneurship phenomenon. This section will firstly provide an overview of the corporate entrepreneurship phenomenon by clarifying the “entrepreneurship” construct.

### 2.2.1 Defining entrepreneurship

Antoncic and Hisrich (2001:498) describe corporate entrepreneurship briefly as entrepreneurship within existing organisations. It is therefore important to define the term entrepreneurship and then distinguish between entrepreneurship and corporate entrepreneurship. Entrepreneurship is not just a process of value creation. Although the term “entrepreneurship” has been used for over 200 years, considerable disagreement over its meaning still exists. Morris *et al.* (2011:9-10) have identified seven of the most prevalent themes of the perspectives that have been presented over the years and these are: creation of wealth, creation of an enterprise, creation of innovation, creation of change, creation of jobs, creation of value and creation of growth. It is clear that creation is at the centre of these themes.

The lack of one single definition of entrepreneurship leaves multiple paths of inquiry and perspectives of entrepreneurship. In 1990, William Gartner surveyed academics, business leaders and politicians asking them what they felt was a good definition of entrepreneurship. From the responses he summarised ninety different attributes associated with the entrepreneur (Gartner, 1990:19). In a study by Morris *et al.* (2011:9), a content analysis of key words was performed and he found 75 contemporary definitions of entrepreneurship of which the most common terms include starting or creating a new venture, innovating or putting together new combinations of resources, pursuing opportunity, acquiring necessary resources, risk-taking, profit-seeking and creating value. The definition of entrepreneurship by Stevenson and Jarillo-Mossi (1990:19) captures the essence of entrepreneurship by integrating its core elements as it describes entrepreneurship as “the process of creating value by bringing together a unique combination of resources to exploit an opportunity”. This definition has four elements. Firstly, entrepreneurship is a process, secondly, it creates value, thirdly, it puts resources together in a unique way, and fourthly, it involves opportunity-driven behaviour. Mishra and Zachary (2015:252) agree with the definition and assert that the entrepreneurial process involves the entrepreneur identifying an external opportunity, matching the entrepreneurial resources at hand with the opportunity to effectuate an entrepreneurial competence, acquiring external resources if necessary, creating sustained value and appropriating the entrepreneurial reward.

Sharma and Chrisman (1999:17-18), in their article, “Towards a reconciliation of the definitional issues in the field of Corporate Entrepreneurship” refine the concept of entrepreneurship to define independent entrepreneurship as a separate construct. They view independent entrepreneurship as the process whereby an individual or group of individuals (acting independently or in association with an existing organisation) create a new organisation. In this definition, entrepreneurship has been characterised from the perspective of an individual only. However, there is increasingly more focus on examining entrepreneurship from an organisational or corporate perspective. Some postulate that intensive global competition, corporate downsizing and delayering, rapid technological progress and other organisational as well as environmental forces have caused the need for organisations to become more entrepreneurial in order to survive and prosper (Harrison & Entebang, 2012:119). It is therefore necessary to distinguish between independent entrepreneurship and corporate entrepreneurship and in doing so identify the similarities and differences between the two concepts.

### 2.2.2 Independent entrepreneurship versus corporate entrepreneurship

Even though some researchers (Low & MacMillan 1988:143, Gartner, 1990:17) regard entrepreneurship as new venture creation, Morris *et al.* (2011:36-37) argue that entrepreneurship may well occur in various contexts, such as establishing a new enterprise, growing an existing small business or innovation within a large enterprise. Thus, whether entrepreneurship occurs when a new business is established or when a manager is attempting to introduce a new service in a large enterprise, the same stages would be pursued. There are several similarities between independent entrepreneurship and corporate entrepreneurship. Both involve opportunity recognition, a unique concept, a champion, proactiveness, creativity and risk-taking, as well as value creation (Busenitz *et al.*, 2003:297). However, differences do occur between the entrepreneurship contexts of an independent enterprise and a large, existing corporate enterprise and these are shown in Table 2.1.

**Table 2.1: Summary of major differences between independent and corporate entrepreneurship**

Independent Entrepreneurship	Corporate Entrepreneurship
Entrepreneur assumes risks.	Company bears most of the risks, other than career-related risk.
Entrepreneur “owns” the concept or innovative idea.	Company owns the concept, and typically the intellectual rights surrounding the concept.

Independent Entrepreneurship	Corporate Entrepreneurship
Entrepreneur owns all or much of the business.	Entrepreneur may have no equity in the company or a very small percentage.
Potential rewards for the entrepreneur are theoretically unlimited.	Clear limits are placed on the financial rewards entrepreneurs can receive.
One misstep can mean failure.	More room for errors, company can absorb failure.
Vulnerable to outside influence.	More insulated from outside influence.
Independence of the entrepreneur, although the successful entrepreneur is typically backed by a strong team.	Interdependence of the champion with many others; may have to share credit with any number of people.
Flexibility in changing course, experimenting, or trying new directions.	Rules, procedures, and bureaucracy hinder the entrepreneur's ability to manoeuvre.
Speed of decision-making.	Longer approval cycles.
Little security.	Job security.
No safety nets.	Dependable benefit package.
Few people to talk to.	Extensive network for bouncing around ideas.
Limited scale and scope initially.	Potential for sizable scale and scope quickly.
Severe resource limitations.	Access to finances, research and development, production facilities for trial runs, an established sales force, an existing brand, distribution channels that are in place, existing databases and market research resources and an established customer base.

**Source: Adapted from Morris *et al.* (2011:38)**

As shown in Table 2.1, when a new enterprise is established the independent entrepreneur is accountable for all the risks being incurred - financially, professionally and personally. In contrast, the risks faced by the corporate entrepreneur are much less severe as most of the risks are absorbed by the large enterprise while the only risk taken by the corporate entrepreneur is career related.

It is also clear from Table 2.1 that the external environment has a stronger influence on the independent entrepreneur than on the corporate entrepreneur. The independent entrepreneur is more vulnerable to changes in the external environment such as product shortages of suppliers,



changes in the economic climate and labour unrests. The corporate entrepreneur, on the other hand, is more protected from external environment changes. This said, a question can be asked whether a human resource manager, as a corporate entrepreneur, is protected against changes in the external environmental (e.g. labour unrests). Even though the corporate entrepreneur does not bear the risks, a career risk (e.g. human resource manager) can be influenced by the external environment, which can be detrimental to the corporate entrepreneur. Above all the corporate entrepreneur also must deal with a number of unique internal challenges. The success of the corporate entrepreneurs is often hampered by bureaucracy and team members who are tasked to work with them.

From the overview provided above it could be concluded that even though there are many similarities between the independent entrepreneur and the corporate entrepreneur the management of corporate entrepreneurship and innovation pose unique challenges for the enterprise. Management needs to recognise the difference between the two contexts and there are steps that managers can take to be proactive in regulating their firms' level of entrepreneurial behaviour and risks. Examples include management support to provide a climate supportive of innovation and the recruitment of new staff members with a track record of innovation and proactive behaviour so that entrepreneurial behaviour may flourish within the corporate environment. Additionally, rewards such as monetary and non-monetary incentives should focus on the entrepreneurial efforts and enterprises need to invest in developing their employees.

### 2.2.3 Defining entrepreneurship

As alluded to previously, the lack of one single definition of entrepreneurship leaves multiple paths of inquiry and perspectives of entrepreneurship available. Table 2.2 summarises various definitions of entrepreneurship from researchers in the field of entrepreneurship.

**Table 2.2: Summary of selected definitions of entrepreneurship**

Author	Definition
Schumpeter (1934)	Entrepreneurship is seen as creating new combinations, including the doing of things that are already being done in a new way. New combinations include (1) introduction of a new good; (2) new method of production; (3) opening of a new market; (4) new source of supply; and (5) new organisations.
Kirzner (1973)	Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of opportunity will tend to "correct" the market and return toward equilibrium.

Author	Definition
Drucker (1985)	Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth-producing capacity.
Stevenson, Roberts and Grousbeck (1985)	Entrepreneurship is the pursuit of an opportunity without the concern for current resources or capabilities.
Rumelt (1987); Low and MacMillan (1988)	Entrepreneurship is the creation of new business. New business meaning that they do not exactly duplicate existing businesses but have some element of novelty.
Gartner (1990)	Entrepreneurship is the creation of organisations, the process by which new organisations come into existence.
Stevenson and Jarillo–Mossi (1990)	The process by which individuals, either on their own or inside organisations, pursue opportunities without regard for the resources they currently control.
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created and exploited, by whom and with what consequences.
Morris (1998)	Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It may occur in any organisational context and may result in a variety of possible outcomes, including new ventures, products, services, processes, markets and technologies.
Sharma and Chrisman (1999)	Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that can occur within or outside an existing organisation.
Busenitz <i>et al.</i> (2003)	Entrepreneurship research should focus on the constructs of opportunities, individuals and teams, and mode of organising within the context of a wider environment that offers both opportunities and threats to entrepreneurs.
Yamada (2004)	Entrepreneurship should be viewed as a multi-dimensional construct. The role of the entrepreneur is two-fold: Firstly, entrepreneurs define their organisation domains and contemplate the gaps between various interested parties and obtain their consensus. Secondly, entrepreneurs create or obtain needed social capital to establish their domain and build consensus.
Spinelli and Adams (2012)	Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistically approached and leadership balanced for the purpose of value creation and capture.
Hisrich, Peters and Shepherd (2013)	Entrepreneurship is a process of creating something new of value.
Mishra and Zachary (2015)	Entrepreneurship is defined as a process of value creation and appropriation led by entrepreneurs in an uncertain environment.

Author	Definition
Kuratko (2017)	Entrepreneurship is a dynamic process of vision, change and creation that requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. The process is aided by four major dimensions (e.g. individual, organisational, environmental and process dimensions), that is aided by collaborative networks in government, education and institutions.

**Source: Busenitz *et al.* (2003:303), Yamada (2004:310), Spinelli and Adams (2012:87), Mishra and Zachary (2015:251) and Kuratko (2017:20)**

From Table 2.2, it is evident that entrepreneurship has multiple definitions of which no one specific definition has been accepted by the field of entrepreneurship. Entrepreneurship can be seen as a process (Morris 1998:25; Gartner 1990:17), as most definitions of entrepreneurship entail some aspect of this process.

Spinelli and Adams (2012:87) see entrepreneurship as a way of thinking, reasoning and acting that is opportunity-based, holistic in approach and leadership balanced. The definition by Hisrich *et al.* (2013:6) that entrepreneurship is the creation of something new addresses three elements. Firstly, an entrepreneurial opportunity, supported by studies of Kirzner (1973), Stevenson *et al.* (1985), Stevenson and Jarillo (1990), and Venkataraman (1997). Secondly, entrepreneurial action through the creation of new products/processes and/or the entry into new markets, which may occur within a new organisation or within an established organisation (Schumpeter, 1934; Rumelt, 1987; Low and MacMillan, 1988; Venkataraman, 1997; Sharma and Chrisman, 1999; Hisrich *et al.*, 2013; Kuratko, 2017). Lastly, entrepreneurial thinking by individuals, which involves assessing whether it is feasible to exploit an opportunity, denoted in studies by Stevenson and Jarillo (1990), Venkataraman (1997), Morris (1998), Busenitz *et al.* (2003), Yamada (2004), and Mishra and Zachary (2015).

Despite the fact that a universally accepted definition has not yet emerged, the field of entrepreneurship has grown and a great deal of research in the field has been conducted.

In the next section, divergent views of corporate entrepreneurship will be explored.

#### **2.2.4 Divergent views on corporate entrepreneurship**

Maes (2003:1) reiterated that the factors that have stimulated the emergence of corporate entrepreneurship as a field of research and practice are related to perceived weaknesses of the traditional methods of corporate management (e.g. highly regulated, strict hierarchy, short-term

focus, premeditation with cost minimisation and cutting slack, narrowly defined jobs). These traditional management methods can lead businesses onto a bureaucratic or administrative pathway, often ignoring the need for change and smothering innovative initiatives. The concept of entrepreneurship in existing businesses is known under many different labels. Corporate entrepreneurship is generally believed to refer to the development of new ideas and opportunities within large or established businesses owing to the concept of “corporate” entrepreneurs. Corporate entrepreneurship research, according to Antoncic *et al.* (2004:173), has evolved into three focal areas with the first area of focus being on the individual intrapreneur emphasising the intrapreneur’s individual characteristics. The second area of focus was on the formation of new corporate ventures where the emphasis was on different types of new ventures and the third focus was on the entrepreneurial organisation, emphasising the characteristics of these organisations.

The body of literature on corporate entrepreneurship suggests that corporate entrepreneurship has been interpreted in various ways, such as corporate entrepreneurship (Zahra, 1991; Dess *et al.*, 2003), corporate venturing (Von Hippel, 1977), intrapreneuring (Pinchot, 1985; Antoncic & Hisrich, 2001), internal entrepreneurship (Schollhammer, 1982) and strategic renewal (Guth & Ginsberg, 1990). According to Thornberry (2001:527-529), there are four different forms of corporate entrepreneurship: corporate venturing, intrapreneuring, organisational transformation and industry rule-bending. These four forms of corporate entrepreneurship are explained below.

#### **2.2.4.1 Corporate venturing**

Corporate venturing, according to Thornberry (2001:527), is about starting a new business within a business with a focus on developing new businesses or new markets. The concept of corporate venturing is often used with the goal of generating new revenue and creating value for businesses’ shareholders. Kuratko (2017: 60) states that the creation of new business could be accomplished through three implementation modes of internal corporate venturing, cooperative corporate venturing and external corporate venturing.

#### **2.2.4.2 Intrapreneuring**

The first time that the terms intrapreneurs, intrapreneuring and intrapreneurship were used was in a paper, “Intra-corporate entrepreneurship” written by Gifford and Elizabeth Pinchot in 1978 (Pinchot & Pinchot, 1978:3). There is a general consensus in the literature that intrapreneuring is regarded as the exercise of entrepreneurship within a large company (Wickham 2006:293). This view means that the role of an intrapreneur can be compared to the role of an entrepreneur.

Therefore, it would be important to create a balance between allowing the intrapreneur the freedom to make his or her own decisions while working within the strategic boundaries of the business (Wickham 2006:293). Businesses want every employee to act like an entrepreneur and they typically target managers to work as intrapreneurs in order to identify new business opportunities, because they often already possess entrepreneurial competencies (Thornberry, 2001:528). To create successful intrapreneurship, the top management of businesses has to ensure that managers (intrapreneurs) feel supported by them when searching for new innovative opportunities. These managers (intrapreneurs) are often the only aid to business growth as they are able to search for opportunities and shape them into important potential innovations through teamwork and corporate sources.

#### **2.2.4.3 Organisational transformation**

Stopford and Baden-Fuller (1994:522) propose three levels of corporate entrepreneurship. One of these levels is the transformation or renewal of existing organisations. At this level, the formation of individual business units within the organisation focuses on customers (internal or external) and empowers them to make decisions regarding their units and allocates resources based on the unit's performance. Organisational transformation involves innovation, a new arrangement or combination of resources and results in the creation of sustainable economic value. Organisational transformation is about the creation of something new, which is a transformed organisation. The goal of organisational transformation is often to improve a business's performance.

#### **2.2.4.4 Industry rule-bending**

Very little attention has been paid in the literature to this form of corporate entrepreneurship. This type of corporate entrepreneurship focuses on changing the rules of competitive advantage and is also called frame-breaking change. In this case, both business and industry are transformed (Stopford & Baden-Fuller, 1994:522). This form of corporate entrepreneurship causes transformation that focuses on changing the rules in the industry in which the business is engaged, to create new opportunities in the field of entrepreneurship and innovation. This facet of corporate entrepreneurship pertains to initiating paradigm shifts within an industry, for example, Amazon.com that changed the way books are sold.

Thornberry (2001:527) further believes that the four abovementioned types of corporate entrepreneurship, which were mentioned under Section 2.2.4 share a number of commonalities. These common elements are: (1) creation of something new, which did not exist before; (2) new

things require additional resources or changes in the pattern of resource deployment; (3) learning takes place with regards to something new and its implementation, which results in the development of new organisational competencies and capabilities; (4) the product or service is intended to result in long-term economic value; (5) the financial returns resulting from the “new thing” are predicted to be better than the returns from the current deployment; and (6) increased risk for the organisation because the “new thing” is unproven. Thornberry, therefore, concluded that corporate entrepreneurship is about unusual businesses or unusual approaches to business. In the following section, various definitions of corporate entrepreneurship that have developed over time will be discussed.

### 2.2.5 Defining corporate entrepreneurship

Aloulou and Fayolle (2005:24) state that the concept of corporate entrepreneurship was formally defined and both theoretically and empirically developed in the works of Burgelman (1983) and Miller (1983), yet Christensen (2004:303) indicates that the ideas behind corporate entrepreneurship can be traced back to the mid-1970’s. It is a known fact that scholars and researchers in the field of corporate entrepreneurship have not defined corporate entrepreneurship consistently. A further review of the literature continues to suggest that corporate entrepreneurship has multiple definitions.

Table 2.3 summarises the major definitions found from various researchers on the different views of corporate entrepreneurship.

**Table 2.3: Definitions of the different corporate entrepreneurship labels**

CORPORATE ENTREPRENEURSHIP	
Antonicic and Hisrich (2001:223; 2003:200)	Corporate entrepreneurship refers to a process that goes on inside an existing organisation, regardless of its size, and leads not only to new business ventures, but also to innovative activities and orientations such as developments of new products, services, technologies, administrative techniques, strategies and competitive postures.
Burgelman (1983:1349)	Corporate entrepreneurship refers to the process whereby the firms engage in diversification through internal development. Such diversification requires new resource combinations to extend the firm’s activities in areas unrelated, or marginally related, to its current domain of competence and corresponding opportunity set.
Chung and Gibbons (1997:14)	Corporate entrepreneurship is an organisational process for transforming individual ideas into collective actions through the management of uncertainties.
Covin and Miles (1999:50)	The presence of innovation plus the presence of the objective of rejuvenating or purposefully redefining organisations, markets or

	industries in order to create or sustain competitive superiority.
Covin and Slevin (1991:7)	Corporate entrepreneurship involves extending the firm's domain competence and corresponding opportunity set through internally generated new resource combinations.
Guth and Ginsberg (1990:5)	Corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them: (1) birth of new businesses within existing organisations – for example internal innovation or venturing, and (2) the transformation of organisations through renewal of the key ideas on which they are built – for example, strategic renewal.
Hisrich, Peters and Shepherd (2013:36)	A spirit of entrepreneurship within an existing organisation.
Hornsby, Kuratko and Zahra (2002:255)	Corporate entrepreneurship centres on re-energising and enhancing the ability of a firm to acquire innovative skills and capabilities.
Jennings and Lumpkin (1989:489)	Corporate entrepreneurship is defined as the extent to which new products and/or new markets are developed. A business is entrepreneurial if it develops a higher than average number of new products and/or new markets.
Shaw, O'Loughlin and Mcfadzean (2005:35)	Corporate entrepreneurship is the effort of promoting innovation from an internal organisational perspective, through the assessment of potential new opportunities, alignment of resources, exploitation and commercialisation of said opportunities.
Sathe (1988)	Corporate entrepreneurship is a process of organisational renewal that has two distinct but related dimensions: innovation and venturing and strategic stress-creating new business through market developments, by undertaking product, process, technological and administrative innovations.
Spann, Adams and Wortman (1988:149)	Corporate entrepreneurship is the establishment of a separate corporate organisation (often in the form of a profit centre, strategic business unit, division, or subsidiary) to introduce a new product, service or create a new market or utilise a new technology.
Morris, Kuratko and Covin (2011:11); Sharma and Chrisman (1999:18); Stevenson and Jarillo-Mossi (1990:23); Stevenson, Roberts and Grousbeck (1998)	Entrepreneurship is a process by which individuals, either on their own or inside organisations, pursue opportunities without regard for the resources they currently control. The essence of entrepreneurship is the willingness to pursue opportunity regardless of the resources under control.
Ucbasaran, Westhead and Wright (2001:63)	A process of organisational renewal associated with two distinct but related dimensions: (1) creating new businesses through market developments or by undertaking product, process, technological and administrative innovations, and (2) redefinition of the business concept, reorganisation and the introduction of system-wide changes for innovation.
Vesper (1984:1990)	Corporate entrepreneurship involves employee initiatives from below in the organisation to undertake something new. An innovation, which is created by subordinates without being asked, expected or perhaps even

	given permission by higher management to do so.
Zahra (1991:262; 1993:321; 1995:227; 1996:1715)	Corporate entrepreneurship is 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 then creatively leveraging them to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operations in existing or new markets. Corporate entrepreneurship is a formal or informal activity aimed at creating new businesses in established organisations through product and process innovations and market developments.
<b>INTERNAL CORPORATE ENTREPRENEURSHIP</b>	
Jones and Butler (1992:734) and Schollhammer (1982:211)	Internal (or intra-corporate) entrepreneurship refers to all formalised entrepreneurial activities within existing business organisations. Formalised internal entrepreneurial activities are those which receive explicit organisational sanction and resource commitment for the purpose of innovative corporate endeavours- new product developments, product improvements, new methods or procedures.
<b>INTRAPRENEURSHIP</b>	
Antoncic and Hisrich (2001:498; 2003:9)	A process that goes on inside an existing firm, regardless of its size, and leads not only to new business ventures but also to other innovative activities and orientations such as the development of new products, services, technologies, administrative techniques, strategies and competitive postures.
Carrier (1996:7)	The introduction and implementation of a significant innovation for the firm by one or more employees working within an established organisation.
Hostager, Neil, Decker and Lorentz (1998:11-12); Kuratko, Montagne and Hornsby (1990:50); Pinchot (1985:xv)	Individuals and groups working within the corporation to: (1) identify ideas for new products or services; and (2) turn these ideas into profitable products and services.
Nielson, Peters and Hisrich (1995:181)	Intrapreneurship is the development within a large organisation of internal markets and relatively small and independent units designed to create internal test-markets and expanded, improved and/or innovative staff services, technologies or methods within the organisation. (This is different from the large organisation entrepreneurship/venture units whose purpose is to develop profitable positions in external markets).
<b>CORPORATE VENTURING</b>	
Biggadike (1979:104)	A corporate venture is defined as a business marketing a product or service that the parent company has not previously marketed and that requires the parent company to obtain new equipment or new people or new knowledge.
Block and MacMillan (1993:14); Von Hippel	A project is a corporate venture when it (a) involves an activity new to the organisation, (b) is initiated or conducted internally, (c) involves



(1977:163)	significantly higher risk of failure or larger losses than the organisation's base business, (d) is characterised by greater uncertainty than the base business, (e) will be managed separately at some time during its life, and (f) is undertaken for the purpose of increasing sales, profit productivity or quality.
Ellis and Taylor (1987:528)	Corporate venturing was postulated to pursue a strategy of unrelatedness to present activities to adopt the structure of an independent unit and to involve a process of assembling and configuring novel resources.
Stopford and Baden-Fuller (1994:521)	The creation of new businesses within an existing organisation.
<b>VENTURE, INTERNAL VENTURES, INTERNAL CORPORATE VENTURING, VENTURING AND NEW BUSINESS VENTURING</b>	
Roberts and Berry (1993:6)	Internal ventures are a firm's attempts to enter different markets or develop substantially different products from those of its existing base business by setting up a separate entity within the existing corporate body.
Stopford and Baden-Fuller (1994:522)	New business venturing occurs when individuals and small teams form entrepreneurial groups inside a business, capable of persuading others to alter their behaviour, thus influencing the creation of new corporate resources.
Zahra (1996:1715)	Venturing means that the firm will enter new businesses by expanding operations in existing or new markets.
Zajac, Golden and Shortell (1991:171)	Internal corporate venturing involves the creation of an internally-staffed venture unit that is semi-autonomous, with the sponsoring organisation maintaining ultimate authority.
<b>ENTREPRENEURIAL ORIENTATION</b>	
Lumpkin and Dess (1996:136)	The processes, practices and decision-making activities that lead to new entry.
<b>STRATEGIC OR ORGANISATIONAL RENEWAL</b>	
Guth and Ginsberg (1990:6)	Strategic renewal involves the creation of new wealth through new combinations of resources.
Stopford and Baden-Fuller (1994:522)	Organisational renewal alters the resource pattern of a business to achieve better and sustainable overall economic performance. To be sustainable, more pervasive effort is needed, involving more than a few individuals and the finance function.
Zahra (1993:321; 1996:1715)	Renewal has many facets, including the redefinition of the business concept, reorganisation and the introduction of system-wide changes for innovation. Renewal is achieved through the redefinition of a firm's mission through the creative redeployment of resources leading to new combinations of products and technologies.

**Source: Sharma and Chrisman (1999:13); Maes (2003:22-24)**

Maes (2003:21) makes three observations from the different definitions. Firstly, they illustrate that some researchers use different terms to label the same phenomenon. Secondly, they show that different authors define the same term differently. Finally, they demonstrate that sometimes the same author defines the terms differently in subsequent articles, e.g. Antoncic and Hisrich (2001:498) and Antoncic and Hisrich (2003:9) use the same definition for corporate entrepreneurship and intrapreneurship.

A further analysis of Table 2.3 indicates a common pattern with mutual elements among the various definitions. A general thread that runs through the various conceptualisations of corporate entrepreneurship is characterised by the following:

- The birth of new businesses within existing businesses.
- The transformation or rebirth of organisations through a renewal of key areas of business.
- Creation, innovation and renewal within an existing organisation.

Although corporate entrepreneurship has been referred to as corporate venturing, intrapreneurship, strategic renewal or internal entrepreneurship, corporate entrepreneurship has also been commonly defined as either as an entrepreneurial activity, as an entrepreneurial process, or as a firm's behaviour. It is also noticeable that all of these tend to occur in established firms. These three perspectives will now be further reviewed.

### **2.2.5.1 Corporate entrepreneurship as an activity**

According to Schollhammer (1982:211), corporate entrepreneurship or internal corporate entrepreneurship refers to entrepreneurial activities within existing organisations. Schollhammer argues that internal or intra-corporate entrepreneurship refers to all formalised entrepreneurial activities within existing business organisations. These formalised internal entrepreneurial activities are those which receive explicit organisational sanction and resource commitment for the purpose of innovative corporate endeavours such as new product developments, product improvements, and new methods or procedures.

In addition, Zahra (1991:262) advocates that corporate entrepreneurship is a formal or informal activity aimed at creating new businesses in established organisations through product and process innovators and market developments for the purpose of profitability. He argues that these activities may take place at the corporate-, division- (business), functional- or project-levels with the unifying objective of improving a company's competitive position and financial

performance. Zahra (1991:227) also views corporate entrepreneurship as the sum of a company's innovation, renewal and venturing efforts.

Antoncic and Hisrich (2003:9) refer to corporate entrepreneurship as entrepreneurship activities within an existing organisation. They suggest that this encompasses the creation of new business ventures and other innovative activities as well as orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures. Shaw *et al.* (2005:352) view corporate entrepreneurship as the effort of promoting innovation from an internal organisational perspective through the assessment of potential new opportunities, alignment of resources, exploitation and commercialisation of said opportunities. In summary these entrepreneurship scholars have defined corporate entrepreneurship as entrepreneurial activities in established organisations.

### **2.2.5.2 Corporate entrepreneurship as a process**

Burgelman (1983:1349) advocates that corporate entrepreneurship is a process whereby firms engage in diversification through internal development. Stevenson and Jarillo-Mossi (1990:23) also propose that entrepreneurship is a process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control. Chung and Gibbons (1997:14) view corporate entrepreneurship as an organisational process transforming individual ideas into collective actions through the management of uncertainties. The work of Sharma and Chrisman (1999:18) reinforces the definition postulated by Guth and Ginsberg (1990:5) and defines corporate entrepreneurship as the process whereby an individual or group of individuals in association with an existing organisation, create a new organisation or instigate renewal or innovation within the organisation.

Antoncic and Hisrich (2001:223) claim that corporate entrepreneurship is actually a process that goes on inside an existing firm regardless of its size, and leads not only to new business ventures, but also to other innovative activities and orientations such as development of new products, services, technologies, administrative techniques, strategies and competitive postures. Rutherford and Holt (2007:431) conceptualise corporate entrepreneurship as the "process of enhancing the ability of the firm to acquire and utilise the innovative skills and abilities of the firm's members. Therefore collectively, researchers have argued that corporate entrepreneurship is best defined as an entrepreneurial process that occurs in established organisations.

### **2.2.5.3 Corporate entrepreneurship as firm behaviour**

According to Dess *et al.* (1999:85), “all organisations are striving to exploit product-market opportunities through innovative and proactive behaviour.” Later on, Morris *et al.* (2011:11) suggest that corporate entrepreneurship is a term used to describe entrepreneurial behaviour inside established mid-sized and large organisations. Subsequently Kuratko, Ireland, Covin and Hornsby (2005: 701) postulate that corporate entrepreneurship is a type of proactive behaviour that can stimulate desired innovation.

Nonetheless the most notable work on corporate entrepreneurship as a firm behaviour comes from Covin and Slevin (1991:8). In presenting their argument, Covin and Slevin propose a conceptual model of entrepreneurship as firm behaviour which has become well-accepted among corporate entrepreneurship scholars particularly in advancing research on corporate entrepreneurship and its related fields.

### **2.2.5.4 Definition of corporate entrepreneurship for the purpose of this study**

The most widely accepted definition of corporate entrepreneurship appears to be that of Sharma and Chrisman (1999:11), which reinforces the definition postulated by Guth and Ginsberg (1990:5), who state that corporate entrepreneurship comprises two major types of phenomena: internal innovation or the creation of new ventures within existing organisations and the reshaping of organisations through strategic renewal. The construct, corporate entrepreneurship, for the purpose of this study, will be referred to as defined by Sharma and Chrisman (1999:12), as the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal innovation within that organisation. This study will focus on corporate entrepreneurship as a process which is influenced by internal organisational factors and external environmental conditions. The outcomes of the corporate entrepreneurship process, namely: new products, services, innovation processes, strategies or business units and the intensity of these outcomes will be examined as well as their influence on the financial performance of the organisation. In this thesis, it will be derived theoretically how HRM practises can best support the fostering of corporate entrepreneurship. In the course of this, the employee characteristics and behaviours beneficial for the pursuance of corporate entrepreneurship will be looked at.

In the next section, the characteristics of a corporate entrepreneur, viewed as an internal organisational factor, will be discussed.

Just as the corporate setting is different from that of a start-up setting, the corporate entrepreneur is also a different kind of person compared to the individual entrepreneur (Morris *et al.*, 2011:227). The identification of individual characteristics that foster corporate entrepreneurship is important for a number of reasons. The aim is that latent individual variables should be recognised, which could be developed through a number of interventions such as coaching, training and development.

It is helpful to examine what constitutes an entrepreneur on the individual level and what determines the characteristics and behaviours of an employee, which facilitates the realisation of a corporate entrepreneurship strategy. Then a transfer to the corporate context can be made and conclusions about the desired characteristics and behaviours of the individual employees can be drawn.

An important question is whether an individual *is* or *becomes* an entrepreneur. Many researchers have attempted to find an answer to this question, and this has led to the emergence of two schools of thought: the trait approach and the behavioural approach. The trait approach focuses on individual traits that people (also entrepreneurs) possess, whilst the behavioural approach moves away from the belief that leaders are born, with a desire to determine the types of behaviours that specific leaders/entrepreneurs display. One of the major criticisms of the trait theory is that it is a simplistic approach and that it fails to consider other factors that will influence the development of a successful entrepreneur such as situational and environmental factors (Cross & Carbery, 2016:182-183). The behavioural theory is based on the premise that certain behaviours differentiate entrepreneurs from non-entrepreneurs. That is why to be an entrepreneur, according to the behavioural approach, means that an individual behaves like an entrepreneur. Gartner (1990:58) illustrates this viewpoint with the example of a baseball player. To achieve a good performance in a game, a baseball player should have a set of behaviours, such as running, pitching, catching, hitting, sliding etc. Therefore, to be a baseball player means an individual behaves like a baseball player. He states that a baseball player is not something one is, but something one does.

However, where corporate entrepreneurship is concerned, it implies that the organisation itself should show entrepreneurial characteristics or entrepreneurial behaviour in its organisational processes. Morris and Jones (1993:875) state that the three key dimensions of innovativeness, risk-taking and proactiveness are necessary for entrepreneurship to be applied in an organisational context. Innovativeness refers to an organisation's ability to do things in new and

different ways in the form of new technologies, processes and products. Risk-taking is the willingness to become involved in projects in the organisation that may place the organisation at risk. This means that opportunities are pursued amidst uncertainty as to whether an undertaking will be successful, confidently acting without certainty of the consequences (Urban, Venter, Barreira, Beder, Oosthuizen, Reddy & Venter, 2015:518). The third key element, proactiveness, is described as the organisation's ability to anticipate new developments as early as possible and to act proactively, rather than wait reactively for new developments and trends (Morris & Jones, 1993:875; Urban *et al.*, 2015:518). It can be argued that innovativeness, risk-taking and proactiveness in this approach are attributed more to the organisation as a whole than to its individual members. How this applies to the individual employees will be analysed further on in the study. Another approach for characterising entrepreneurship in an organisational context is provided by the 1986 seminal work of Schuler, which includes fostering and facilitating entrepreneurship in organisations, implications for organisational structure and human resource management practices. According to Schuler (1986:608), innovation is central to entrepreneurship and therefore, not being innovative is “nonentrepreneurship” or “administrativeship”. Therefore, to be an entrepreneurial organisation, it must possess the ability to deal with innovative processes and these processes include uncertainty, knowledge-intensity, competition with alternatives, and boundary crossing (Schuler, 1986:609). In this context, uncertainty refers to the unpredictability and success of the innovation. Knowledge-intensity stresses the individual human contribution to innovation through their intelligence and creativity. Competition with alternatives may facilitate possible resistance, as innovations often pose a threat to existing conditions. Boundary-crossing means a combination of two or more ideas and thoughts from various domains necessary for spurring innovation (Schuler, 1986:609).

It would be difficult to classify both these approaches by Morris and Jones (1993) and Schuler (1986) as traits or behavioural approaches, given that an organisation is usually marked by its products and processes to show entrepreneurial behaviour. According to these approaches, an organisation has to be innovative, risk-taking and proactive and it has to be in a position to deal with the challenges of an innovation process. So how can an organisation show entrepreneurial behaviour? According to the theoretical fundamentals of human resource management, an organisation is defined as a social unit of people that is structured and managed to meet a need or to pursue collective goals (<http://www.businessdictionary.com/definition/organization.html>). Therefore, the behaviour of an organisation is determined by its individual members. Schuler (1986:618) identifies a number of those characteristics, behaviours and attitudes that individual

members must possess in order for an entire organisation to act entrepreneurially. Table 2.4 illustrates these characteristics.

**Table 2.4: Relevant employee characteristics for corporate entrepreneurship**

Low level of entrepreneurship	High level of entrepreneurship
Highly repetitive predictable behaviour	Highly creative and innovative behaviour
Very short-term focus	Very long-term focus
Highly cooperative, interdependent behaviour	Highly independent, autonomous behaviour
Very low concern for quality	Very high concern for quality
Very low concern for quantity	Very high concern for quantity
Very low risk-taking	Very high risk-taking
Very high concern for process	Very high concern for results
High preference to avoid responsibility	High preference to assume responsibility
Very inflexible to change	Very flexible to change
Very comfortable with stability	Very tolerant of ambiguity and unpredictability
Very low task-orientation	Very high task-orientation
Primary focus on efficiency	Primary focus on effectiveness

**Source: Schuler (1986: 610)**

The above table clearly indicates that for a high level of entrepreneurial activity, the following individual factors are beneficial: elevated creative and innovative behaviour, a very long-term focus, highly cooperative and independent behaviour, high-risk taking, a great concern for results, a high preference to assume responsibility, a high flexibility to change, tolerance of ambiguity and unpredictability, a high task orientation and a focus on effectiveness (Schuler, 1986:618). This is an indication that for a higher level of entrepreneurial activity more of the abovementioned characteristics should be present. This will result in the organisation showing more innovativeness, risk-taking and proactiveness in its behaviour and will more likely be able to deal with the challenges of an innovation process.

A different approach to determine what is needed from individual employees to promote corporate entrepreneurship was adopted by Hayton and Kelly (2006:410), who developed a competency-based framework. Their framework focuses on the competencies that an organisation needs to retain within their employees in order for them to act entrepreneurially

instead of considering individual characteristics independently. They propose that these competencies are sets or combinations of individual characteristics of knowledge, skills and personality characteristics which are aimed at specific activities, processes or outcomes (Hayton & Kelly, 2006:410).

Furthermore, Hayton and Kelly (2006:413) identify four key roles that individuals in an organisation must perform to support corporate entrepreneurship and these are innovation, brokering, championing and sponsoring. Each of these key roles are characterised by different kinds of knowledge, skills and personality characteristics. Being an innovator involves opportunity recognition and as an innovator you should be alert and ready to recognise opportunities. The role of an innovator, therefore, requires an ability to identify new markets, organisational or technological opportunities and combine new or existing resources in unique and creative ways (Hayton & Kelly, 2006:415). Brokering refers to the role of a broker in charge of getting new sources of information and knowledge, connecting existing and new information and delivering the new information to the innovator (Hayton & Kelly, 2006:416). Individual characteristics such as analogical reasoning capabilities, confidence and credibility and curiosity, creativity and motivation can enhance effective brokering. The role of a champion is associated with someone that inspires and enthuses others with their vision, of the potential of an innovation, shows extraordinary confidence in themselves and their mission and gains the commitment of others to support the innovation. Lastly, the sponsor ensures that the entrepreneurs gain access to the resources that they need for their ventures (Hayton & Kelly, 2006:417-418).

From the seminal works of Schuler (1986), Morris & Jones (1993), Hayton and Kelly (2006) and the work of Tang et al (2015), it can be deduced that in order to promote corporate entrepreneurship with the help of the right workforce, not every employee should have the same knowledge, skills and personal characteristics. The selection of the appropriate human resource management practices, which can stimulate and reinforce the desired employee characteristics and behaviours, are one of the most important decisions in this context. Therefore, an analysis of appropriate human resource management practices that promote corporate entrepreneurship will be discussed in the next chapter. The next section will look at the obstacles to corporate entrepreneurship.

## **2.4 OBSTACLES TO CORPORATE ENTREPRENEURSHIP**

At the time of inception, all organisations should carry out some type of entrepreneurship as start-ups transition to large established organisations, e.g. there is often the need to implement



strict controls, policies and procedures (Longenecker, Petty, Palich, Hoy, Radipere & Phillips, 2017:516). This bureaucratic red tape and rigid structure are used to manage growth. However, this can also inhibit the entrepreneurial activities which originally created the competitive advantage. Kuratko (2017:61) states that obstacles to corporate entrepreneurship usually reflect the ineffectiveness of traditional management techniques as applied to innovation development. Although this is unintentional, the negative impact of a particular traditional management practice can cause individuals in the organisation to avoid corporate entrepreneurial behaviour.

Kannan-Narasimhan and Flamholtz (2014:9) describe the inability of existing organisational infrastructure to support the rapid expansion of the organisation as growing pains. According to them, the symptoms of these growing pains include employees perceiving that they are overworked, lack of goal clarity among employees, lack of trust for delegating tasks, and lack of trust in leadership capabilities. These growing pains might in turn be instrumental in stifling corporate entrepreneurial spirit.

It is no secret that organisations are designed to ensure success of their established businesses. Existing operations account for the bulk of their revenues so organisational systems support, current customers and technology are the order of the day. However, when new businesses are created, it presents new challenges as they are associated with uncertainty and the operating models are seldom the same as those of existing business (Garvin & Levesque, 2006:104). Kuratko (2017:61) concurs that most of the infrastructure within a company (systems, policies and procedures) have been put in place for reasons other than to accommodate entrepreneurship. From the previous discussions, it is clear that traditional management practices often do not apply when trying to foster entrepreneurship. It is therefore important to understand these obstacles that hinder the fostering of corporate entrepreneurship. Management should remove the perceived obstacles and seek alternative management actions if it wishes to gain support and foster excitement for innovation development (Kuratko, 2017:61). Table 2.5 represents the obstacles to and effects of traditional practices.

**Table 2.5: Obstacles to and effects of traditional practices**

Traditional management practices	Obstacles/effects
Enforce standard procedures to avoid mistakes	Innovative solutions blocked; funds misspent
Manage resources for efficiency and Return on Investment (ROI)	Competitive lead is lost, low market penetration
Control against plan	Facts ignored that should replace assumptions
Plan long-term	Non-viable goals locked in, high failure costs
Manage functionally	Entrepreneurs' failure and/or venture failure
Avoid moves that risk the base business	Missed opportunities
Protect the base business at all costs	Venturing dumped when base business is threatened
Judge new steps from prior experience	Wrong decisions about competition and markets
Compensate uniformly	Low motivation and inefficient operations
Promote compatible individuals	Loss of innovation

**Source: Adapted from Kuratko (2017: 61)**

It is important to understand these obstacles as it is critical to foster corporate entrepreneurship. Management should remove these perceived obstacles and seek alternative actions. Morris *et al.* (2011:307) posit that all the obstacles of traditional practices can be captured into six groups: systems, structure, strategic direction, policies, people and culture. Organisations should examine these obstacles and find ways to remove them to foster corporate entrepreneurship.

Systems that inhibit entrepreneurial activity reflect characteristics of misdirection with regards to rewards and evaluation, show oppressive control, inflexible budgeting systems, arbitrary cost allocation systems and overly rigid formal planning systems (Morris *et al.*, 2011:308). Large organisations tend to have a need for control with the result that management is forced to establish fixed, quantifiable performance standards, resulting in large quantities of paperwork. According to Hisrich *et al.* (2013:41), traditionally managed organisations are mostly interested in ideas that revolve around currently controlled resources. Such a restrictive environment is not conducive for creativity, flexibility, independence and risk-taking. An entrepreneurial environment requires an organisation to have flexible and non-restrictive systems.

Organisational structures, according to Morris *et al.* (2011:308) that inhibit entrepreneurial behaviour reflect too many hierarchical levels, an overly narrow span of control, responsibility without authority, top-down management, restricted communication channels and a lack of accountability for innovation and change. Such structures do not support entrepreneurial culture and behaviour. The organisation must therefore develop a corporate entrepreneurial strategy that is able to recognise and exploit entrepreneurial opportunities identified by its own employees. The employees should be granted an environment of freedom to experiment with new ideas without the fear of being reprimanded by senior management in case their ideas do not yield expected results. Intrapreneurs might find themselves trapped in an organisation that claims to be entrepreneurial when in fact it is not and this might lead to alternative entrepreneurship whereby employees may quit their jobs and set up their own businesses.

A lack of strategic direction includes the absence of innovation goals, no formal strategy for entrepreneurship, no vision from the top, lack of commitment from senior executives and no entrepreneurial role models at the top (Morris *et al.*, 2011:308). According to Kuratko (2017:65), a corporate entrepreneurship strategy is defined by vision development, encouraging innovation, building structure for an entrepreneurial climate, individual preparation and venture team development.

Policies and procedures that do not foster corporate entrepreneurship have long approval cycles, extensive “red tape” and documentation requirements, over-reliance on established rules of thumb and unrealistic performance criteria (Morris *et al.*, 2011:308). Employees who feel there are not enough hours in the day (Kannan-Narasimhan & Flamholtz, 2014:10) due to complex approval cycles for new ventures and elaborate documentation that consume huge amounts of the entrepreneur’s time and energy, also serve as a mechanism for dismantling an innovative concept (Kuratko, 2017:310).

People’s fear of failure, resistance to change, parochial bias, complacency, short-term orientation and inappropriate skills and talents for managing entrepreneurial change also inhibit corporate entrepreneurship (Kuratko, 2017:308). People might feel insecure about their place in the organisation and that can lead to isolation and decreased teamwork (Kannan-Narasimhan & Flamholtz, 2014:12).

Culture can contribute to a lack of corporate entrepreneurship in the organisation because of ill-defined values, a lack of consensus over value and norm priorities, a lack of fit of values and values that conflict with innovativeness, risk-taking and proactiveness (Kuratko, 2017:308). It is very important to create an encouraging environment that provides talented people with an

entrepreneurial mindset and the freedom to innovate whilst at the same time supporting them with resources.

From the previous discussion, it was shown that the six categories of organisational constraints negatively influence the climate for entrepreneurship, and it has implications for organisations who wish to foster corporate entrepreneurship. If organisations wish to develop entrepreneurial activities, it is recommended that they have flatter hierarchies, wider divisions of labour, a wider span of control and decentralised structures. Shariatmadari, Hajimohammadian<sup>2</sup>, Mahdi and Jarad (2012:121) recommend that the following measures should be taken to overcome obstacles to corporate entrepreneurship: eliminate ineffective administrative bureaucracy, avoid early changes in management, provide required infrastructure, facilities and financial support to enforce entrepreneurial activities, human resources development and training, and reinforcing bottom-up management. The next section will deal with efforts that the organisation can embark on to promote corporate entrepreneurship.

## **2.5 EFFORTS THAT PROMOTE CORPORATE ENTREPRENEURSHIP**

Based on the discussion on the obstacles to corporate entrepreneurship and more specifically the six categories of organisational constraints, a growing interest has developed in the literature on the factors that facilitate an entrepreneurial culture in organisations and a variety of drivers have been identified, which organisations use to increase entrepreneurial behaviour. According to Schuler (1986:624), the question is not “whether companies should or should not engage in entrepreneurial activity, but rather what can be done to encourage the establishment of entrepreneurship”.

Rutherford and Holt (2007:430), in their empirical study on the innovativeness dimension of corporate entrepreneurship and its antecedents, used three antecedents of corporate entrepreneurship, namely: process, context, and individual characteristics. Process variables pertain to how corporate entrepreneurship is "facilitated by leaders, encompassing the specific strategies they use to encourage entrepreneurial behaviours". Context variables refer to those that "address the circumstances that describe the organisation as it embarks on strategic renewal efforts and the diffusion of corporate entrepreneurship". People/individual variables are those that "describe who is being asked to engage in entrepreneurial activities, describing their general disposition, skills, abilities, and attitudes."

Barringer and Bluedorn (1999:423) examine the relationship between corporate entrepreneurship intensity and five specific strategic management practices (i.e. scanning intensity, planning

flexibility, planning horizon, locus of planning, and control attribute) in a sample of 169 U.S. manufacturing firms. The findings indicate a positive relationship between corporate entrepreneurship intensity and scanning intensity, planning flexibility, locus of planning, and strategic controls.

The research of Bhardwaj and Momaya (2007:57) provides empirical evidence regarding the significance of organisational factors, such as reward and reinforcements, organisational flexible boundaries, intelligence generation and dissemination that enhance corporate entrepreneurship. Similarly, advancement of corporate entrepreneurship requires the integration of the effective adoption of specific organisational practices, such as decentralisation of authority, participation in decision-making, cooperation, avoidance of bureaucracy and encouragement of risk-taking and creativity (Hayton, 2005:37).

Chen *et al.* (2006:539), in their study on "A System Model for Corporate Entrepreneurship", reveal that there is a positive relationship between the ability characteristics of the entrepreneur, personality characteristics of the entrepreneur, corporate strategic entrepreneurial management and corporate circumstance, and the fostering of corporate entrepreneurship in companies located in China.

Lassen *et al.* (2006:365) explore the linkage between the entrepreneurial orientation of established firms and the development of radical innovation. Through five case studies in firms involved in radical innovation, they developed three propositions, which suggest that proactiveness, risk-taking, and autonomy stimulate the development of radical innovation, while competitive aggressiveness does not necessarily do so. This is because radical innovations are directed towards the creation of entirely new arenas of business, where existing competitors are not present.

According to Gurunathan *et al.* (2004:55), enabling in the organisation requires culture, policies, and procedures, which encourage entrepreneurship. This implies having a culture where employees are encouraged to innovate, be proactive, and take risk, as well as establishing a set of policies and procedures that formally support entrepreneurial behaviour. Basically, entrepreneurial behaviour is a "human" issue that cuts across individual, group, and organisational levels.

Bouchard (2001:16), in another empirical investigation, has shown that cultural orientations, such as authorising the expression of unorthodox ideas, empowering lower level employees and perceiving change positively, are correlated with the adoption of an entrepreneurial posture. In

order to reduce the mobility induced by corporate entrepreneurship, managers must monitor the motivations and expectations of each corporate entrepreneur and propose congruent rewards and incentives.

Kenny and Mujtaba (2007:86) postulate that an important aspect of corporate entrepreneurship development is to establish a team-based approach. They also note that corporate entrepreneurs are essentially leaders, thus, they must avoid developing the traits of an individualistic serial entrepreneur and focus on building a strong team of internal and external stakeholders.

Antoncic (2007:314) asserts that, in practice, intrapreneurship can have beneficial effects on the firm's growth and profitability, both in absolute and relative terms. The results of his study reveal that firms that nurture organisational structures and values conducive to intrapreneurial activities, and which have intrapreneurial orientations, are more likely to have higher growth and profitability than organisations that are lacking such characteristics. Antoncic further states that open and quality communication, existence of formal controls, intensive environmental scanning, management support, organisational support and values will all help an organisation become more intrapreneurial.

Scheepers, Hough and Bloom (2008:68) provide empirical evidence that the dimensions of corporate entrepreneurship capability are most strongly influenced by strategic leadership and support for corporate entrepreneurship, autonomy of employees and rewards for corporate entrepreneurship. Strategic leadership and support by top management are crucial to cultivating corporate entrepreneurship capability and play an instrumental role in developing a climate that is supportive of entrepreneurial projects.

This section provides insights from previous research about the different efforts that can promote corporate entrepreneurship. It is clear from the above that researchers emphasise various factors, which should be considered to foster corporate entrepreneurship and that firms should have relevant policies, cultures and procedures that promote entrepreneurship (Gurunathan *et al.*, 2004:57; Antoncic, 2007:318). The culture should allow employees to take risks, innovate, be proactive and to express unorthodox ideas (Kenny & Mujtaba, 2007:78; Lassen *et al.*, 2006:366; Chen *et al.*, 2006:539). Empowering the workforce in their normal course of work is of critical importance; it assists with the creation of a workforce that can help to maintain its competitiveness and promote a climate that is conducive to the realisation of superior achievements.

It is therefore important to attend to staffing issues, which will foster and facilitate entrepreneurship. Human resource management practices have to be integrated to stimulate and reinforce needed characteristics and behaviours from employees. Thus, it is useful to examine human resource management practices and determine the ones required to further entrepreneurship.

## **2.6 CONCLUSION**

The aim of this chapter was to give a literature review of the aspects concerning corporate entrepreneurship. Firstly, a discussion of entrepreneurship was done as the discussion of corporate entrepreneurship is intertwined with entrepreneurship. Due to the lack of a single definition of entrepreneurship in the literature it was found that definitions for entrepreneurship include starting or creating a new venture, innovating or putting together a new combination of resources, pursuing opportunities, acquiring necessary resources, taking risks, profit-seeking and creating value captures.

The researchers in corporate entrepreneurship are also in agreement that no single definition for the construct, corporate entrepreneurship, exists. The corporate entrepreneurship construct is used under different labels other than corporate entrepreneurship. Corporate entrepreneurship is also interpreted as corporate venturing, intrapreneuring, internal entrepreneurship, strategic renewal, organisational transformation, and industry rule-bending. For the purpose of this research, the definition of Sharma and Chrisman (1999:18) is adopted: “Corporate entrepreneurship is the process whereby an individual or group of individuals, in association with an existing business, create a new business or instigate renewal or innovation within the business”. It became clear in the literature that just as the corporate setting is different from that of a start-up setting, the corporate entrepreneur is also a unique kind of person, i.e. intrapreneur. Therefore, the identification of individual characteristics that foster corporate entrepreneurship is important. Different approaches were developed to determine the characteristics of intrapreneurs such as the trait- and behavioural approaches. Morris and Jones (1993:890) identify three key dimensions of innovativeness, risk-taking and proactiveness that are necessary to be applied in an organisational context. Another approach was the competency-based framework as developed by Hayton and Kelly (2006:407). From these approaches it can be deduced that in order to promote corporate entrepreneurship, not every employee should have the same knowledge, skills and personal characteristics.

The research further shows that entrepreneurial activities are hampered by the systems, structures, strategic direction, policies, people and culture of organisations. Flatter hierarchies,

wider divisions of labour, a wider span of control and decentralised structures should be in place if organisations wish to foster entrepreneurial activities. Corporate entrepreneurship effects the growth and profitability of the organisation positively. It instils cohesion, it leads to innovation in culture, to risk-taking, proactiveness, decentralisation of authority, participation in decision-making and the avoidance of bureaucracy.

Therefore, empowering the workforce in their normal course of work is of critical importance as it assists with the creation of a workforce that can help to maintain its competitiveness and promote a climate that is conducive to the realisation of high achievements.



## **CHAPTER 3**

### **HUMAN RESOURCE MANAGEMENT PRACTICES AND BUSINESS PERFORMANCE**

#### **3.1 INTRODUCTION**

This chapter discusses literature on human resource management practices and business performance. Since the research is essentially about how human resource management practices can be applied to encourage corporate entrepreneurship, the literature was explored to determine which human resource management practices cultivate corporate entrepreneurship. The chapter starts by discussing how important human resource management is and how the human resource management function has evolved over the past decades. Thereafter, the discussion focuses on six human resource management practices that were identified in the literature that play a significant role in encouraging corporate entrepreneurship. Thereafter, a discussion of business performance follows and finally the chapter interrogates the relationship between human resource management practices, corporate entrepreneurship and business performance.

#### **3.2 HUMAN RESOURCE MANAGEMENT PRACTICES**

The heart and soul of any enterprise is people. Various decision areas influence the work environment, but human resource management is perhaps the most vital. There has been a fundamental transformation of the human resource management function in companies over the past few decades. Florén, Rundquist and Fischer (2016:165) describe human resource management as a distinctive approach of an organisation's work systems and employment practices constituted by a set of activities. Tang, Wei, Snape and Chu Hg (2015:1549) assert that personnel have changed from being bureaucratic to becoming proactive influences. Historically, the human resource management function was first concerned with administering employee benefits and imposing rules and procedures on employee hiring, promotion and firing. Nowadays, however, many companies understand that the human resource management function must play a strategic role in developing core competencies and should achieve sustainable competitive advantage through people (Morris *et al.*, 2011:243). Morris *et al.* (2011:243) further state, that consistent with this strategic role, is the recognition that HRMPs might be associated with entrepreneurship. Yang and Lin (2009:1980), on the other hand see HRMPs as investments in human capital so when employees perform, they add value to the company. It is clear from the aforementioned descriptions that the importance of human potential is necessary for the proper

functioning of a company and that particular attention should be paid to human resources because they value all other forms of company resources. HRMPs should thus focus as much on building relationships as they do on matching individual employees to job situations (Montoro-Sánchez & Soriano, 2011:8).

Schmelter *et al.* (2010:719) state that HRM can be understood in three ways. Firstly, it can be seen as managing human capital by selecting relevant sets of knowledge, skills, abilities and other characteristics with regard to corporate entrepreneurship. For any organisation to be effective their employees need to have certain characteristics. These characteristics, according to Schuler (1986:617), refer to the behaviours, attitudes, ways of doing things and thinking about things and are determined by the strategy or direction the organisation wishes to follow. These characteristics were discussed in the previous chapter. It is therefore clear that different strategies would require different characteristics. Kanter (1985:48) states that what is required from employees in firms striving to be entrepreneurial is quite different from what firms require when pursuing a non-entrepreneurial posture. Therefore, organisations can choose to foster and facilitate highly innovative creative behaviour or highly repetitive predictable behaviour. Schuler (1986:618) further stresses that not all characteristics are equally relevant in the execution of all strategies. He describes the characteristics most relevant in the successful execution of an entrepreneurial strategy as:

- Creative, innovative behaviour
- Long-term focus
- Cooperative, interdependent behaviour
- Risk-taking
- High concern for results
- Preference to assume responsibility
- Flexibility to change
- Tolerance of ambiguity
- Task orientation
- Focus on effectiveness

Secondly, Schuler (1986:617) states that human resource management practices in any organisation articulates its true culture. Thirdly, Schmelter *et al.* (2010:719) describe human resource management as a system of management activities, which are targeted to induce

changes in the employee base toward corporate entrepreneurship. It therefore appears that the human resource management field has experienced a fundamental transformation from a micro-oriented, bureaucracy-based, tool-driven discipline to one centred on various aspects of the human resource management system corresponding with business strategies (Morris & Kuratko, 2002:235).

A study by Balkin and Logan (1988:19) reflects this transformation, showing that poorly designed compensation and performance appraisal systems may constrain entrepreneurial behaviour in established companies. Similarly, Schuler (1986:607) and more recent studies (Hayton, 2005:21; Kaya, 2006:2074; Morris & Jones, 1993:873; Schmelter *et al.*, 2010:715; Shipton, West, Dawson, Birdi & Patterson, 2006:3) suggest that organisational-level entrepreneurship can be influenced by several human resource management-related practices or policies. In this study, human resource management is seen as a system of individual practices.

Schuler (1986:618) argues that entrepreneurial behaviour can be fostered by putting together consistent sets of HRMPs. In addition, the human resource literature shows that specific factors within the organisation, such as creativity or teamwork skills, enhance the intensity of the five corporate entrepreneurship dimensions: innovativeness, risk propensity, proactiveness, new business venturing, and self-renewal (Kaya, 2006:2084). Overall, the design of HRMPs should meet these “entrepreneurial criteria” to boost corporate entrepreneurship.

Tichy *et al.* (1982:50) name four human resource management functions that directly influence employee performance: staff selection by selecting people who are best able to perform the job defined by the structure, motivating employees by rewarding them, training and developing employees for future performance and appraising employees in order to justify the rewards. This study builds upon this approach. It will combine Schuler’s (1986) work as well as more recent studies (Dizgah *et al.*, 2011; Edralin, 2010; Kaya, 2006; Morris & Jones, 1993; Schmelter *et al.*, 2010) to identify six HRMPs that the respective literature denotes to have a strong positive impact on corporate entrepreneurship. These are: (1) planning (Dizgah *et al.*, 2011; Morris & Jones, 1993), (2) staff selection (Dizgah *et al.*, 2011; Edralin, 2010; Hayton, 2005; Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986), (3) rewards/compensation (Edralin, 2010; Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986; Tichy *et al.*, 1982), (4) training and development (Edralin, 2010; Kaya, 2006; Khandwalla, 2006; Morris & Jones, 1993; Schmelter *et al.*, 2010; Schuler, 1986), (5) performance management (Dizgah *et al.*, 2011; Edralin, 2010; Morris & Jones, 1993) and (6) employee relations (Edralin, 2010).

This study proposes that there are specific HRMPs with regard to entrepreneurial criteria that foster entrepreneurial thinking, orientation, and activity within employees, thereby creating and nurturing corporate entrepreneurship activity. Therefore, the hypotheses rely on the assumption that the design of HRMPs should accord with key corporate entrepreneurship dimensions to enhance corporate entrepreneurship. The HRMPs needed to nurture entrepreneurship will now be discussed.

### **3.2.1 Human resource planning**

Planning gives direction to any business as it forces managers to be future-orientated and enables the business to deal with changes in the business environment (Du Toit, Erasmus & Strydom, 2012:173; Nnamseh, 2012:23). Human resource management planning provides the foundation for establishing effective human resource management functions. Any recruitment and selection of staff ideally starts with personnel planning. If you do not know what your team's employment needs will be in the next few months, why are you hiring? Pournader, Tabassi and Baloh (2015:419) argue that planning is critical to increase the competency of human resources in an organisational context and that a majority of human resource-related risks could be eliminated, which might emerge in the course of a project.

Human resource planning is defined as the process of anticipating and forecasting (Grobler, *et al.*, 2011:113; Noe, Hollenbeck, Gerhart & Wright, 2012:194). Furthermore, human resource planning facilitates the movement of people into, within and out of an organisation, therefore indicating how to get the right people into the right job at the right time (Dressler *et al.*, 2011:134; Grobler *et al.*, 2011:113; Noe *et al.*, 2012:192; Nnamseh, 2012:23). Human resource planning therefore provides guarantees against uncertainties in the future of organisations. It determines employees' needs and avoids an oversupply of personnel while it rationally predicts the business's future manpower needs and avoids costs (Saad, 2013:333). Human resource planning is nothing other than matching the number and skills of employees with the business's needs in the long or short term. Human resource planning also determines the techniques of selecting, recruiting and developing employees' knowledge and skills so that the business can improve its effectiveness (Saad, 2013:335). Therefore, human resource planning enables managers to answer the questions of how many employees and secondly what sort of employees are needed in the company.

Saad (2013:335) argues that human resource planning becomes a focal human resource activity because firstly, it encourages supervisors to create links between business and human resource plans and to support their effective integration; secondly, it permits more reliable control over

staffing costs; thirdly, it provides a profile of existing employees, and lastly, it allows supervisors to make informed judgements about the organisational behaviour and ensure employees' commitment.

Pritchard and Jones (2006:210) argue that any business can only reap the benefits of human resource planning if the organisation first develops a personnel inventory of available knowledge, skills, abilities and experience of present employees. The organisation then needs to forecast both internal and external human resources supply and demand requirements. Then, recognising limiting factors, formulate various plans and programmes to source the required staffing needs. Evaluation and monitoring of the sourcing plan will provide feedback on the adequacy of the human resource planning effort.

Any business that pursues an entrepreneurial strategy should implement planning practices that stimulate innovativeness, get employees to assume responsibilities; facilitate calculated risk-taking and encourage the willingness to work with others (Schuler, 1986:619).

Schuler (1986:619) provides a useful framework for establishing specific linkages between human resource management and entrepreneurship. Planning choices that would stimulate innovation and a willingness to work with others seem more consistent with a long-term orientation, an emphasis on formal planning, and with high employee involvement (Morris & Jones, 1993:878). According to Schuler (1986:619), calculated risk-taking can be facilitated with more broadly written job descriptions that focus more on results than process. Edralin (2010:33) suggests the use of more results-orientated and less rigid job descriptions in connection with predetermined objectives and milestones. This would allow employees to implement their own ideas and allow them freedom to think and act in unconventional ways (Schmelter *et al.*, 2010:719). This means that the tasks should be unstructured and not bound by rigid policies. Multiple policies and procedures, along with centralised decision-making, tend to constrain action alternatives and inhibit the proactive decision-making necessary for successful entrepreneurial events (Morris & Jones, 1993:878). Sathe (1988:404) cautions that this freedom should be limited by prescribed behaviour and understood rules. For Sathe (1988:404), the zone for entrepreneurial behaviour lies between prescribed and proscribed behaviour. This would necessitate that employees work with general job descriptions. Objectives and accomplishments (results) should serve as the content of job descriptions as this will force employees to work toward implementing ideas and systems. Businesses must engage in formal planning, as this will enable an organisation to provide employees with employment security, a facet of human resource management critical for stimulating a long-term orientation and moderate risk-taking

behaviour (Schuler 1986:620). The above literature clearly shows that the behaviour of employees within an organisation has important implications for corporate performance and that human resource planning can positively affect employee performance through its influence over employees' acquisition, skills and motivation and through the provision of an organisational structure that allows employees to improve how their jobs are performed (Nnamseh, 2012:25).

### **3.2.2 Recruitment and selection**

One of the points of interest in strategic management is a focus on the sustainable competitive advantage of firms. This competitive advantage is created by inimitable resources, such as knowledge, technology, employee skills and capabilities (Drotskie & Van Wyk, 2018:202). Both individual and organisational entrepreneurial activities play critical roles in the innovative process (Enginoglu & Arikan, 2016:15). Recruitment is a very important step in the search for efficiency and performance in any organisation because the consequences of poor recruitment are huge and could possibly be fatal to the company.

The recruitment and selection practices of the business must be aligned to the planning practices. They should stimulate employee characteristics, such as innovativeness, creativity, risk-taking and cooperativeness. Selecting the right staff composition is essential for the successful implementation of a corporate entrepreneurship strategy. Edralin (2010:33) clearly indicates that the recruitment and selection process allows the business to selectively hire those employees who share the same beliefs and values as the business. Recruiting people with the same culture as that of the business is very important if the business is pursuing an entrepreneurial strategy.

Hayton (2005:25), in his study, asserts that a successful innovation process requires highly qualified people to be involved. Therefore, for corporate innovation, in terms of corporate entrepreneurship, the objective of staff selection is to form an appropriate resource base of human capital to foster entrepreneurial activity in an organisation. During the selection process, companies can determine the problem-solving and teamwork attitudes and behaviours of prospective employees (Schmelter *et al.*, 2010:720). Zhang, Wan and Jia (2008:130), in their study, reiterated that enterprises in biotechnology should implement a discretionary human resource practice to attract more key knowledge/technology employees to devote themselves to the organisation. According to these authors, three features of human resource practice are present in biotechnology enterprises. Firstly, employees are knowledge/technology employees and have different needs than general employees. Secondly, the work is difficult to monitor and outcomes difficult to evaluate, and thirdly, there is a high turnover of employees (Zhang *et al.*, 2008:130). However, it is very difficult to distinguish entrepreneurial from less entrepreneurial

applicants due to the complexities of corporate entrepreneurship, as it seems impossible to find an individual who has all the characteristics needed for corporate entrepreneurship. The challenge is therefore to equip employees with various entrepreneurial competencies.

The challenge for managers in organisations who want to promote corporate entrepreneurship lies in the selection and development of employees. They must have the appropriate knowledge, skills and personality characteristics to promote, persist, think creatively, adapt, and take risks. It is therefore useful to identify the set of competencies required to support this strategic goal (Hayton & Kelly, 2006:422).

As discussed in Chapter 2, one approach, which can be utilised to find the right staff composition is the competency-based approach of Hayton and Kelly (2006:420). Boyatzis (1982:23) focused on the importance of managerial competencies and stated that the competence of individuals has a direct impact on the actions performed. Boyatzis (1982:23) lists each competency related to the effectiveness of a manager, regardless of a specific job or organisation, under six main clusters. This shows that the competencies are in line with characteristics associated with corporate entrepreneurship and concurs with Hayton and Kelly (2006:420) that when doing recruitment and selection, the characteristics associated with each competency for corporate entrepreneurship should be considered. In their opinion, the presence of certain personality characteristics is essential and a necessary condition for the further development of corporate entrepreneurial competencies of innovator, broker, champion and sponsor (Hayton & Kelly, 2006:420). These roles of innovator, broker, champion and sponsor are linked to certain organisational positions. The role of sponsor is usually associated with positions with greater control over necessary resources at higher levels in the organisation. The innovator is located at lower levels within the organisation either at technical core or in the interface with customers or other environmental elements. The champion and broker are mostly to be found in the middle levels of an organisation (Hayton & Kelly, 2006:421). This framework reveals that important elements in the staffing decision should be considered, namely, the identification of competent behaviour as the result of a combination of specific characteristics and skills, in addition to knowledge. The competence of individuals has a direct impact on the actions performed.

Other HRM research results have suggested that companies that employ staff with expert knowledge and several entrepreneurial abilities, such as creativity and proactiveness, can react quickly when unexpected opportunities or changes occur (Kaya, 2006:2084). In general, the selection criteria should be in line with the corporate entrepreneurship dimensions of

innovativeness, risk propensity, proactiveness, corporate venturing, and self-renewal (Schmelter *et al.*, 2010:720). Schuler (1986:619) postulates that entrepreneurial behaviour is fostered to the extent that staffing choices offer individuals broad career paths and multiple ladders, have implicit criteria and open procedures, use external sources and allow extensive socialisation. For example, an organisation promising employment security needs to pay close attention to selective hiring of new personnel. Employees cannot be retained for a long time unless their attitudes, values, and behaviour fit with those of the organisation. Therefore, identifying these qualities should be an integral part of the hiring process. Mutual understanding usually develops among employees who work in organisations that provide employment security, especially when they work together for a long time.

An important objective of recruitment and selection practices is to attract potential employees and choose the right people who possess not only the technical skills but also the behaviour and values aligned with the beliefs and culture of the organisation. To adhere to these principles, the organisation needs to always employ suitable internal staff. However, any business will increase its overall innovativeness by also employing external specialists. External specialists, according to research (Schmelter *et al.*, 2010:725; Kaya, 2006:2074), can anticipate and estimate specific problems earlier and identify needs for modifications quicker. They can create innovative solutions and evaluate the potential success of possible solutions. According to Florén *et al.* (2016:165), businesses should determine the employees' problem-solving abilities as well as their creative and innovative behaviour and risk-taking abilities. Therefore, businesses should adopt evolving practices such as a rigorous process using a multiple hurdle approach to screen applicants. They can also use a less rigid job description, hire people with diverse skills and develop customised selection tests that measure the entrepreneurial aptitude of job applicants.

### **3.2.3 Rewards /compensation**

The general objective of incentives is to change attitudes and motivate employees. Compensation/total rewards refer to extrinsic rewards (monetary) such as salary and benefits as well as to intrinsic rewards (non-financial) such as achieving personal goals, autonomy and more job opportunities (Grobler *et al.*, 2011:401).

If businesses follow a competency-based approach they can add new competencies to their structures through hiring or they can lose some competencies due to employees quitting. In other words, businesses' competencies are dependent on individual career behaviour. Businesses can thus overcome some of the challenges faced by setting various incentives to affect the attitudes and motivations of their employees in a certain way. From an employer's perspective, a reward



system is a powerful tool for furthering the organisation's strategic goals (Noe *et al.*, 2012:482). A reward system should stipulate the contributions expected from employees and express values and norms to which those in the firm must conform. If rewards are properly designed, they can become an instrument that can mobilise organisational commitment and build an entrepreneurial culture (Morris, van Vuuren, Cornwall & Scheepers, 2009:436). These authors suggest that many compensation and rewards systems are not designed to promote corporate entrepreneurship, and many suppress innovative behaviour (Morris *et al.*, 2009:436). To retain entrepreneurial employees, rewards and incentives must be significant. According to Morris *et al.* (2009:436), rewards should reflect three considerations. Firstly, they must create a motivation (upside) for managers to take calculated risks. Taking responsibility for innovation and achieving longer-term commitment can be furthered by compensation practices that emphasise external pay equity (Morris & Jones, 1993:880), bonuses tied to project risk levels, or four or five times the salary of the employee over a period of years (Morris *et al.*, 2009:436).

Secondly, social incentives are sometimes more important than financial rewards (Morris *et al.*, 2009:436). These incentives include formal acknowledgement from management, granting of freedom and the allocation of company resources to support employee ideas. Morris *et al.* (2009:436) assert thirdly, that the predictability of a pay check attracts many to choose a corporate career rather than an entrepreneurial career. In addition, when an organisation institutes performance-contingent compensation, the employees are motivated to focus on long-term organisational performance rather than short-term gains if the employers provide employment security. Organisations emphasising employment security intend to keep employees longer, therefore, it makes sense to invest more into the training of these employees (Ahmad & Schroeder, 2003:21). An adequate salary and benefits package should be the core of compensation (Morris *et al.*, 2009:436).

Kaya (2006:2085) determines that incentives that enhance positive attitudes and employee motivation can contribute to the firm's growth and performance. Morris and Jones (1993:880) state that personal incentives (financial and non-financial) are necessary to reinforce the risk-taking and persistence required to implement an entrepreneurial concept and that these incentives must be significant to retain entrepreneurial employees. In this study's context, the interest is in appropriate rewards built on a performance evaluation that considers entrepreneurial activity. Thus, the staff evaluation should include explicit measures of innovativeness and risk propensity. If businesses want employees to assume more responsibilities, they need to offer them broad career paths and multiple career ladders. A reward system based on performance encourages employees to assume the risk of their projects. The

reward system, among the different systems of human resource management, is generally regarded as an important part of the motivation and promotion of innovative behaviour by employees.

### **3.2.4 Training and development**

One major area of the human resource management function, which is of particular relevance to the effective use of human resources, is training and development. Various researchers (Bayraktaroglu & Cickusic, 2014:2126; Ngirande & Musara, 2016:164) argue that the recognition of training in recent years has been influenced by the intensification of competition and the relative success of organisations where investment in employee development is emphasised. Therefore, building and maintaining training may offer the most sustainable advantage available to most organisations in the pursuit of a more capable and better trained workforce. Salas, Tannenbaum, Kraiger and Smith-Jentsch (2012:14) posit that training is a key component in building and maintaining an effective employee workforce, which in turn drives various metrics of corporate well-being.

Training, according to Noe *et al.* (2012:270), refers to a planned effort by a business to facilitate learning of job-related competencies, knowledge, skills and behaviours by employees. This definition indicates that training and development ensure that randomness is reduced and learning and behavioural change take place in a structured format. Salas and Cannon-Bowers (2001:477) also see training as a structured process because they define training as intentional and systematic activities designed in a way to promote the gaining of knowledge (i.e. need to know), skills (i.e. need to do) and attitudes (i.e. need to feel). This is a clear indication that organisational efforts for training and development nurture knowledge and expertise among employees and generate their commitment to learning. Organisations invest in training of their employees because they believe that a skilled workforce will make them remain relevant in the market (Ngirande & Musara, 2016:164).

Many organisations include training and development as part of their strategic plan to improve performance. However, one of the most important steps in training development is to conduct a training needs analysis deciding on whom and what needs to be trained (Salas & Cannon-Bowers, 2001:475). A training needs analysis is therefore conducted to determine where training is needed, what needs to be taught and who needs to be trained. Ngirande and Musara (2016:2127) add that apart from the needs analysis, other activities should also be in place such as a training policy, training plans and program designs and implementation, evaluation and training feedback for further action. During the needs analysis process, researchers (Grobler *et*

*al.*, 2011:344; Salas & Cannon-Bowers, 2001:475; Salas *et al.*, 2012:80) identify three levels where a needs assessment should be conducted, namely: organisational analysis, operations level and person (individual) analysis.

The purpose of an organisational analysis is to uncover the major problems that may indicate a need for training or the delivery of a training program such as turnover, productivity, labour and operational costs, employment equity problems, etcetera (Grobler *et al.*, 2011:344; Salas & Cannon-Bower, 2001:475). Training and development are critical for the firm's performance and competitive advantage and training can overcome the factors that decrease employees' job performance and satisfaction (Schmelter *et al.*, 2010:721). An organisational analysis is imperative so that the correct training can be applied to address these constraints. The purpose of the operations analysis, also referred to as the job analysis, is to determine how a job should be performed, namely the desired level of performance (Noe *et al.*, 2012:281; Grobler *et al.*, 2011:344; Salas & Cannon-Bower, 2001:475). Such an analysis will enable training personnel to create programmes that focus on the right way to perform a job. Businesses following a corporate entrepreneurship strategy will ensure that they select employees with entrepreneurial abilities during the selection process, but Khandwalla (2006:7) observes that appropriate abilities could be acquired through training and development to allow employees to perform the job in the right way. The third level in the needs analysis is person analysis. This analysis focuses on the employee and is used to identify employees for training. Grobler *et al.* (2011:346) indicate that the purpose of an individual analysis is to determine who needs training and development and what skills, knowledge, abilities or attitudes, need to be acquired or strengthened.

Once the needs analysis has been completed and the business has identified a performance gap (the difference between desired and actual performance), the business can develop a training and development program. To achieve effectiveness in training, the programmes should fit the company's strategy and work process. Training can be performed in different forms. These forms can be realised by in-house programmes, off-site programmes extensive training, training in multiple functions and on the job skills (Kaya, 2006:2076; Grobler *et al.*, 2011:357). To unfold the full effect of training programmes on corporate entrepreneurship, expert knowledge, social competence, creativity, and methodical expertise are especially important to be considered (Khandwalla, 2006:1; Morris & Jones 1993:879). It is important to foster entrepreneurial activity in the corporate context through training activities that enforce interpersonal skills such as the ability to work in a team. Second, training that supports creativity will strengthen innovativeness and potentially strengthen self-renewal and new business development. Third, training sessions

on how to transfer new ideas into the business will lead to higher intensity for risk propensity and proactiveness (Schmelter *et al.*, 2010:724).

Schuler (1986:623) posits that training and development practices can promote entrepreneurial behaviour to the extent that they apply to a range of job situations, emphasise quality of work life, encourage employee participation and rely upon minimal organisational structure. Kuratko *et al.* (2011:251) suggest a need for training that is ongoing, is less standardised, and focuses on individual knowledge requirements due to changing job demands and continuous changing technologies. This training approach enables employees to respond in unique ways to new challenges, adapt to dynamic environmental conditions, and feel comfortable with ambiguity.

Employees develop competencies through education and training, by sharing experiences with others, while learning by doing, and when learning vicariously by observing trials and errors. They employ their knowledge as they perform and master various tasks, developing unique competencies. Competence building, therefore, combines formal education with tacit knowledge, acquired through experience in the industry, and unique personal experience outside and within an organisation. (Hayton & Kelly, 2006:412). Training is vital as it increases the individuals' capacities and promotes their development.

### **3.2.5 Performance management**

Businesses that strive for a competitive advantage and that follow a corporate entrepreneurship strategy, must be able to manage the behaviour and results of all employees. According to Grobler *et al.* (2011:341), organisations have different descriptions for this process, such as performance review, annual appraisal performance evaluation, employee evaluation, and in other cases, merit evaluation. The researchers, Grobler *et al.* (2011:293) and Noe *et al.* (2012:340) agree that performance management is a much broader term than performance appraisal and consequently will be used as such in this study. Researchers define performance management as an approach to management that aligns individual managers and employees towards a common achievement of the strategic goals of the business (Grobler *et al.*, 2011:341; Noe *et al.*, 2012:293; Tomić, Tadić & Sedlak, 2016:453). It is thus clear that performance management is an integrated set of techniques and methods that the business engages in to enhance the performance of a person or group with the ultimate goal of improving organisational performance. It is further regarded as a management-based approach, based on the individual contribution of managers and employees in achieving the strategic goals of the business (Tomić *et al.*, 2016:453; Gorman, Meriac, Roch, Ray & Gamble, 2017:193).

Noe *et al.* (2012:344) state that the purpose of performance management systems is threefold: strategic, administrative and developmental. The strategic purpose refers to the linking of the activities of performance management to the organisation's goals. Organisations use performance management information in many administrative decisions such as pay rises, promotions, layoffs, etc. The third purpose of performance management is to develop employees who are effective. When employees are ineffective, performance management should seek to improve their performance (Noe *et al.*, 2012:346).

Tomić *et al.* (2016:453) summarise performance management using seven descriptors:

- Performance management is linked to outputs (achievement of results) and outcomes (realised impact on performance).
- Performance management is related to measuring results and controlling the progress of achieving objectives.
- Enterprise performance management refers to continuous improvement.
- Performance management is associated with continuous development.
- Performance management relates to planning.
- Performance management is connected with communication.
- Performance management is associated with stakeholders.
- Performance management refers to fairness and transparency.

Ledford, Benson and Lawler (2016:253) in their article, 'Aligning research and the current practice of performance', reported that during the 1950s and 1960s, conventional performance management practices were implemented. This was the area of complex rating scales, in which more was better, each using at least five or more points on a rating scale. In the 1990s, transitional performance management practices were used and were regarded as best practice. During this period, the rating approach was simplified. Often there were only three points on the scale: top performers, typical performers and poor performers. Cutting-edge performance management is only a few years old and its use is limited but gaining ground as the rating approach here is text-based with no scoring or rating. Noe *et al.* (2012:350) on the other hand, mention five performance management approaches: the comparative, attribute, behavioural, results, and quality approaches. In the comparative approach, the individual's performance is compared with that of others. The attribute approach focuses on the extent to which the individual's attributes are desirable for the business's success. This approach defines a set of

traits such as initiative, leadership and competitiveness. This approach will be an ideal one to follow in the case of a corporate entrepreneurship strategy where traits of innovativeness, risk-taking and competitiveness are required. The behavioural approach attempts to describe the behaviours an employee must exhibit to be effective in the job. The attributes approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to the business's effectiveness. The previous four approaches are the traditional approaches to measure employee performance. The last approach, the quality approach, includes a customer orientation, a prevention approach to errors and continuous improvement (Noe *et al.*, 2012:350-365).

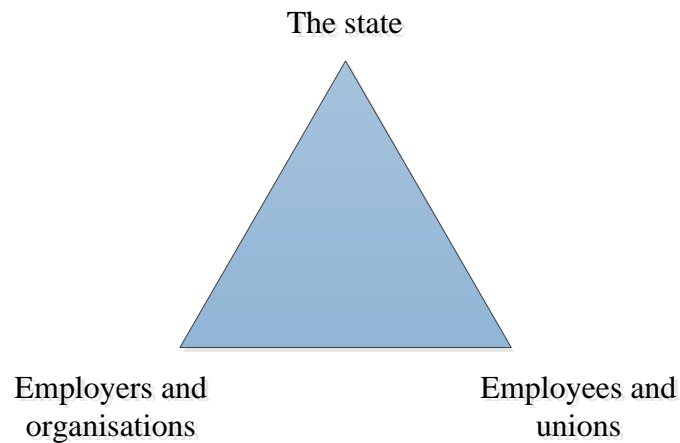
Irrespective of the performance management approach the business follows, Pulakos, Mueller-Hanson, Arad and Moya (2015:52) state that performance management is profoundly broken and that it is universally disliked by managers and employees alike. It is regarded as having little value, and it has failed to meet its intended goal of improving performance. The authors suggest that the focus should be on driving critical performance management behaviours that would increase engagement and performance; performance management behaviours, such as setting clear expectations, providing regular feedback and helping employees. Pulakos *et al.* (2015:55) posit that continuous feedback is more likely to change employee behaviour. Furthermore, effective performance management happens when employees are contributing to the process (Scaduto, Hunt & Schmerling, 2017:96). Schuler (1986:621) concurs and states that entrepreneurial orientation is fostered to the extent that appraising practices emphasise results criteria, use longer-term criteria, encourage higher employee participation and recognise the accomplishments of groups of individuals. These appraising practices stimulate risk-taking, a willingness to assume responsibility and a longer-term orientation. Sharing information on the individual performance of employees fosters organisational openness and it enhances the loyalty and trust of the employees to the firm. Performance management will thus be seen as the process through which managers ensure that employee activities and outputs contribute to the firm's goals.

### **3.2.6 Employee relations**

Guest (1987:508) examines the academic approaches to human resource management and identifies two different approaches: the soft and the hard. The former sees employees as an asset to be nurtured and the latter sees employees as a resource to be utilised for the needs of the business. These approaches have an influence on the employee relationship. Employees that are valued, rewarded, consulted and who feel integrated, will be committed and loyal to those

businesses, as opposed to those who are merely seen as a resource. The 2017-2018 Global Competitive index (Schwab & Sala-i-Martin, 2017-2018:268) ranks South Africa as 61<sup>st</sup>, out of 137 countries investigated, for most competitive country in Sub-Saharan Africa. South Africa is still among the region's most innovative, with 39<sup>th</sup> place, however its overall ranking dropped 14 places. This fall in rankings, might be due to the fact that the same report indicates that South Africa has the worst labour-employer relations in the world, ranking 137 out of 137 countries (Schwab & Sala-i-Martin, 2017-2018:269). These statistics seem so contradictory in the sense that the report indicates South Africa to be ranked 61<sup>st</sup> in the Sub-Saharan Africa region and being placed 39<sup>th</sup> in the most innovative category, yet in 2017, the average growth rate was 1,3 percent and in 2018, 0.9 percent (Schwab & Sala-i-Martin, 2017-2018:268). It seems labour plays an important role in these statistics. There may be many reasons why South Africa has the worst labour-employer relations in the world and this will not change unless the levels of trust between employers and employees in the country improve, according to Gawie Cillié, employment relations expert and lecturer at the University of Stellenbosch Business School (Staff reporter, 2019:1).

No business can neglect sound labour relations if they want to be competitive. Recruitment and placement, training and development, and compensation are at the heart of human resource management. However, people expect something more. They expect their employers to treat them fairly and to provide a safe environment. Therefore, employee relations refer to a set of processes and procedures utilised in the interaction (e.g. communication, interpersonal relationships, participation in decision-making) between the employees and the employer to attain their respective goals, while accommodating the needs of both parties (Edralin, 2010:32). Warnich, Carrell, Elbert and Hatfield (2015:485) state that the employment relationship is essentially a tripartite relationship between the employer (employers and employers' organisations), employees (labour and unions) and between employer/employee and the state. It is clear from the previous discussion that employment relations involve all the dynamics found in relationships in a work context or between any of the parties in the tripartite relationship. Relationships can be found between an employee and a manager, between a group of trade union representatives and management and even between employer organisations and worker unions.



**Figure 3.1: The three parties in the tripartite relationship**

**Source: Own compilation**

Noe *et al.* (2012:600) assert that an industrial relations system can only operate properly when the three participants have some common ideology and accept each other's roles. Employee relations are therefore about the formal and informal relationships at work. Some degree of worker-management conflict is inevitable because although the interests of the two parties overlap, they also diverge in key aspects, such as on how to divide the economic profits (Noe *et al.*, 2012:600). Such conflict is evident in a study of 102 business units across the USA and Europe where inequities between the pay of Chief Executive Officers (CEOs) and average workers contributed not only to lower perceptions of fairness by employees, but also resulted in lower quality products. Such pay disparities between the CEO and other employees can affect employee commitment to managerial goals, effort and cooperation (Wiggenhorn, Pissaris & Gleason, 2016:88). Feelings of unfairness stemming from increasing pay disparities can, therefore, decrease organisational commitment by employees, hinder cooperation and reduce overall country competitiveness.

After the 1994 elections in South Africa, the new government created a framework that would regulate all the aspects of employment relationships. The four pillars of the framework: The Employment Equity Act (EEA) (No 55 of 1998), the Labour Relations Act (LRA) (No 66 of 1995), the Basic Conditions of Employment Act (No 75 of 1997) and the Skills Development Act (No 97 of 1998) were drawn up together with representatives from the business and labour sector (Longenecker *et al.*, 2017:561). The Employment Equity Act is the most important Act of all the labour legislation. This Act was instituted to promote equal opportunities and fair treatment and to correct the disadvantages in employment experienced by designated groups in South Africa by means of affirmative action measures. The Labour Relations Act covers most employees and creates new rights, structures and procedures to regulate the relationship between



employees and employers. The Basic Conditions of Employment Act was drawn up with the purpose of supporting and regulating the right to fair labour practices by establishing and enforcing basic conditions of employment. These conditions include stipulations such as hours of work, overtime and overtime pay, annual leave and sick leave. The Skills Development Act was promulgated to develop the skills of workers and to raise the quality of their working lives, improve the productivity of the workplace and promote the possibility of self-employment (Kleynhans, Markham, Meyer, Van Aswegen & Pilbeam, 2010:275).

Employment relations are concerned therefore, with the effective management of people within the employment relationship. Sharing information on organisational strategy, goals and performance with employees conveys that they are trusted. Information sharing also empowers the employees and fosters organisational transparency, which is crucial if the employees are to have long tenures in the organisation. Edralin (2010:38) found in a survey among large companies in the Philippines that employee relations are the most significant driver of innovation. It is therefore important that businesses must focus more on employee relations with efforts such as regular communication, respect and the fair treatment of people. In South Africa, any manager or entrepreneur should develop an understanding of employment relations within the South African context in order to understand the needs, values and attitudes of the various parties. The workplaces in South Africa are substantially unionised because the Labour Relations Act allows every employee to belong to a union.

### **3.3 BUSINESS PERFORMANCE**

Practitioners have developed different performance measurement models, systems and frameworks. Businesses either use financial or non-financial approaches to measure the performance of the business. The most common approach is financial measurement, which consists of dictators such as return on assets (ROA), return on investment (ROI), and liquidity (Longenecker *et al.*, 2017:289). The liquidity of the business is an indication of whether the business will be able to pay its debts when they become due and as such, a current ratio is used to determine the liquidity. The current ratio compares the current assets to the current liabilities of the business. A business's assets are invested for the purpose of producing operating profits. Therefore, a comparison between the operating profits to total assets reveals the rate of return on the business's total assets. The return on assets is a measure of the business's profitability relative to the amount of its assets. The return on investment, also sometimes referred to as return on equity, is the rate of return that the owners receive on their equity investment (Longenecker *et al.*, 2017:292). A business with a high return on assets will have a high return

on equity and vice versa (Longenecker *et al.*, 2017:292). However, since the 1990s, due to rapid changes in the environment, a more balanced and integrated approach was needed and resulted in multi-dimensional models (Van Looy & Shafagatova, 2016:1). Perhaps the best known multi-dimensional performance measurement model is the Balanced Scorecard (BSC), which takes a four-dimensional approach to organisational performance: (1) the financial, (2) customer, (3) internal business, and (4) learning and growth perspectives (Lazenby, 2018:457).

The financial perspective provides the ultimate definition of a business's success and relates to profitability, etc. as discussed earlier. The customer perspective focuses on customers as a vital component to improve financial performance. In this regard, customer satisfaction is at the heart of the perspective (Lazenby, 2018:457). Other measurements of business performance include market effectiveness, which includes market share, sales volumes, sales growth and new product innovation (Ndubisi & Iftikhar, 2012:218). Ahmad and Schroeder (2003:23) measure organisational performance by looking at operational performance measures such as quality, cost of delivery or intangible measures such as organisational commitment. The learning and growth perspective describes how people, technology and the organisational climate coalesce to support the strategy and to provide the ultimate source of sustainable value creation. For each perspective, performance indicators must be selected that fit the particular needs. It is clear from the aforementioned that business performance is measured through a variety of methods. In this study both financial and non-financial measures were used to determine the business's performance, which include the overall turnover (sales), the overall financial performance (e.g. company profit), the level of market share, overall development of the cost base (e.g. production cost, operating expenses, level of asset acquisition and the satisfaction of customers).

### **3.4 THE RELATIONSHIP BETWEEN CORPORATE ENTREPRENEURSHIP, HRMPs AND BUSINESS PERFORMANCE**

The growth of interest in corporate entrepreneurship may be attributed to the challenges of the new competitive landscape, according to Hitt *et al.* (2001:1). Enterprises that simply maintain their existing strategies and fail to reinvent their business models face problems. Businesses have realised that employers and employees must be partners in ensuring profitability and global competitiveness, since employees are a critical resource in the business. It became clear in the discussion in Chapter 2, that for corporate entrepreneurship to be successful, employees should possess characteristics that lead to innovativeness, proactiveness, and risk propensity. The competency-based approach of Hayton and Kelly (2006:413) has identified four roles that will promote corporate entrepreneurship; these are: innovating, brokering, championing and

sponsoring. To execute these roles successfully, each competency in this model must possess underlying knowledge, skills and personality elements.

The innovator must define an innovation which demands a high degree of knowledge. The broker is regarded as a gatekeeper and his or her work involves the accumulation of outside information or integrating information from various internal sources. The role of championing is associated with transformational leadership skills, which include articulating a vision, fostering acceptance of group goals, and providing individualised support and intellectual stimulation. Lastly, the role of sponsoring requires deep technological and business knowledge to support the business insights necessary for making risky or even uncertain investments (Hayton & Kelly, 2006:418). The selection of appropriate HRMPs, is of upmost importance as decisions in this regard intend to stimulate and reinforce the desired employee characteristics and behaviours in line with the business strategy.

The phenomenon of corporate entrepreneurship, HRMPs and business performance has been widely researched. Various researchers (Edralin, 2010:25; Schmelter *et al.*, 2010: 736; Florén *et al.*, 2016:164) conclude that different human resource management functions are found to be significant enablers of corporate entrepreneurship. Edralin (2010:25) surveyed large companies and finds employee relations, training and development, and recruitment and selection to be significant enablers of corporate entrepreneurship and Florén *et al.* (2016:164) concurs. Morris and Jones (1993:891) in their study, find that a set of fourteen HRMPs demonstrate a certain internal consistency. For instance, the encouragement of risk-taking and innovative behaviour would seem consistent with individualised performance assessment and compensation, but also with longer-term orientation as entrepreneurial events take longer to come to fruition. From these findings, it is clear that HRMPs have a significant influence on corporate entrepreneurship.

Other researchers have looked at the influence of HRMPs on corporate entrepreneurship and how they influence business performance. Akdere (2009:1945) researched the relationship between quality focused human resource practices and organisational performance outcomes. He concludes that specifically two measures of quality focused human resource practices namely, knowledge management and strategic management were found to be positively related to the financial performance of the firms implementing quality management. Zehir *et al.* (2016:372) indicate in their research that entrepreneurial orientation mediates the relationship between strategic human resource management and firm performance. The entrepreneurial orientation includes innovativeness, risk-taking propensity, proactiveness and competitive aggressiveness. While firm performance includes both financial and employee performance, Kaya (2015:662)

researched corporate entrepreneurship and firm performance in small and medium-sized enterprises and reports that corporate entrepreneurship positively affects the performance of the studied SMEs. A similar outcome was obtained in a study by Karacaoglu, Bayrakdaroglu and San (2013:163), where they find that the dimensions of corporate entrepreneurship, which are proactiveness, innovation and risk-taking, interact mostly with financial performance, such as return on assets, return on equity and net sales/assets. In another study done in Turkey, Kaya (2006:2074) collected data from 124 businesses and the findings indicate that HRMPs partially mediate the relationship between corporate entrepreneurship and business performance. It is evident from the aforementioned discussions that relationships exist between corporate entrepreneurship and HRMPs, corporate entrepreneurship and business performance, HRMPs and business performance and that HRMPs play a mediator role between corporate entrepreneurship and business performance.

### **3.5 CONCLUSION**

The aim of this chapter is to give an overview of the HRMPs that have been identified in the literature to influence corporate entrepreneurship. The HRMPs under discussion include human resource management planning, recruitment and selection, rewards and compensation, training and development, performance management and employee relations. The discussion of these HRMPs looks at research done in this field and how it influences corporate entrepreneurship. Human resources play an essential role as they can encourage or hinder corporate entrepreneurship. Employees capable of innovation, risk-taking and exchanging knowledge, are necessary and this type of behaviour should be encouraged and rewarded. Traditionally, the focus of a human resource management system has been short-term, and the system has been used as a bureaucratic control mechanism to enhance efficiency. Now, practitioners and researchers agree that human resources can be a source of competitive advantage and should be managed strategically. Every organisation differs in how much effort it invests into harnessing each of the seven HRMPs. An ideal situation would be if an organisation exerted the maximum effort possible to develop, institute, and implement each of these seven practices. That would necessitate a situation in which each of these HRMPs are explored and exploited to their highest potential.

## **CHAPTER 4**

### **RESEARCH DESIGN AND METHODOLOGY OF THE STUDY**

#### **4.1 INTRODUCTION**

The starting point to facilitate change and innovation in existing organisations, is the assessment of corporate entrepreneurial activities. The research question that needs to be addressed is: Can entrepreneurial human resource management practices improve the performance of medium and large businesses in Gauteng in South Africa?

To address this question, a literature review as well as an empirical exploration, was necessary. The aim of this chapter is to describe the research methodology used in the study. The literature review was dealt with in Chapters 2 and 3 and this chapter focuses on the research design and methodology used to answer the research questions.

This chapter commences with the research problem after which the research objectives and hypotheses, which were derived from the problem, are mentioned. Thereafter, the discussion focuses on the research methodology and is presented in terms of the research design strategy, sampling design, data collection, and lastly data analysis and presentation.

#### **4.2 RESEARCH PROBLEM**

South Africa, like most of its global counterparts, is facing tough economic conditions and with the current downgrade to junk status, the economic growth will be slower (Omarjee, 2017:12:33). Standard & Poor, a ratings agency, downgraded South Africa to junk status following the cabinet reshuffle by then President Jacob Zuma and the removal of Pravin Gordhan as finance minister. A downgrade, according to Mothibi (2016:1), CEO of Productivity SA, could cause the risk of triggering capital outflows, the rand plummeting, higher inflation and interest rates, and rising bond yields, thereby increasing the cost of investment, leading to lower growth and a possibility of a recession. Mothibi (2016:1) further attributes low productivity as South Africa's key economic problem. A decline in growth, results in lower revenues. This low revenue and the inability of the private sector to create employment are contributing factors to the high unemployment rate in South Africa. The South African economy is currently in a technical recession because it shows a negative growth in two consecutive quarters. The real gross domestic product decreased by 0.7 percent in the second quarter of the year (Mothibi, 2016:1).

A possible solution to these problems could be for businesses to be innovative. Firms that want to be successful must improve their flexibility, competitiveness and reactivity, and nurture entrepreneurship through their operations. These conditions are associated with corporate entrepreneurship or intrapreneurship, which involves creating an entrepreneurial culture within businesses and increasing the firm's innovative capacity. Miller (1983:772) defines corporate entrepreneurship as the activities that a firm undertakes to enhance product innovation, risk-taking and proactive responses to environmental forces. Other empirical research has shown that corporate entrepreneurship also has a positive impact on organisational performance (Zahra, 1991:259; Lumpkin & Dess, 1996:163; Kuratko *et al.*, 2011:248). Therefore, given the effectiveness of corporate entrepreneurship in improving organisational growth and profitability, this study wishes to identify the factors contributing to or enhancing corporate entrepreneurship in South African firms.

Previous research identifies various sources, such as the firm's external environment (Covin & Slevin, 1989:75), organisational culture (Zahra, 1991:259), structure (Miller, 1983:770) and HRMPs (Morris & Jones, 1993:890; Hayton, 2005:21). This study will also subscribe to the approach that the most important factors are the firm's ability to facilitate entrepreneurial attitudes among employees and to establish human resource practices to support them in the promotion of a corporate entrepreneurship strategy.

Thus, how to organise people and tasks in ways to develop entrepreneurial actions and to develop support systems to encourage risk-taking among employees (e.g. rewards and compensation systems that reinforce individual entrepreneurial actions), are key questions that must be answered in order to stimulate innovation and promote corporate entrepreneurship.

Research is needed on human factors governing the emergence of corporate entrepreneurship in South African businesses, given the importance of HRMPs to corporate entrepreneurship. HRMPs can improve the organisational growth and profitability of the firm. There is substantial previous research that shows that corporate entrepreneurship has a positive influence on firm performance (Edralin, 2010:38; Yu, 2010:118) and other evidence illustrates that HRMPs play a significant role in fostering and maintaining high levels of corporate entrepreneurship (Schmelter *et al.*, 2010:735), yet a study addressing these issues has not yet been done in South Africa. There has been a redefinition of the human resource management function from a traditional focus on attracting, selecting and developing talented individuals to a new focus, which includes a strategic role in the development of core competencies and the achievement of sustainable competitive advantage through people (Kuratko *et al.*, 2011:243). As such, to make a

successful transformation of the human resource function, HRMPs will have to be developed that adopt a new strategic role and that are more linked with business performance.

This study is guided by the following primary research question:

- What is the relationship between entrepreneurial human resource management practices, corporate entrepreneurship and business performance?

From the primary research question, the following secondary research questions are formulated:

- To what extent do HRMPs stimulate corporate entrepreneurship?
- How do HRMPs through corporate entrepreneurship relate to business performance?

Limited empirical research is available on corporate entrepreneurship in South Africa. There is also no record of any formal research conducted on the relationship between human resource management practices, corporate entrepreneurship and business performance in South Africa.

### **4.3 RESEARCH OBJECTIVES**

When the research problem has been identified, research objectives need to be developed. Wilson (2010:47) states that an objective is a statement that sets out to define a particular problem. Furthermore, research objectives also allow you to set boundaries prior to conducting the study, thereby providing a focus for the research. The primary and secondary objectives of the study are presented below.

#### **4.3.1 Primary objective**

The primary objective of the proposed study is to investigate the relationship between HRMPs, corporate entrepreneurship and business performance of medium and large businesses in Gauteng.

#### **4.3.2 Secondary Objectives**

The secondary objectives are classified into theoretical and empirical objectives.

##### **4.3.2.1 Theoretical objectives**

An extensive literature review of secondary data on corporate entrepreneurship, HRMPs and their impact on firm performances was conducted. The secondary data for the literature review was obtained from scholarly articles, research reports, books, conference proceedings and

studies conducted by academics, government institutions and non-governmental organisations working in the field of entrepreneurship as well as from internet searches.

The theoretical objectives of the study are as follows:

- To conceptualise corporate entrepreneurship from the literature;
- To conceptualise HRMPs from literature;
- To conceptualise business performance from literature;
- To review the literature on medium and large businesses in South Africa.

#### **4.3.2.2 Empirical objectives**

The empirical objectives of the study are as follows:

- To determine the levels of implementation of HRMPs;
- To determine the levels of implementation of corporate entrepreneurship;
- To determine the factors that influence business performance;
- To investigate the relationship between HRMPs and business performance;
- To determine the relationship between HRMPs and corporate entrepreneurship;
- To investigate the relationship between business performance and corporate entrepreneurship.

### **4.4 HYPOTHESES**

This study stated hypotheses rather than propositions. Cooper and Schindler (2014:58) define a proposition as a statement about observable phenomena that may be judged as true or false. When a proposition is formulated for empirical testing, it is called a hypothesis. A hypothesis is described as a proposition to be tested or a tentative statement (a speculation) of a relationship between two variables (Wilson, 2010:47; Zikmund, Babin, Carr & Griffin, 2013:41; Cooper & Schindler, 2014:195). Bryman (2007:712), on the other hand, concurs, and describes a hypothesis as an informed speculation, which is set up to be tested about the possible relationship between two or more variables. Babbie (2013:70) gives a more practical explanation: “A hypothesis is a specified testable expectation about empirical reality that follows from a more general proposition.”



The hypotheses stated in this study may be referred to as relational hypotheses, as this type of hypothesis specifies a relationship between two or more variables (Cooper & Schindler, 2014:59). Zikmund *et al.* (2013:507) refer to relational hypotheses as those, which examine how changes in one variable vary with changes in another. Based on the research mentioned earlier, this study seeks to investigate the relationship between corporate entrepreneurship and entrepreneurial human resource management practices and the relationship between entrepreneurial human resource management practices and organisational performance.

To test a hypothesis, a null hypothesis ( $H_0$ ) and an alternative hypothesis ( $H_a$ ) must be formulated (Wilson, 2010:237). Researchers define the null hypothesis ( $H_0$ ) as a statement that no difference exists between the parameter and the static being compared (Wilson, 2010:237; Cooper & Schindler, 2014:432). On the other hand, the alternative hypothesis ( $H_a$ ) is the opposite of the null hypothesis and postulates some difference and inequality (Cooper & Schindler, 2014:432). The hypotheses for this study were stated in chapter one and are repeated here for the purpose of the reader.

H1: HRMPs have a positive influence on corporate entrepreneurship.

H2: Corporate entrepreneurship has a positive influence on business performance.

H3: HRMPs have a positive influence on business performance.

H4: Corporate entrepreneurship is a mediator between HRMPs and business performance.

#### **4.4.1 Hypothesis testing**

According to Cooper and Schindler (2014:430), the purpose of hypothesis testing is to determine the accuracy of the hypotheses due to the fact that a sample of data was collected. Hypothesis testing is nothing other than comparing the researcher's educated guess with empirical reality. The accuracy of the hypothesis is evaluated by determining the statistical likelihood that the data reveals true differences. A difference has statistical significance if there is good reason to believe that the difference does not represent a random sampling error. Wilson (2013:237) describes the significance level as the probability of rejecting the null hypothesis when it is true. There are many possible outcomes to hypothesis testing in relation to the truth. No statement about a sample can be made with complete certainty because statistical hypothesis testing is all a matter of probabilities and there is always a chance that errors can be made. Researchers refer to these errors as Type I and Type II errors. A summary of these types of errors, according to Zikmund *et al.* (2013:514), is presented in Table 4.1.

**Table 4.1: Type I and Type II errors in hypotheses testing**

Actual state in the population	Decision	
	Accept $H_0$	Reject $H_0$
$H_0$ is true	No error	Type I error
$H_0$ is false	Type II error	No error

Table 4.1 indicates that the null hypothesis can be either true or false and the statistical decision will be either to accept or reject the hypothesis. A Type I error (also referred to as alpha) refers to the probability of the incorrect rejection of the null hypothesis. Such an error occurs when the researcher concludes that a relationship or difference exists between the two variables when in reality it does not exist. A Type II error (also referred to as beta), on the other hand, refers to the probability of the incorrect acceptance of the null hypothesis. Practically, a Type II error occurs when the researcher concludes that no relationship or difference exists when in fact one does exist. It is therefore clear that the probability of a Type II error is inversely related to the probability of a Type I error: that is the smaller the risk of the one of this type of error, the higher the risk of the other type of error (Sekaran & Bougie, 2013:303).

#### **4.5 RESEARCH REASONING**

In research, meanings are usually conveyed through one of two types of discourse: exposition or argument. Cooper and Schindler (2006:31) state that expositions consist of statements that describe without attempting to explain whereas argument allows you to explain, interpret, defend, challenge and explore meaning. The two types of arguments of importance to research are inductive and deductive reasoning. Treadwell (2014:24- 25) describes induction as reasoning from observations to a theory that might explain your observations and that deduction moves from a theory to defining the observations you will make to test the theory. Deduction, according to Treadwell (2014:25), is more efficient than induction as it leads to a specific observation that will test your hypotheses- the statement about relationships you expect to find. This study followed a deductive approach as it stated hypotheses to determine the relationships between HRMPs, corporate entrepreneurship and business performance.

#### **4.6 RESEARCH METHODOLOGY**

The research methodology presented in this section will focus on the research design, the sample design, data collection and fieldwork and the measurement and analysis of the data used in the study.

#### **4.6.1 Research design**

The research design delineates the structure of the investigation in such a way as to attain answers to the research objectives. Cooper and Schindler (2014:71) describe a research design as a blueprint for fulfilling objectives and answering questions. Zikmund *et al.* (2013:64) describe a research design as a master plan that specifies the methods and procedures for collecting and analysing the needed information. A research design is therefore nothing other than a framework or plan of action for the research to be done. There are three different research designs that can be used in research: quantitative, qualitative or multiple (also refer to as mixed) methods research designs. Quantitative research is associated with positivism, whereas qualitative with the interpretive philosophy and a mixed method approach would combine both quantitative and qualitative methods (Saunders *et al.*, 2012:162-164). The research design for this study is quantitative in nature and is associated with the positivism philosophy. According to Cooper and Schindler (2014:126), a number of different research design approaches exist but no single classification system defines all the variations that must be considered. The authors classify research designs, using eight different descriptors. Some of these descriptors will now be discussed to illustrate their nature and contribution to this study.

##### **4.6.1.1 Degree of research question crystallisation**

A study may be viewed as either exploratory or formal. In exploratory studies, according to Neuman (2014:33), the primary purpose is to examine a little understood issue or phenomenon to develop preliminary ideas and move toward refined research questions by focusing on the “what” question. Formal studies on the other hand, begin with a hypothesis or research question and involve precise procedures and data source specifications (Cooper & Schindler, 2014:126). In this study, a formal research design was used to test the stated hypotheses. This quantitative study followed a two-stage research design. The first stage included an extensive literature review of secondary data on corporate entrepreneurship, human resource management practices and their impact on organisational performances. The secondary data for the literature review were obtained from scholarly articles, research reports, books, conference proceedings, studies conducted by academics, government institutions and non-governmental organisations working in the field of entrepreneurship and internet searches.

The second stage was an empirical study that was conducted to investigate the objectives previously mentioned. The researcher collected primary data from potential research participants by personal or impersonal means. At this stage, respondents were questioned, and their responses were collected by means of a structured questionnaire.

#### **4.6.1.2 The purpose of the study**

A study can be classified as either being a descriptive or a causal study. The difference between these two classifications lies in their objectives (Cooper & Schindler, 2014:127). If the purpose of the study is finding out who, what, where, when, or how much, then the study is descriptive. Causal studies try to explain the relationship between variables. The main purpose of the study is causal in nature. Causal studies are concerned with learning why one variable produces changes in another (Cooper & Schindler, 2014:127). The aim of this study is to generate findings that are representative of a large population of businesses in Gauteng in South Africa with at least 50 employees. The purpose is to gain knowledge about how corporate entrepreneurship can be facilitated and encouraged through HRMPs in businesses in South Africa and how business performance will be affected.

#### **4.6.1.3 Method of data collection**

This descriptor determines whether the subjects in the study are monitored or questioned. It distinguishes, thus, between monitoring and communication processes (Cooper & Schindler, 2014:127). Monitoring happens when the researcher observes the activities of the subjects without attempting responses from anyone. In a communication study, on the other hand, the researcher questions the subjects and collects responses by personal and impersonal means (Cooper & Schindler, 2014:127). The most appropriate strategy, given the research study's problem and objectives, was to use the communication approach and to use a self-administered instrument sent by email. This instrument will be discussed in detail later.

#### **4.6.1.4 Researcher control of variables**

This descriptor deals with the researcher's ability to manipulate variables. The descriptor classifies designs as being experimental and ex post facto. In an experiment, the researcher attempts to control or manipulate the variables in the study and can manipulate them. In an ex post facto design the researcher has no control over the variables (Cooper & Schindler, 2014:127). This study can be classified as an ex post facto design as the researcher had no control over the variables in the sense of being able to manipulate them and only reported on what was happening.

#### **4.6.1.5 The time dimension**

Time dimension refers to whether a study is cross-sectional or longitudinal. Cross-sectional studies examine a single point in time or take a snapshot approach (Cooper & Schindler,

2014:128). Bryman and Bell (2007:62) agree with the previous description but also adds that a cross-sectional design comprises data on a series of variables at a single point in time. Longitudinal studies differ from cross-sectional studies, in the sense that these studies are designed to permit observations of the same phenomenon over an extended period of time (Babbie, 2013:106). This is a cross-sectional study as the respondents were only surveyed once.

#### **4.6.1.6 The topical scope**

This descriptor distinguishes between statistical and case studies. Statistical studies are designed for breadth rather than depth and case studies place more emphasis on full contextual analysis of fewer events or conditions and their interrelations (Cooper & Schindler, 2014:128). The topical scope of this study was a statistical study in which the researcher attempts to capture a population's characteristics by drawing inferences from a sample's characteristics. According to Blumberg, Cooper and Schindler (2011:182), generalisations about findings are presented based on the representativeness of the sample and the validity of the design.

#### **4.6.1.7 The research environment**

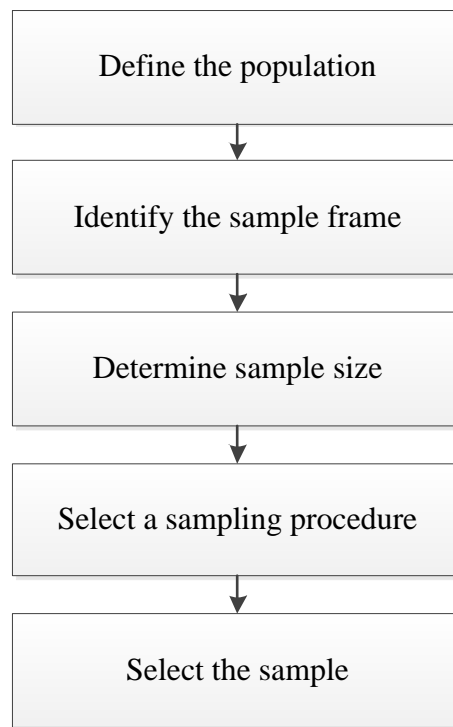
The research environment refers to studies that are conducted under actual environmental conditions – so-called field conditions – and studies that are conducted under laboratory conditions (Cooper & Schindler, 2014:128). This study was conducted under field conditions or actual environment conditions, as participants completed the questionnaires at their workplaces as emails were sent to the work (business's) email address.

#### **4.6.1.8 The respondents' perceptions**

Cooper and Schindler (2014:129) emphasise that the usefulness of a design may be reduced when people in a disguised study perceive that research is being conducted. Participants were fully aware of the research, which should not influence the results, as they have nothing to lose or gain from manipulating their answers, as they were asked to complete the self-administered mailed survey. The study was explained before the respondents were directed to the survey.

### **4.6.2 Sampling design**

Sekaran and Bougie (2013:240) define sampling as the process of selecting the right individuals, objects, or events as representatives for the entire population. Sampling, therefore, allows the selection of some of the elements in the population and then draws conclusions about the entire population. The process of developing a sampling plan consists of five steps and is shown in Figure 4.1.



**Figure 4.1: Procedure for sample selection**

**Source: Moutinho (2000:95)**

#### **4.6.2.1 Sample population**

A population, as described by Cooper and Schindler (2006:402), is the total collection of elements about which you wish to make some inferences. The population for this study were human resource managers in businesses with 50 or more employees in the Gauteng province in South Africa. The reason for selecting this population is because they are regarded as an appropriate group to answer the research questions. The researcher included businesses with 50 or more employees because the researcher believes that businesses with 50 or more employees would employ a human resource manager. A total of 744 businesses were identified that adhered to the criteria (having 50 or more employees) and formed the population. After determining the sample population of the research study, a list or sample frame was established, containing the identified members of the population.

#### **4.6.2.2 Sample frame**

The use of a sampling frame is very important, because it is closely related to the population. Denscombe (2007:19) postulates that a sampling frame should contain a complete up-to-date list of everyone that comprises the population for research. Saunders *et al.* (2012:262) describe the sampling frame as a complete list of all the cases in the population from which the sample will

be drawn. In the absence of the availability of a complete list of human resource managers in businesses in Gauteng, the *Who Owns Whom* website was used to compile the sample frame. *Who Owns Whom* is an independent research organisation producing high quality, original research on the African business and economic environments. The research covers over 280 key industries across the African continent, ownership by major groups, director and management profiles, takeover and merger activity as well as investment into Africa. It offers services into the disciplines of procurement, corporate marketing intelligence, private equity and corporate finance, management consultancies and state developmental and regulatory agencies (Who Owns Whom, 2018:1). Unisa forms part of their initiative in education, and for that reason, the researcher had access to their databases.

The sample frame from the *Who Owns Whom* website of 744 businesses that have 50 or more employees and conduct business in Gauteng, was generated. The information regarding these businesses on the website did not provide the personal email contact account of the human resource managers but just general email accounts such as Info@ and Sales@. Searches on the internet and phone calls were made to these businesses to request the email addresses of the human resource managers. During this process, it was found that many of these telephone numbers on the website did not exist anymore.

#### **4.6.2.3 Sample size**

Bryman and Bell (2007:195) indicate that when it comes to sample size, the larger the better. The biggest advantage of a large sample is that as sample size increases, sampling error decreases. Leedy and Ormrod (2005:207) offer the following guidelines regarding sample size. When the population is fewer than 100 people then the entire population must be surveyed. For a population of around 500 then 50 percent should be sampled, for a population of about 1500, 20 percent should be sampled and for larger than 5000 units, a sample size of 400 should be adequate (Leedy & Ormrod, 2005:207). Saunders *et al.* (2012:265) and Kumar (2011:210) posit that the choice of a sample size is governed by: the confidence you need to have in your data, the margin of error that you can tolerate, the types of analyses that you are going to undertake, particularly the number of categories that you wish to subdivide your data into and the size of the total population from which the sample is drawn. Table 4.1 provides a guide to the different minimum sample sizes required.

**Table 4.2: Sample sizes for different population sizes at a 95 percent confidence level**

	Margin of error			
Population	5%	3%	2%	1%
50	44	48	49	50
100	79	91	96	99
150	108	132	141	148
200	132	168	185	196
250	151	203	226	244
300	168	234	267	291
400	196	291	343	384
500	217	340	414	475
750	254	440	571	696
1000	278	516	706	906
2000	322	696	1091	1655
5000	357	879	1622	3288
10 000	370	964	1936	4899
100 000	383	1056	2345	8762
1 000 000	384	1066	2395	9513
10 000 000	384	1067	2400	9595

**Source: Saunders *et al.* (2012: 266)**

In the table (Table 4.2), it is clear that the smaller the absolute size of the sample and, to a far lesser extent, the smaller the relative proportion of the total population sampled, the greater the margin of error (Saunders *et al.*, 2012:267). It is therefore necessary to have a larger sample to ensure sufficient responses for the margin of error you require. Table 4.3 shows the sample sizes that were used in similar studies.



**Table 4.3: Basis for sample size of the study**

Constructs	Previous studies	Sample size used
Human resource management and business performance	Hayton (2003:375)	99
	Akdere, (2009:1945)	69
	Yang & Lin (2009:1965)	277
	Kehoe & Wright (2010:9)	56
	Fallahi & Baharestan (2014:126)	140
	Zehir, Gurol, Karoboga & Kole (2016:376)	297
Human resource management and corporate entrepreneurship	Edralin (2010:163)	20
	Schmelter <i>et al.</i> (2010:715)	214
	Dizgah <i>et al.</i> (2011:492)	93
Corporate entrepreneurship and business performance	Karacoaglu, Bayrakdaroğlu, & San (2013:163)	140
Human resource management, corporate entrepreneurship and business performance	Kaya (2006:2074)	124

**Source: own compilation**

The population for this study consists of 744 businesses and it falls between the 500 and 2750 levels as indicated in Table 4.2. At a confidence level of 95 percent would mean that the sample size should be between 217 and 254. If you look at other similar studies as indicated in Table 4.3, the biggest sample size was 277 respondents. For the purpose of this study, the entire population (744) was used as the sample and therefore, the sampling method used was a census.

#### **4.6.2.4 Sampling procedure**

There are two approaches to sampling: probability and non-probability. Probability sampling is based on the premise that each member of the population has a definite opportunity to be selected. With non-probability sampling, there is no guarantee that each member of the population has a definite opportunity to be selected and it is arbitrary and subjective (Blumberg

*et al.*, 2014:180). Cooper and Schindler (2014:349-350) distinguish between two main types of probability sampling, namely, simple random sampling and complex probability sampling. Under complex probability sampling, they distinguish four different methods: systematic, stratified, cluster and double sampling (Cooper & Schindler, 2014:350-358). For the purpose of this study, no sampling was done and the census method was applied as the entire population was surveyed (Saunders *et al.*, 2012:275).

#### **4.7 DATA COLLECTION**

Data collection involves the gathering of secondary and primary data. The secondary data refers to information that has already been collected and recorded by someone else for other purposes (Blumberg *et al.*, 2014:264). Kumar (2011:163) classifies secondary data into four categories: government and semi-government publications (examples of such are: census, labour force surveys, etc.), earlier research (studies that have already been done), personal records (diaries) and mass media (reports published in newspapers, on the internet, etc.). Blumberg *et al.* (2014:268) refer to secondary data as either internal or external. Internal sources are built up by the organisation for which the researcher is working and such data is only available to members of that organisation. The external sources refer to all data sources outside the organisation and can further be distinguished by who provides the data (Blumberg *et al.*, 2014:269). The secondary data on the topic was obtained from scholarly articles, books, conference proceedings, reports and studies conducted by academics.

Primary data is referred to as information gathered using the first approach (Kumar, 2011:139). Good decisions require good data; therefore, care was taken in collecting primary data to ensure that they provide the decision maker with relevant, current and unbiased information. The primary data for this study were collected by means of a self-administered survey, completed by human resource managers of the businesses.

There are various survey methods, such as personal interviews, telephone interviews and mail surveys. Personal interviews involve some level of face-to-face contact between the interviewer and the respondents. Based on the means of contacting respondents as well as the level of interviewer involvement, several types of personal interview methods can be distinguished: door-to-door interviews, executive interviews, shopping centre intercepts, purchase intercept techniques, omnibus surveys and self-administered interviews. For the purpose of this study, the self-administered interview method was used. It was a computer-delivered, self-administered questionnaire, which was sent to the respondents via an e-mail. This survey method was chosen as the most appropriate for this study for the following reasons: it might be difficult to reach

respondents in person or by phone as secretaries might limit access. Self-administered questionnaires cost less than personal interviews as no interviewer is involved in the process. Mail surveys are perceived as more impersonal, providing more anonymity (Kumar 2011:148). Major limitations of self-administered surveys are: the high non-response rate, respondents not understanding some questions as no interviewers are present to clarify, the amount and type of information that can be secured as respondents might refuse to co-operate with a long computer-delivered questionnaire and when large pieces of information are not received, then the researcher cannot probe deeper into the topic (Kumar, 2011:149).

Preventative measures were done, such as: prior notification of the delivery of a self-administered questionnaire information: that the answering of the questionnaire would not take more than 20 minutes to complete; and follow-up or reminders after the delivery of the self-administered questionnaire. Furthermore, the limitations of surveys were addressed in this study by using items in previously designed surveys, but certain adaptations were made to be in line with the objectives of this study and also to be conducive to the South African situation.

#### **4.7.1 Measurement instrument**

A questionnaire was used as the research instrument. Saunders *et al.* (2012:416) and Hofstee (2006:132) regard a questionnaire as a general term to include all methods of data collection in which each person is asked to respond to the same set of questions in a predetermined order. The questionnaire is described as a series of pre-determined questions that can either be completed by mail or asked by interviewers. The use of questionnaires in research assumes that the respondent is both willing and able to give truthful answers (Burns, 2000:571).

Even though questionnaires have the disadvantage of not allowing the researcher to interact with the respondents, the advantages of confidentiality for respondents and the fact that it is easier to analyse and to turn the data into quantitative results, encouraged this method of data collection for this study. The questionnaire was developed and mailed to the human resource managers of businesses in Gauteng. In the questionnaire, the managers are asked to characterise the organisation's human resource management practices as well as to characterise the organisation's entrepreneurial orientation. The questionnaire consists of three sections. Section A deals with the demographics and business information. The business information addresses the issues of the number of employees, turnover and overall performance of the business. The overall performance is measured using turnover, overall financial performance, overall market share, overall levels of asset acquisition and overall customer satisfaction.

These items are measured using a five- point scale ranging from 1 = decreased significantly, 2 = decreased, 3 = remained the same, 4 = increased and 5 = increased significantly. Section B deals with the entrepreneurial behaviour of the business and includes questions 12 to 19. Questions 12 to 15 are five-point Likert-style questions ranging from strongly disagree to strongly agree. Question 12 tests the organisational structure, question 13 the business's risk propensity, question 14 the proactiveness of the business and question 15 the innovation intensity of the business. Section C deals with the human resource management practices and includes questions 20 to 24. All the questions here are based on a five-point Likert-style scale, ranging from strongly disagree to strongly agree.

#### **4.7.2 Measurement of the research instrument**

Measurement research, according to Cooper and Schindler (2006:309), consists of the assigning of numbers to empirical events, objects or properties, or activities in compliance with a set of rules and it is normally a three-step process. The three steps are firstly, selecting observable empirical events; secondly, developing a set of mapping rules, and thirdly, applying the mapping rules to each observation of that event (Blumberg *et al.*, 2014:392).

##### **4.7.2.1 Nominal scales**

Nominal data are widely used in business research. Nominal data are the lowest level of quantitative data in the sense that they allow little by way of statistical manipulation compared with the other types (Denscombe, 2007:255). The counting of members in each group is the only possible arithmetic operation when a nominal scale is used (Cooper & Schindler, 2006:312).

##### **4.7.2.2 Ordinal scales**

Ordinal data is just like nominal data, based on the counting of things but in this case the categories stand in some clear ordered, ranked relationship (Denscombe, 2007:255). The use of an ordinal scale, according to Cooper and Schindler (2006:314), implies a statement of “greater than” or “less than”, without stating how much greater or lesser. Rank or ordinal data is thus a more precise form of categorical data (Saunders *et al.*, 2012:475).

##### **4.7.2.3 Interval scales**

Interval scales have the strengths of both nominal and ordinal scales and they incorporate the concept of equality. Calendar time is such a scale. Interval data allow the researcher to state the difference or interval between any two data values for a specific variable, but you cannot state the relative difference (Saunders *et al.*, 2012:475).

#### 4.7.1.1 Ratio data

According to Denscombe (2007:256), ratio data are like interval data except that the categories exist on a scale, which has a ‘true zero’ or an absolute reference point. Ratio data represent the actual amounts of a variable and measure dimensions such as weight, height distance and age.

**Table 4.4: Details of the different measurement scales and their characteristics**

Type of data	Data characteristics				Basic empirical operation	Example	Questions in questionnaire
	Classification	Order	Distance	Origin			
Nominal	+				Determination of equality	Gender (male vs. female)	1,2,4,7,10, 16, 17, 18
Ordinal	+	+			Determination of greater or lesser value	Doneness of meat (well, medium, rare), School marks	3,5,6,8,9,11,12,13, 14,15,19,20,21,22, 23,24,25,26
Interval	+	+	+		Determination of equality of intervals or differences	Temperature in Celsius	
Ratio	+	+	+	+	Determination of equality of ratios	Age in years, profits in R	

**Source: adapted from Blumberg *et al.* (2014:394)**

The scales for this study were adapted from items used in previous studies and therefore will ensure that it is reliable and valid (Babbie & Mouton, 2011:122). The HRMPs independent variables were measured using multi-item scales. The HRMPs and corporate entrepreneurship constructs were measured using five-point Likert scales with anchors of disagree (=1) and strongly agree (=5). Items for HRMPs were adapted from Morris and Jones (1993), Edralin (2010) and Schmelter *et al.* (2010). Items for measuring corporate entrepreneurship were adapted from Morris and Jones, (1993) and Schmelter *et al.* (2010). The items for measuring organisational performance were adapted from Kaya (2006). In Kaya’s (2006) study, he measured organisational performance as multi-dimensional and identified nine different dimensions. These dimensions were sales growth, market share growth, return on sales, return on assets, overall profitability, product/service quality, new product/service development

capability, job satisfaction of employees and customer satisfaction. In this study, business performance is measured using turnover, overall financial performance, overall market share, overall levels of asset acquisition and overall customer satisfaction.

### **4.7.3 Characteristics of a sound measurement instrument**

An answer to the question of what the characteristics of a good measurement tool should be, is that the tool should be an accurate counter or indicator of what the researcher is interested in measuring (Blumberg *et al.*, 2014:398). Validity, reliability and practicality are the three major criteria for evaluating a measurement tool (Cooper & Schindler, 2006:318; Blumberg *et al.*, 2014:398).

#### **4.7.3.1 Validity of the measurement instrument**

The appropriateness and accuracy of a research process are called validity (Kumar 2011:177). Inaccuracies can happen in any stage of the research process; therefore validity can be applied to the whole research process or to any of the steps (Kumar, 2011:177). Blumberg *et al.* (2014:399) distinguish between internal and external validity. External validity refers to data's ability to be generalised across persons, settings and times and internal validity refers to the ability of the research instrument to measure what it is purported to measure (Blumberg *et al.*, 2014:399). According to Kumar (2011:179), the concept of validity is applicable to a particular instrument and it is an ideal state that the researcher aims to achieve. The three types of validity used in quantitative research are face and content validity, criterion-related validity and construct validity.

To ensure content validity there must be a logical link between the questions and the objectives of the study (Kumar 2011:179; Blumberg *et al.*, 2014:399). The main advantage of content validity is that it is easy to apply. This link is called face validity. However, it is also important that the questions cover a range of the issue being tested. This is referred to as content validity (Blumberg *et al.*, 2014:400). In this study, the questions asked in the instrument are carefully phrased to answer the objectives and to ensure content validity. Likert style questions are used.

Criterion-related validity reflects the success of measures used for prediction or estimation (Blumberg *et al.*, 2014:319). Any criterion measure may be judged in terms of four qualities: relevance, freedom of bias, reliability and availability (Cooper & Schindler, 2006:320). To ensure that the criteria are relevant, free from bias, reliable and available, Likert scale questions are asked to address criterion-related validity. When construct validity is evaluated both the theory and the measuring instrument are used. Therefore, according to Cooper and Schindler

(2006:321), if a known measure of trust is available the results obtained from that measure may be used to correlate the results derived from the new instrument. The detailed literature review was conducted and it was determined that the constructs were meaningful in the theory. Consequently, the findings will be tested against the findings of this study, as well as similar studies done previously. Table 4.5 gives a summary of the validity estimates.

**Table 4.5: Summary of validity estimates**

Type	What is measured	Methods
Content	Degree to which the content of the items adequately represents the universe of all relevant items under study.	Judgemental Panel evaluation with content validity ratio
Criterion-related	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion.	Correlation
Concurrent	Description of the present: criterion data are available at same time as predictor scores.	Correlation
Predictive	Prediction of the future: criterion data are measured after the passage of time.	Correlation
Construct	Answers the question, “What accounts for the variance in the measure?” Attempts to identify construct(s) being measured and determine how well the test represents it (them).	Judgemental Correlation of proposed test with established one Convergent-discriminant techniques Factor analysis Multi-trait-multi-method analysis

**Source: Cooper and Schindler (2006:319)**

#### **4.7.3.2 Reliability of the measurement instrument**

Reliability means many things to people but in most contexts, the notion of consistency emerges (Blumberg *et al.*, 2014:405). This means that reliability is concerned with the reproduction of consistent measures. Reliability is indicated by an absence of random measurement error (Cooper & Schindler, 2006:321). Reliability considers stability, equivalence and internal consistency (Bryman & Bell, 2007:162-164). A measurement has stability if consistent results with repeated measurements of the same person with the instrument can be secured. Blumberg *et*

*al.* (2014:408) suggest extending the interval between test and retest as a possible remedy for stability. In this research study, it was not possible as the instrument was completed over a period of three months and the study was cross sectional in nature.

Equivalence is concerned with how much error may be introduced by different observers or different samples of items being studied at one point in time (Blumberg *et al.*, 2014:408). A good way, according to Blumberg *et al.* (2014:408), to test for the equivalence of measurement by different observers, is to compare their scoring of an event such as the scoring of judges of figure skaters at the Olympics.

Internal consistency refers to the degree to which the measuring instrument items are homogeneous and reflect the same underlying constructs. The split half technique can be used when the measuring instrument has many similar questions or statements to which the subject can respond (Blumberg *et al.*, 2014:408).

Table 4.6 gives a summary of the reliability estimates, according to Cooper and Schindler (2006:322).

**Table 4.6: Summary of reliability estimates**

Type	Coefficient	What is measured	Method
Test-retest	Stability	Reliability of a test or instrument inferred from examined scores; same test is administered twice to same subjects over an interval of less than six months.	Correlation
Parallel forms	Equivalence	Degree to which alternative forms of the same procedure produce same or similar results: administered simultaneously or with a delay. Interrater estimates of the similarity of judges' observations or scores.	Correlation
Split-half, KR20, Cronbach's Alpha	Internal consistency	Degree to which instrument items are homogeneous and reflect the same underlying constructs.	Specialised correlational formulas

**Source: Cooper and Schindler (2006:322)**



#### **4.7.3.3 Practicality**

Practicality refers to the measurement process to be economical, convenient and interpretable (Cooper & Schindler, 2006:323). This research uses a web-based survey, which makes it very economical and convenient. The results are interpreted using the SPSS statistical programme.

Factor analysis is executed to confirm the validity and reliability of the measuring instrument used in the study. In the next section, factor analysis will be discussed in more detail.

#### **4.7.3.4 Factor analysis**

The purpose of factor analysis is to determine whether a set of variables reflects a smaller number of underlying factors (Gall, Gall & Borg, 2010:277). Zikmund and Babin (2010:625) state that the statistical purpose of factor analysis is to determine linear combinations of variables that aid in the investigation of the interrelationships. Cooper and Schindler (2006: 590) state that factor analysis has the objective of reducing many variables that belong together and have overlapping measurement characteristics, to a manageable number. These authors explain that the process of factor analysis starts with the construction of a new set of variables based on the relationship in the correlation matrix and the most frequently used approach is the principal component analysis (Cooper & Schindler, 2006:590). These combinations of variables are called factors. The best combination makes up the first principal component and is called the first factor. The second principal component is defined as the best linear combination of variables for explaining the variance not accounted for by the first factor. The process continues until all the variances are accounted for. This method yields a loading matrix, indicating the loading of each variable on each factor. A factor is an indication of how strongly correlated a factor is with a measured variable (Zikmund & Babin, 2010:626). A large loading (positive or negative) implies that the variable contributes a great deal to the factor. The closer the loading is to zero, the less the variable contributes to the factor. In other words, by looking at the loading matrix for each variable, the factor to which it contributes most, is the factor that can then be labelled. This enables the formation of groups of variables.

Zikmund and Babin (2010:626) further state that factor analysis is considered a reduction technique as factor analysis accomplishes data reduction by capturing variance from many variables with a single variate. Data reduction also identifies which variables among a large set, might be important in some analysis.

To assist with the identification of the questions contributing most to a factor, the loading matrix can be rotated without changing or altering the results. Rotation is used to assist with the

interpretation of the variables creating a factor. To help with the determination of the ideal number of factors, Zikmund and Babin (2010:628) state that the answer is based on the eigenvalues of factors. An eigenvalue is a measure of how much of the variance is explained by each factor. The most important rule is to base the number of factors on the number of eigenvalues greater than 1.0.

## **4.8 DATA ANALYSIS**

Cooper and Schindler (2006:77) state that data analysis is the process of editing and reducing the accumulated data to a manageable size, during which summaries are developed, patterns are found, and statistical techniques are applied. Quantitative data takes the form of numbers. It is imperative for researchers using quantitative data to be clear about the type of numerical data they are using.

Zikmund and Babin (2010:66) indicate that there are five stages in the data analysis process. These stages are editing, coding, data entry, data analysis and then the interpretation. Data analysis can be divided into descriptive, univariate, bivariate and multivariate analysis. Once the questionnaires are received back the data is edited to detect errors and data omissions, to correct them where possible, certifying that minimum data quality is achieved (Blumberg *et al.*, 2014:484). Coding follows, which involves the assigning of numbers or other symbols to answers so that the responses can be grouped into a limited number of classes or categories (Blumberg *et al.*, 2014:480). Data entry converts information gathered by secondary and primary methods to a medium for viewing and manipulation (Blumberg *et al.*, 2014:482). When the abovementioned steps were completed in this study, the data were ready for further analysis. The data were then captured into the Statistical Package for Social Sciences (SPSS, IBM Corp, 2015) version 3.00 and analysed by a statistician.

### **4.8.1 Descriptive statistics**

Descriptive statistics contain terms that help summarise the data set that is analysed. The methods used in descriptive statistics to summarise data, are referred to as measures of central tendency (Picardi & Masick, 2014:180). The most common terms associated with central tendency are mean, median and mode (Picardi & Masick, 2014:180), as they describe the central features of a data set rather than its extreme or outlying values. The mean, also referred to as the average, is the most commonly used measure of central tendency (Zikmund & Babin, 2010:43). Calculating the mean involves adding all the scores found in a data set and then dividing it by the total or count of each data point and the summation symbol. The capital Greek letter ( $\Sigma$ ), is

used to express the mean mathematically (Zikmund & Babin, 2010:443; Picardi & Masick, 2014:180). The median is the midpoint of the distribution or the 50<sup>th</sup> percentile. In other words, the median is the value below which half of the values in the sample fall (Zikmund & Babin, 2010:444). The easiest way to calculate the median is to arrange the data in a numerical order. The median can then be found by simply counting the number of data points and determining what value is in the middle. It is easy when there are an odd number of values in the data set. In the event of an even number of values, the median will be calculated by taking the average of the middle two numbers (Picardi & Masick, 2014:181). The mode is the most common category and is the category with the highest frequency (Treadwell, 2014:101). The mode is determined by determining how many times each value appears in the data set.

It is also important to consider the variability in the data set. Abbott and McKinney (2013:379), and Picardi and Masick (2014:182) assert that when measures of central tendency are reported, it is also helpful to understand the extent of the scatter variability or dispersion of scores away from the centre. Variability within a distribution is defined as how spread out the data set is. How far away do scores fall, do the scores fall equally to the left and to the right of the mean, and to what extent do the scores bunch up in the middle relative to their spread (Abbott & McKinney, 2013:379)? The statistical terms to describe the variability of the distribution are referred to as the range, standard deviation and variance (Treadwell, 2014:102). Skewness is a term that describes whether or to what extent a set of values is not perfectly balanced but rather trails off to the left or right of the centre, according to Abbott and McKinney (2013:379). Another way to describe a distribution of values is through kurtosis. Kurtosis indicates how flat or peaked the distribution of values appears (Abbott & McKinney, 2013:379). A simple way to measure the variability is to use the range, which is the numerical difference between the highest and the lowest scores in the distribution (Abbott & McKinney, 2013:379). The other measures of the dispersion of scores in the distribution, are the standard deviation and variance. Together with the mean, skewness and kurtosis, the researcher can decide whether a distribution of scores is normally distributed.

The variance and standard deviation involve calculations that are more complex. The standard deviation is the square root of variance or differently put, the variance is the square of the standard deviation. The variance and standard deviation in the study were calculated using the SPSS (version 3.0) statistical program.

## **4.8.2 Inferential statistics**

Researchers state that inferential statistics are used to make inferences about a whole population from a sample (Zikmund & Babin, 2010:440). Zikmund and Babin (2010:440) describe the purpose of inferential statistics to make a judgement about a population or the collection of all the elements about which one seeks information. Inferential statistics are used to test a hypothesis in a population, according to Picardi and Masick (2014:180). Based on the distribution of the descriptive statistics obtained from the study the following techniques are utilised to do the inferential statistics: correlations, regression analysis, cross frequency tabulations and the simple median model to determine whether corporate entrepreneurship is a mediator between HRMPs and business performance.

### **4.8.2.1 Cross tabulations**

Bivariate analysis happens when researchers are more interested to know how two variables relate to each other than in the nature of one variable on its own (Treadwell, 2014:98). Zikmund and Babin (2010:519) describe cross tabulation as an appropriate technique for addressing research questions involving relationships among multiple, less than interval variables. Cross tabulations allow the inspection of and comparisons of differences among groups, based on nominal and ordinal categories (Zikmund & Babin, 2010:519). Cross tabulations can be used in the interpretation of the data by using contingency tables or percentages. Contingency tables are a data matrix that displays the frequency of some combinations of possible responses to multiple variables. Percentages, on the other hand, help the researcher understand the nature of the relationship by making relative comparisons simpler.

### **4.8.2.2 Correlations**

Correlation is the statistical process of measuring how changes in two variables are related to one another (Abbott & McKinney, 2013:127). A correlation coefficient is a statistical measure of association or covariance between two variables (Zikmund & Babin, 2010:591). Some researchers, according to Abbott and McKinney (2013:128), use correlation to explore the relationships among a series of variables they suspect to be important to a research question, whilst others may use correlation to help predict an outcome, knowing that the predictor and the outcome are related. Several different correlation statistics exist based on the measurement level of the variable. Relationships between continuous variables are presented by the Pearson product moment correlation, while a Spearman correlation is more appropriate for ordinal data (Zikmund & Babin, 2010:591; Abbott & McKinney, 2013:128). The Pearson correlation is used in the

study. The Pearson's  $r$ -correlation coefficient is a calculated number that can take on a value of -1.000 and +1.000. Pearson's correlation measures the strength and the direction of the relationship. According to Abbott and McKinney (2013:129), the closer the value gets to either -1.0 or +1.0, the stronger the relationship between the two variables. An R-value of 1.000 would indicate that every time one variable increases by 1 unit the second variable increases by one unit and vice versa. When the variables change their value in the same direction, the R-value is in a positive correlation and when it changes in opposite directions, the R-value is negative (Zikmund & Babin, 2010:591; Abbott & McKinney, 2013:129). Positive or negative R-values do not mean bad and good because they only indicate the direction.

In the interpretation of correlations, three steps should be considered. The output through the SPSS program will include the Pearson correlation coefficient, the Spearman correlation (Sig 2-tailed) and the p-value. The three steps are firstly, examine the linear relationship between variables (Pearson); secondly, determine whether the correlation coefficient is significant; and thirdly, examine the monotonic relationship between variables (Abbott & McKinney, 2013:130). To determine the linear relationship between variables, a scattergram can be created. If a line is drawn through the points, then the closeness of the points to the line will determine how linear the relationship is (variables must display a straight line when plotting their values on a scattergram). If all points fall randomly on the plot, then there is no relationship between the variables. When some points are close to the line and other points are far from it, it indicates a moderate linear relationship between the variables. A large positive relationship exists when the points fall close to the line, which indicates that there is a strong linear relationship between the variables because as one variable increases the other variable also increases. A large negative relationship exists when the points fall close to the line because as one variable increases the other variable decreases. (Abbott & McKinney, 2013:130). To determine whether the correlation between the variables is significant one must compare the p-values to the significance value. Usually a significance level (denoted as  $\alpha$  or alpha) of 0.05 works well. A  $p\text{-value} \leq \alpha$  indicates the correlation is statistically significant. A  $p\text{-value} > \alpha$  indicates the correlation is not statistically significant. The Spearman correlation coefficient is used to examine the strength and direction of monotonic relationships between two continuous or ordinal variables. The larger the absolute value of the coefficient, which can range between -1 to + 1, the stronger the relationship. For a Spearman correlation, an absolute of 1 indicates that the rank-ordered data are perfectly linear. The sign of the coefficient determines the direction of the relationship. If both variables tend to increase or decrease together then the coefficient is positive, and the line represents the correlation upwards. If one variable tends to increase and the other decreases, the

coefficient is negative and the line that represents the correlation slopes downwards (Abbott & McKinney, 2013:132).

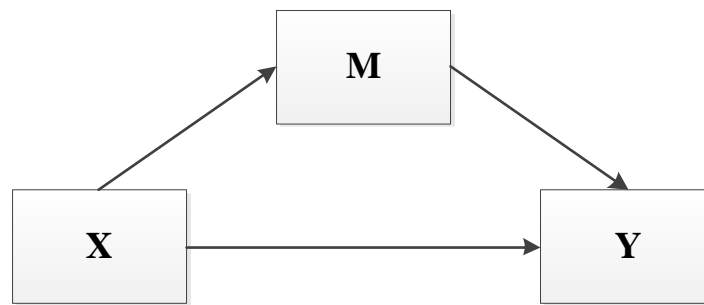
#### **4.8.2.3 Regression analysis**

Regression analysis is another statistical technique to measure a linear relationship between a dependent and an independent variable. Simple regression and correlation are mathematically equivalent in most respects, but regression is a dependence technique whilst correlation is an independence technique, according to Zikmund and Babin (2010:598). A dependence technique draws a distinction between dependent and independent variables. The use of correlation procedures (independent technique), as discussed under the previous heading, determines how one variable influences or is related to another variable.

Therefore, with regression analysis, a dependent (or criterion) variable Y is linked to an independent (or predictor) variable X. Regression analysis attempts to predict the value of a continuous interval-scaled dependent variable from specific values of the independent variable (Zikmund & Babin, 2010:598). Just as in the case of correlations, the statistical significance must be determined. In regression analysis, an F-test (regression or analysis of variance) can be applied to determine the statistical significance of the regression model. The SPSS program generates an ANOVA table, which produces the f-value and the p-value (significance level) that shows the variation in the same form (Zikmund & Babin, 2010: 603). ANOVA (analysis of variance) compares three or more categories of a predictor variable (Abbott & McKinney, 2013:270). This added complexity uses special methods to determine the differences among each of the pairs of categories to cause the overall test to be significant (Abbott & McKinney, 2013:271). The authors explain this complexity by stating that if the test is significant, there are significant differences between method A and B or method A and C or between method B and C (Abbott & McKinney, 2013:271). The regression analysis output will be used to test the hypotheses of the study.

#### **4.8.2.4 Simple mediation model**

The simple mediation model was generated by SPSS (IBM Corp. 2015) to determine the fourth hypothesis: corporate entrepreneurship is a mediator between HRMPs and business performance. The discussion of the model will be based on the description presented by Hayes (2013). Mediation analysis, according to Hayes (2013:86), is a statistical method that is used to help answer the question of how a causal agent X transmits its effect onto Y.



**Figure 4.2:** A conceptual diagram of a simple mediation model

**Source:** Hayes (2013:87)

According to the diagram in Figure 4.2, the model contains two consequent variables (M) and (Y), and two antecedent variables (X) and (M), with X causally influencing M and Y, and M causally influencing Y. Therefore, a simple mediation model is a causal system in which at least one causal antecedent X variable is proposed as influencing an outcome Y through a single intervening variable M (Hayes, 2013: 86). It is clear that in such a model there are two pathways by which a specific X variable is proposed as influencing Y. One pathway leads from X to Y without passing through M and is called a direct effect of X on Y. The other pathway from X to Y is an indirect effect of X on Y through M. In the mediation model M is typically called a mediator variable and, in this study, it is corporate entrepreneurship, HRMPs are X and Y is business performance (Hayes, 2013:87).

## 4.9 CONCLUSION

This chapter provides a description of the research methodology applied in the study. The research problem is shortly summarised, thereafter the objectives and hypotheses are stated. The main objective is to investigate the relationship between HRMPs, corporate entrepreneurship and business performance in medium and large businesses in Gauteng.

The research design used to test these hypotheses is a formal study. The entire population of 744 was surveyed using the census method. A response rate of 47.6 percent was achieved. The data were collected using a self-administered, web-based survey. Chapter 5 explains and interprets the most significant results as found by using descriptive and inferential statistics.

Factor analysis as discussed earlier is used to determine the factors for the HRMPs, entrepreneurial behaviour and business performance. Cronbach Alpha is calculated to determine the reliability of the scales used in the questionnaire. Various multivariate techniques such as correlations, regression analysis and the median model are used to deduct further findings

regarding the study. The SPSS statistical package (version 3.0) is used in the interpretation of the data.



## CHAPTER 5

### FINDINGS OF THE RESEARCH STUDY

#### 5.1 INTRODUCTION

The literature study reveals the necessity for businesses to stimulate, foster and develop corporate entrepreneurship internally. Various methods and techniques were identified to do just that. It has become clear that an existing business must develop the characteristics of innovativeness, proactiveness and the risk-taking abilities of employees to develop corporate entrepreneurship. This can be achieved by employing human resource management practices in such a way that will ensure employees will be entrepreneurial.

This chapter begins by discussing the response rate followed by a discussion of the validity and reliability of the instrument used in the research study. The next section represents the discussion of the demographic profile of the respondents by means of descriptive statistics. Thereafter, this chapter focuses on the descriptive statistics of entrepreneurial behaviour of the business in terms of organisational structure and the firm's innovation intensity. The results of the business's human resource management practices were then presented and include employee relations, managerial jobs, compensation practices (incentives), training and development (for skills training and employee development), selection and staffing practices, employee performance appraisal and compensation practices and thereafter the results of the business's performance will be discussed. After the discussion of the descriptive statistics, the inferential statistics are presented.

#### 5.1 RESPONSE RATE

The response rate for this research study is presented in Table 5.1.

Bryman and Bell (2007:196) suggest that the response rate should be calculated as follows:

$$\frac{\text{Number of usable questionnaires}}{\text{Total sample minus unsuitable and uncontactable members of the sample}} \times 100$$
$$= \frac{351}{744 - 6} \times 100 = 47.6 \text{ percent}$$

**Table 5.1: Response rate for the research study**

Description	Statistics
Total number of questionnaires distributed	744
Total number of questionnaires returned	357
Unusable responses	6
Valid questionnaires retained	351
Usable response rate	47.6 %

As shown in Table 5.1, 744 self-administered questionnaires were distributed to human resource managers of businesses in Gauteng. Three hundred and fifty-seven (357) questionnaires were returned. Six questionnaires could not be used because they were incomplete. Three hundred and fifty-one (351) usable questionnaires were used for the final analysis. This represents a response rate of 47.6 percent.

## 5.2 VALIDITY AND RELIABILITY OF MEASURING INSTRUMENT

To ensure the validity and reliability of the research instrument, items from previous research studies were used. The HRMPs and corporate entrepreneurship constructs were measured using five-point Likert scales with anchors of disagree (=1) and strongly agree (=5). Items for HRMPs were adopted from Morris and Jones (1993), Edralin (2010) and Schmelter *et al.* (2010). Items for measuring corporate entrepreneurship were adopted from Morris and Jones (1993) and Schmelter *et al.* (2010). The items for measuring business performance were adopted from Kaya (2006). To add further support to the validity and reliability of the instrument, a factor analysis was conducted. The process was started by determining sample adequacy using the Kaiser-Meyer-Olkin measure and then the Bartlett's Test of Sphericity was done. The outcomes of these tests indicate whether a factor analysis can be done or not.

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.945
Bartlett's Test of Sphericity	Approx. Chi-Square	11409.118
	df	1275
	Sig	0.000

**Figure 5.1: Sampling adequacy of HRMPs**

According to the Kaiser- Meyer-Olkin test of sampling adequacy represented in Figure 5.1, the sample size is adequate to perform factor analysis with a value of 0.945, which is close to 1. The Bartlett's test of Sphericity shows the p-value is less than 0.05 and this indicates that there is correlation between the items, which allows for factor analysis.

**Table 5.2: Factor analysis of the constructs for HRMPs**

<b>Factor</b>	<b>Item</b>	<b>Factor loadings</b>	<b>Factor name</b>
1	HRMP49 The company has a clear-cut communication flow between managers and subordinates	0.795	Employee relations
	HRMP46 Managers provide frequent and continuous communication, regarding their expectations of the employees	0.701	
	HRMP45 Managers utilise every communication channel possible to help employees understand the company's direction	0.691	
	HRMP50 Managers consult employees when major changes are made in the company	0.645	
	HRMP44 The company has systems and practices in place that inspire the workforce to do their best	0.606	
	HRMP42 Managers' beliefs are based on values, such as respect for their people; they guide the company with what they do more than simply running the company with strategies	0.589	
	HRMP51 The company is open to criticism	0.550	
	HRMP43 The company is focused on team-oriented culture	0.549	
	HRMP48 The company is transparent in decision-making	0.532	
	HRMP47 The company gives more control over how, when, for whom and where the employees work	0.420	
	HRMP32 The company offers flexible benefits that are tailored to fit to the diverse needs of the employees	0.370	
	HRMP8 Open channels of communication	0.319	

Factor	Item	Factor loadings	Factor name
2	HRMP4 Unstructured, bounded by few policies or procedures	0.836	Managerial jobs
	HRMP5 Highly structured, bounded by many policies and procedures	-0.755	
	HRMP1 Implicit and loosely written	0.555	
	HRMP2 Explicit and specifically written	-0.554	
3	HRMP36 Creativity and the ability to take entrepreneurial risks play a part when management is appraised and paid	0.661	Compensation practices
	HRMP38 Success through the development of new activities (e.g. capture of new market, introduction of a new product, etc.) plays a central role for personal career development within your company	0.644	
	HRMP37 Earnings of management are linked to the results that were achieved through innovative initiatives	0.644	
	HRMP35 Salary of management is linked to the success of the company	0.555	
	HRMP39 Creative ideas are highly appreciated	0.421	
	HRMP31 Company properly acknowledges and adequately compensates performance	0.300	
	HRMP40 Innovative employees with the ability to get the job done enjoy a good reputation	0.363	
4	HRMP29 Training provided with focus on the enforcement of ideas, innovations (project management, resource sourcing and networking)	0.752	Training and development: skills training
	HRMP28 Training provided with focus on creativity (creativity methods, problem-solving skills)	0.748	
	HRMP27 Training provided with a focus on interpersonal skills (capacity for teamwork, conflict management, etc.)	0.605	

<b>Factor</b>	<b>Item</b>	<b>Factor loadings</b>	<b>Factor name</b>
5	HRMP25 The company invests time in developing their managers/leaders	0.371	Training and development; employee development
	HRMP3 Emphasises results over processes and procedures		
	HRMP22 The company encourages employees to take some responsibility for their own development	0.652	
	HRMP23 The company fosters a culture of growth	0.637	
	HRMP24 The company identifies its own future leaders	0.526	
	HRMP26 The company invests more time in developing high potential employees	0.518	
	HRMP7 Managers are free to take decisions within their scope of responsibilities	0.516	
	HRMP30 Training is on-going (continuous)	0.494	
6	HRMP10 The company recruits people based on the right fit	0.844	Selection and staffing
	HRMP12 The company recruits people who share the same set of values and beliefs as the company	0.525	
	HRMP9 The company has highly selective recruiting programmes	0.413	
	HRMP14 When recruiting for top management positions, attention is paid to entrepreneurial characteristics (especially creativity, drive for action, autonomy)	0.335	
7	HRMP34 The company provides financial rewards other than salary	-0.689	Compensation (financial rewards)
	HRMP33 The company gives cash incentives not only to recognise good performance but also to encourage employees	-0.565	

Factor	Item	Factor loadings	Factor name
8	HRMP21 Encourages high-risk taking	0.463	Employee performance appraisal
	HRMP15 Open management positions are often filled with external candidates	0.350	
	HRMP16 Employees are involved and participate in the process	0.337	
	HRMP17 Managers provide constructive feedback on employee’s performance	0.303	
9	HRMP21 Encourages high-risk taking	0.322	
10	HRMP40 Innovative employees with the ability to get the job done enjoy a good reputation	-0.463	Compensation non-financial incentives
	HRMP19 Emphasis on the way the job is performed (results- or outcomes-driven)	-0.324	
	HRMP17 Managers provide constructive feedback on employee’s performance	-0.311	

The factor analysis for HRMPs extracted ten factors. However, during the process of aligning the factors with the scales in the questionnaire for HRMPs, eight HRMPs constructs were formed, namely: employee relations, managerial jobs, compensation practices (incentives), training and development (skills training), training and development (employee development), selection and staffing practices, employee performance (appraisal process) and compensation practices (non-financial incentives). The other two had only two items loading on them. These constructs were used to determine the reliability of HRMPs. A test for internal consistency (Cronbach Alpha test) was done to determine the reliability. A Cronbach Alpha > 0.7 indicates reliability (internal consistency of items) of the scale or the construct.

**Table 5.3: Cronbach Alphas HRMPs**

Construct	N	Cronbach Alpha
Employee relations	12	0.931
Managerial jobs	4	0.835
Compensation practices (incentives)	7	0.893
Training and development (skills training)	3	0.907
Training and development (employee development)	6	0.871
Selection and staffing practices	4	0.754
Employee performance (appraisal process)	4	0.592
Compensation practices (non-financial incentives)	4	0.803

All the constructs for HRMPs, except employee performance, as indicated in Table 5.3 have a Cronbach alpha >0.70 and this proves that the constructs show reliability. Employee performance, with a Cronbach alpha <0.70 was thus excluded during further analysis.

#### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.865
Bartlett's Test of Sphericity	Approx. Chi-Square	2419.945
	df	171
	Sig	0.000

**Figure 5.2: Sampling adequacy of entrepreneurial behaviour (corporate entrepreneurship)**

In Figure 5.2, the Kaiser-Meyer-Olkin measure of sampling adequacy, indicates that the sample size is adequate to perform factor analysis, with a value of 0.865, which is close to 1. The Bartlett's of Sphericity indicates that there is a correlation between the items. The P-value (Sig 0.000) is less than 0.05, which indicates that there is a correlation between the items and this allows for factor analysis. The term entrepreneurial behaviour, which is seen here, is equivalent to corporate entrepreneurship in this study. This term is used now because it was referred to as entrepreneurial behaviour in the measuring instrument.

**Table 5.4: Factor analysis of the construct entrepreneurial behaviour**

Factor	Item	Factor loadings	Factor name
1	EB19 New products and services introduced did not exist in the market before	0.784	Innovation intensity
	EB14 The company has a strong emphasis on research of new products/services and processes	0.754	
	EB17 Changes in product and service offerings have been radical and major	0.750	
	EB15 The company has a strong emphasis on the development of new products/services and processes	0.745	
	EB18 The changes in new products and services are better than that of competitors	0.711	
	EB13 A high rate of new product/service introduction compared to competitors (including new features and improvements)	0.703	
	EB10 The company tries to anticipate developments in the market in order to adjust to changes quickly	0.471	
	EB12 The company is seldom the first business to introduce new products compared to our competitors	-0.414	
	EB16 Changes in products and service offerings have been mostly of a minor nature	-0.386	
2	EB7 The company show the mind-set to owing to the environment to best explore it gradually via timid, incremental behaviour	0.602	Risk propensity
	EB9 A top management philosophy that emphasises proven products and services and the avoidance of heavy new product development costs	0.601	
	EB6 The company never pursues any projects that could potentially result in any kind of loss	0.590	
	EB8 The company typically adopted a wait-and-see posture in order to minimise the probability of making costly decisions	0.530	



Factor	Item	Factor loadings	Factor name
	EB5 The company has a strong inclination/tendency to low risk projects with certain return rates	0.503	
	EB2 Many standards and procedures that everyone must follow	0.337	
3	EB4 The fact that employees can take decisions within their scope of responsibilities	-0.770	Organisational structure (communication)
	EB3 Open channels of communication	-0.697	
	EB10 The company tries to anticipate developments in the market in order to adjust to changes quickly	0.471	
4	EB11 The company responds to actions, which competitors initiate	-0.352	Organisational structure
	EB1 A flat organisational structure	0.328	

The factor analysis for entrepreneurial behaviour extracted four factors. However, during the process of aligning the factors with the scales in the questionnaire for entrepreneurial behaviour, three entrepreneurial behaviour constructs were formed namely: innovation intensity, risk propensity and organisational structure. These constructs were used to determine the reliability of entrepreneurial behaviour. A Cronbach Alpha test was done to determine the reliability. A Cronbach Alpha > 0.7 indicates reliability (internal consistency of items) of the scale or the construct.

**Table 5.5: Cronbach Alpha entrepreneurial behaviour**

Construct	N	Cronbach alpha
Innovation intensity	9	0.886
Risk propensity	5	0.719
Organisational structure	3	0.730

The three entrepreneurial behaviour constructs have a Cronbach alpha >0.70, which is an indication that the reliability of these constructs is good.

**Table 5.6: Cronbach Alpha business performance and aspects of performance**

1	The overall level of financial performance e.g. company profit, net financial results
2	The overall level of market share by percentage
3	The overall development of cost base, e.g. production cost, operating expenses
4	The overall level of assets acquisition
5	The overall satisfaction of customers

Question 11 in the questionnaire was used as a measure of business performance since it measured five different aspects of performance. To calculate the overall score of business performance the Cronbach Alpha was firstly calculated to test if the respondents' responses were consistent for the five items. A Cronbach Alpha value of 0.768 was obtained. A Cronbach Alpha value of  $> 0.70$  is an indication that the reliability of these different aspects is good and is regarded as an acceptable level.

### 5.3 DESCRIPTIVE STATISTICS DEMOGRAPHICS

Foster, Diamond and Jefferies (2015:3) and Zikmund and Babin (2010:516) state that descriptive statistics are a set of methods used to describe data and their characteristics, such as central tendency, distribution and variability. Gall *et al.* (2010:155) describe descriptive statistics as numeral summaries of a sample's distribution of scores on a scale or scales. Descriptive statistics, according to Zikmund and Babin (2010:516), are simple but very powerful and are used very widely. The descriptive statistics of this study will be presented through frequencies, percentages, means and standard deviations.

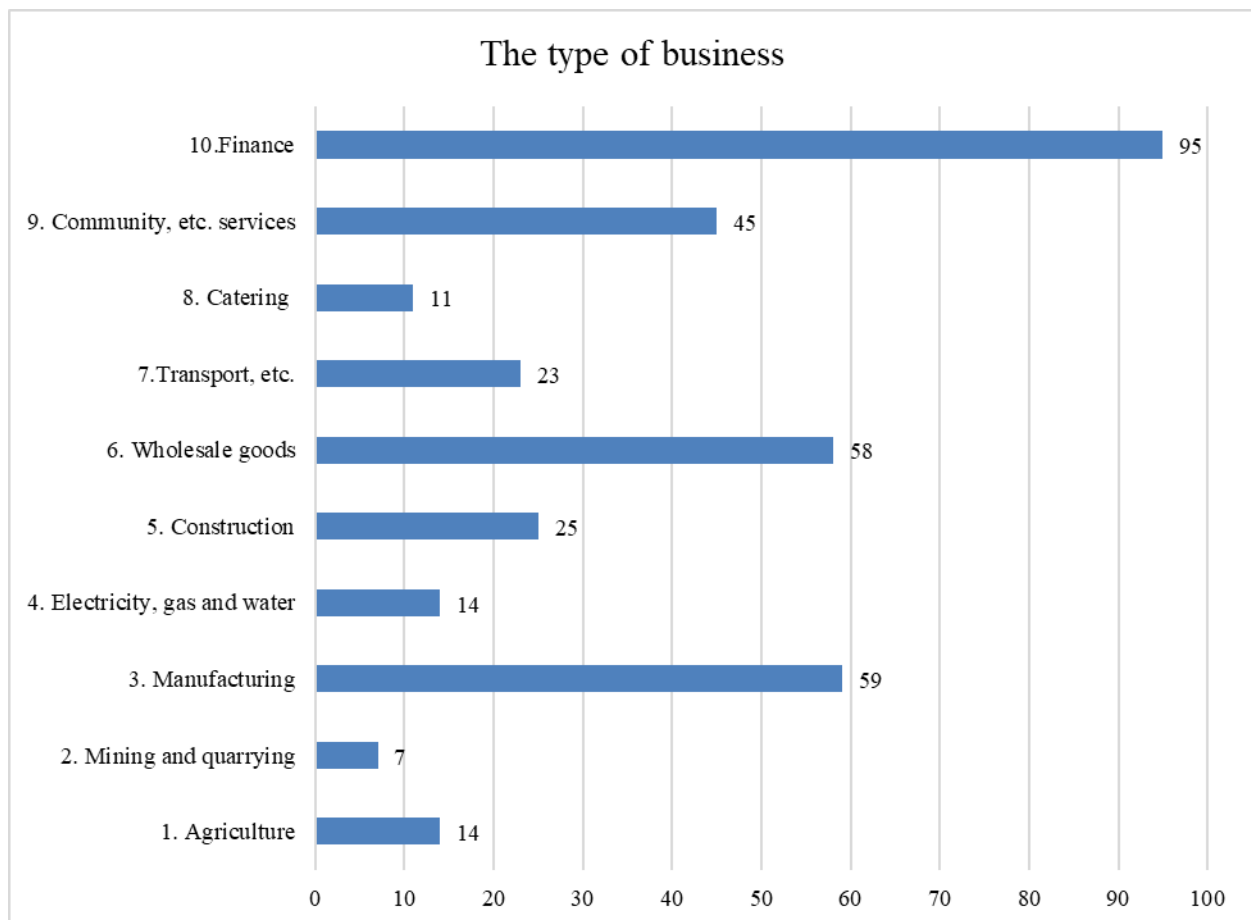
Descriptive statistics will be provided for the demographic data, the HRMPs, entrepreneurial behaviour and business performance scales.

#### 5.3.1 The type of business (Industry)

**Table 5.7: Type of business**

	Frequency (n)	Percentage (%)
1. Agriculture	14	4.0
2. Mining and quarrying	7	2.0

	<b>Frequency (n)</b>	<b>Percentage (%)</b>
3. Manufacturing	59	16.8
4. Electricity, gas and water	14	4.0
5. Construction	25	7.1
6. Wholesale and retail trade, repair of motor vehicles, motor cycles and personal and household goods	58	16.5
7. Transport, storage and communication	23	6.6
8. Catering and accommodation	11	3.1
9. Community, social and personal services	45	12.8
10. Finance, insurance, real estate and business services	95	27.1
Total	351	100.0



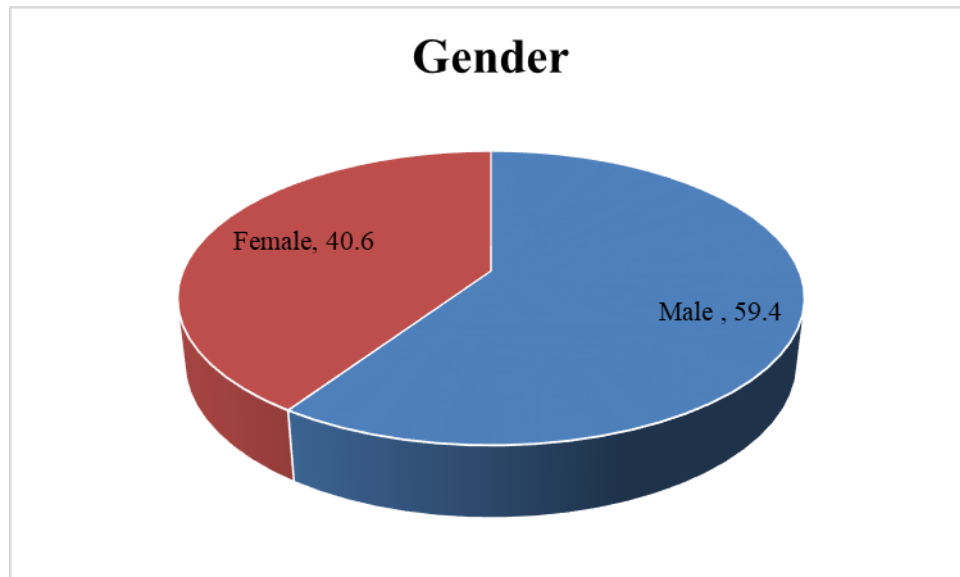
**Figure 5.3: Type of business**

Table 5.7 and Figure 5.3 indicate the type of business or the industry in which these respondents are working. There are 10 categories for the type of business in the questionnaire and the respondents are represented in all 10 categories. Finance, insurance, real estate and business services; manufacturing; and wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, had the highest representation with 27 percent, 17 percent and 16 percent, respectively. The fact that all 10 categories are represented in the sample allowed for inter-industry comparisons.

### 5.3.2 Gender

**Table 5.8: Gender**

Gender	Frequency (n)	Percentage (%)
Male	208	59.4
Female	142	40.6
Total	350	100



**Figure 5.4: Gender**

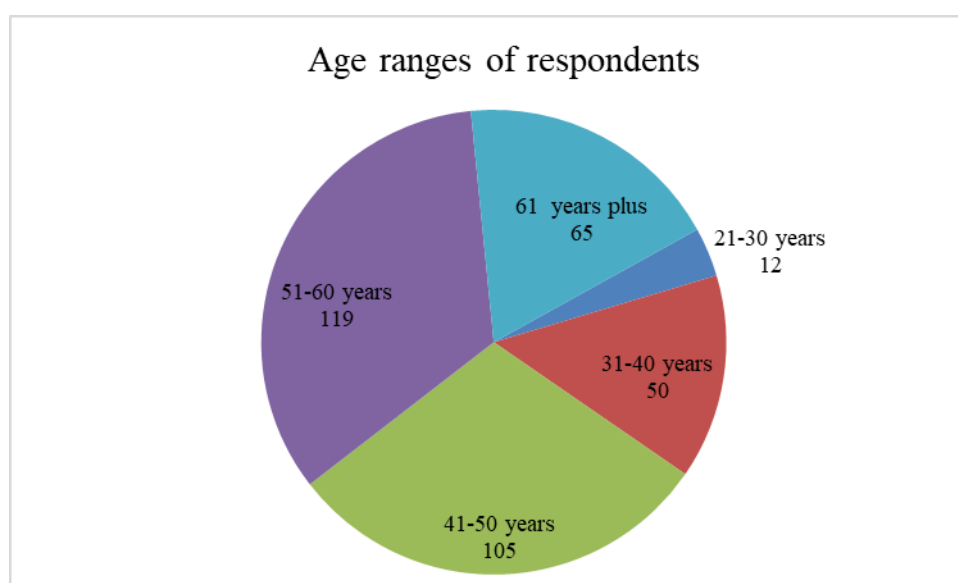
Table 5.8 and Figure 5.4 indicate that 59.4 percent of the respondents were male and 40.6 percent were female. This is a clear indication that males still mostly occupy managerial positions. With a difference of only 19 percent, it is already an indication that women are slowly but surely beginning to narrow the gap in a previously dominated male environment. It is getting closer to the drive of the current government that there should be equal opportunity for males

and females. This trend of male domination was also noticeable in the study of Soleimani and Shahnazari (2013:1312), where males represented 83 percent of the respondents. In a study done in Tehran, 78 percent of the respondents were male and only 22 percent female (Shariatmadari, *et al.*, 2012:115). The finding in this study seems to be in line with the 2018 Grant Thornton International Report that the percentage of South Africa women in senior management teams has been rising slowly but steadily from 26 percent in 2014 and that almost one third of senior roles in South Africa are now filled by women (Anon, 2019:1).

### 5.3.3 Age of the respondents

**Table 5.9: The average ages of the respondents**

Age ranges (years)	Frequency (n)	Percentage (%)
21-30	12	3.4
31-40	50	14.2
41-50	105	29.9
51-60	119	33.9
61 plus	65	18.5
Total	351	100



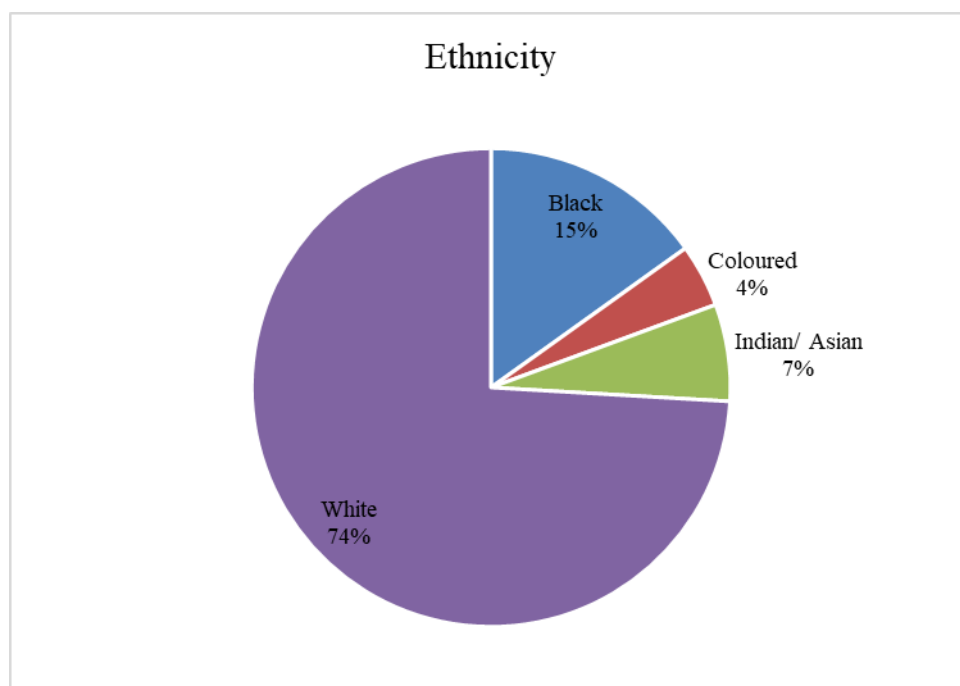
**Figure 5.5: Age ranges of respondents**

Table 5.9 and Figure 5.5 present the age categories of the respondents. The respondents of the study all occupy managerial positions. From this table and figure, it can be noted that 12 (3.4%) of the respondents fall within the age category of 21-30 years indicating that very young people are now already occupying managerial positions. This statistic was comparable with the findings in a study conducted by Soleimani and Shahnazari (2013:1312), where 53.2% of the respondents were in the age group 20-25 years. The majority of the respondents (33.9%) in this study were in the age category 51-60 years. There was an even spread of respondents below and above the age of 50 years.

#### 5.3.4 Ethnicity

**Table 5.10: Ethnicity**

<b>Ethnicity</b>	<b>Frequency (n)</b>	<b>Percentage (%)</b>
Black	53	15.1
Coloured	15	4.3
Indian/Asian	23	6.6
White	260	74
Total	351	100



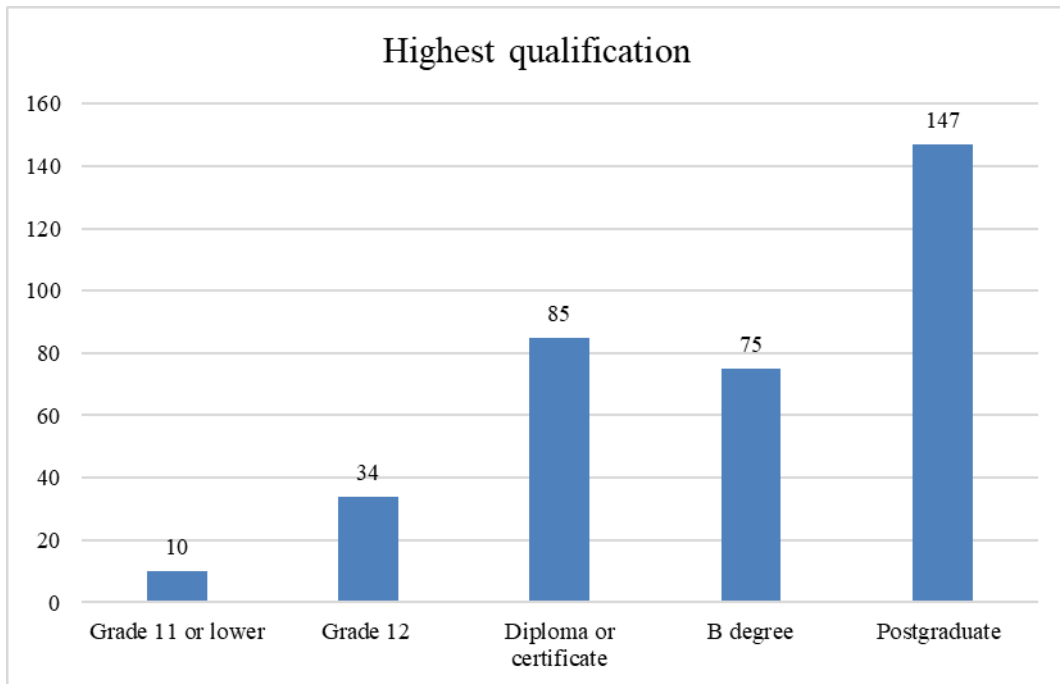
### Figure 5.6: Ethnicity

Table 5.10 and Figure 5.6 represent the ethnicity of the respondents. An overwhelming majority of 74 percent of the respondents were from the white ethnic group. The second biggest group was the Blacks (15%) then Indians (7%) and lastly Coloureds at 4 percent. This skewed representation of whites at managerial level is still evident from the apartheid system that existed pre-1994. Terreblance (2012:53), in his book, *Lost in Transformation*, indicated that the National Party installed comprehensive networks of patronage for Afrikaner groups. Employment opportunities were created for Afrikaners by tuning English-oriented public and semi-public sectors into Afrikaner-oriented sectors. Thus, it is not easy to decide whether the Afrikaner version of affirmative action in the 1950s is more destructive than the Afrikaner version since 1994 (Terreblanche, 2012:53).

### 5.3.5 Academic qualifications

**Table 5.11: Highest academic qualifications**

Highest academic qualifications	Frequency (n)	Percentage (%)
Grade 11 or lower	10	2.8
Grade 12 (Matric)	34	9.7
Post graduate diploma or certificate	85	24.2
Bachelor's degree	75	21.4
Postgraduate degree	147	41.9
<b>Total</b>	<b>351</b>	<b>100</b>



**Figure 5.7: Highest academic qualifications**

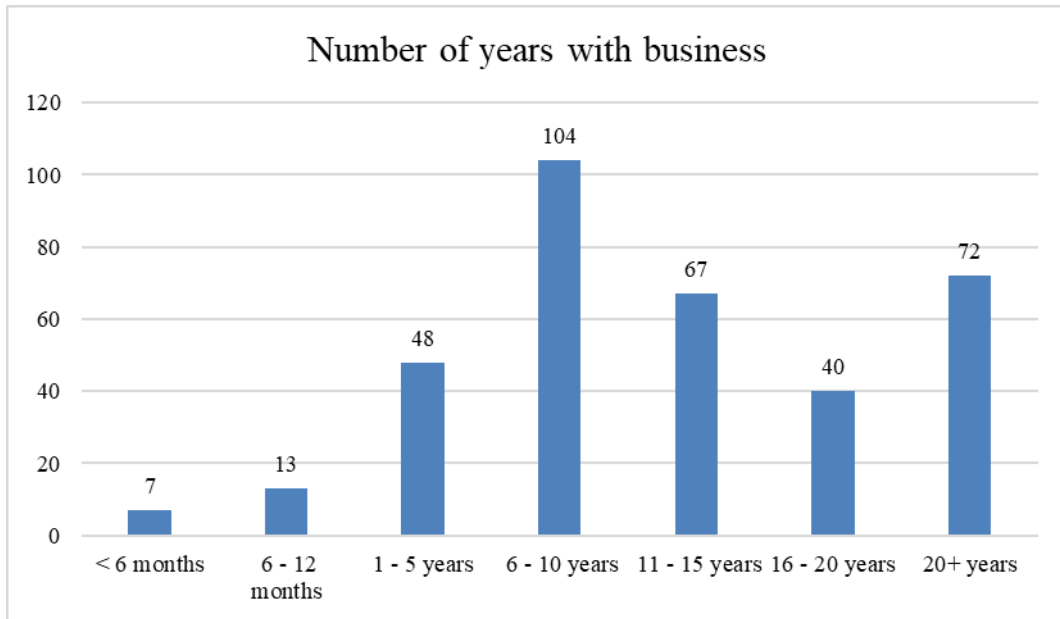
Table 5.11 and Figure 5.7 indicate that 3 percent of the respondents have a qualification of grade 11 and lower, 10 percent of the respondents have matric or grade 12 and the other 87 percent have a post matric qualification. The majority of the respondents (42%) have postgraduate degrees, which is very encouraging as this is an indication that the respondents are highly and properly qualified for the positions they hold.

### 5.3.6 Number of years in employment

**Table 5.12: Respondents' number of years with the business**

Number of years with business	Frequency (n)	Percentage (%)
Less than 6 months	7	2
Between 6 to 12 months	13	3.7
Between 1 to 5 years	48	13.7
Between 6 to 10 years	104	29.6
Between 11-15 years	67	19.1
Between 16-20 years	40	11.4
More than 20 years	72	20.5
<b>Total</b>	<b>351</b>	<b>100</b>





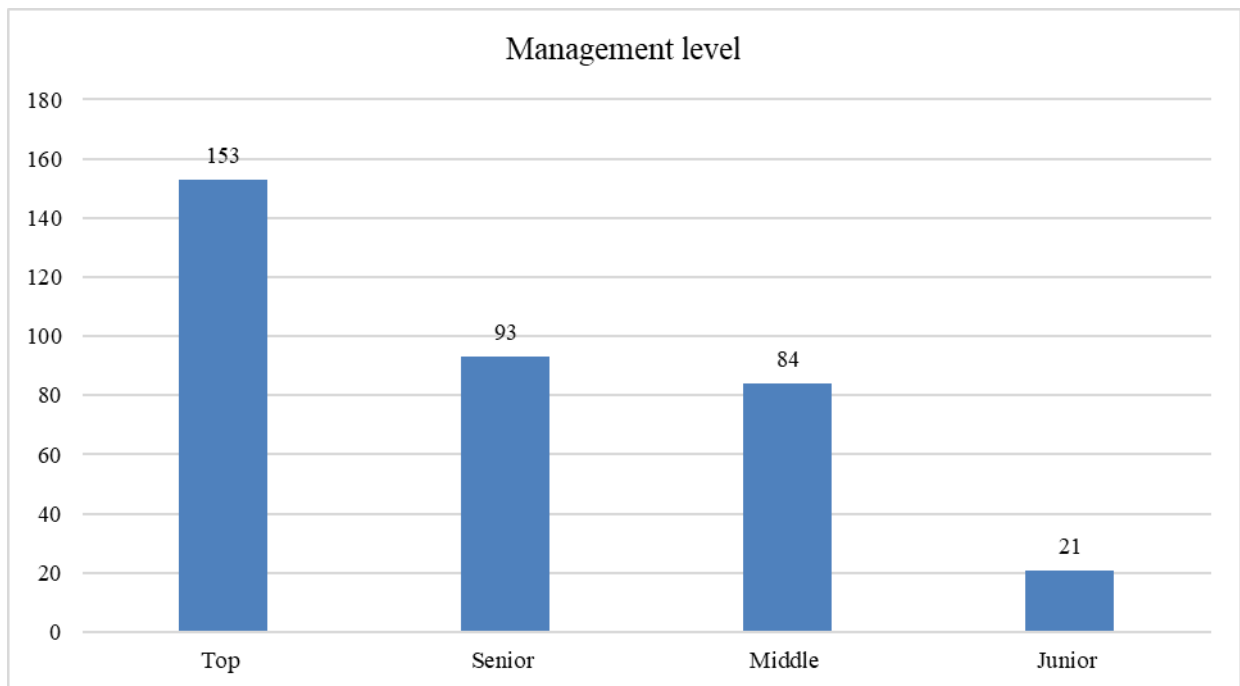
**Figure 5.8: Respondents' number of years of with the business**

Table 5.12 and Figure 5.8 depict how many years the respondents have been working in that business. Those working between 6 to 10 years for the business are in the majority at 30 percent. The respondents in this study do not show a quick turnover of managers as most of them have been with the business for 6 years to more than 20 years.

### 5.3.7 Management level description

**Table 5.13: Description of level of management**

Level of management	Frequency (n)	Percentage (%)
Top management (Director)	153	43.6
Senior management (General Manager)	93	26.5
Middle management (Human Resource Manager, Business Manager, Development Manager)	84	23.9
Junior management (Team Manager, Sales Manager, Marketing Manager, Team Leader)	21	6
<b>Total</b>	<b>351</b>	<b>100</b>



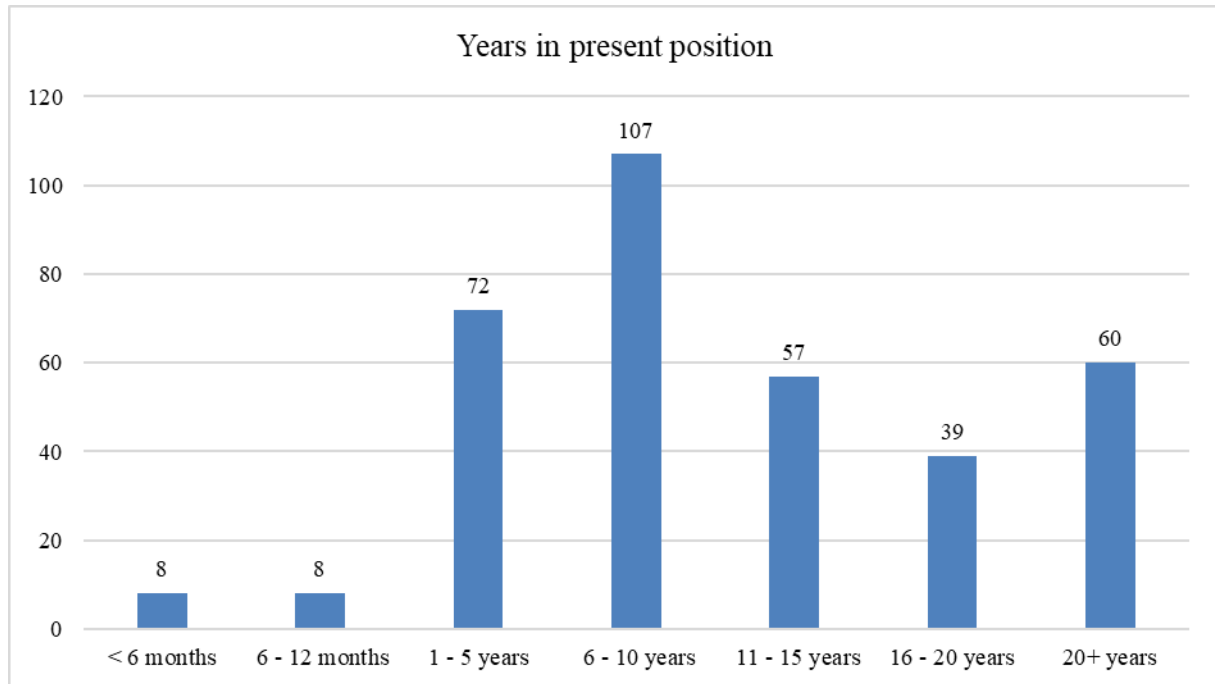
**Figure 5.9: Level of management**

Table 5.13 and Figure 5.9 indicate the level of management of the respondents. The majority of the respondents, namely 44 percent occupy a position in top management, 27 percent in senior management, 24 percent in middle management and 6 percent in lower management. It is clear that the position of Human Resource Manager is regarded as an important position.

### 5.3.8 Number of years in present position

**Table 5.14: Number of years in present position**

Years in present position	Frequency (n)	Percentage (%)
Less than 6 months	8	2.3
Between 6 to 12 months	8	2.3
Between 1 to 5 years	72	20.5
Between 6 to 10 years	107	30.5
Between 11 to 15 years	57	16.2
Between 16 to 20 years	39	11.2
More than 20 years	60	17.1
Total	351	100



**Figure 5.10: Number of years in present position**

Table 5.14 and Figure 5.10 depict how long the respondents have occupied their present positions. The majority of the respondents, namely 95 percent, were between 1 and more than 20 years in their present position. Those respondents between 6 to 10 years in their present position represented 31 percent, which is in line with the studies of Soleimani and Shahnazari (2013:1312) and Shariatmadari *et al.* (2012:113), where respondents with experience between 5 to 10 years were in the majority. Only 5 percent were less than 1 year in their present position in this study.

## 5.4 DESCRIPTIVE STATISTICS ENTREPRENEURIAL BEHAVIOUR

### 5.4.1 Descriptive statistics of innovation intensity

**Table 5.15: Frequencies and percentages of innovation intensity**

Item	Description	Strongly disagree		Disagree		Agree		Strongly agree	
		n	%	n	%	n	%	n	%
EB10	The company tries to anticipate developments in the market in order to adjust to changes quickly	8	2.3	12	3.4	57	16.2	185	52.7

Item	Description	Strongly disagree		Disagree		Agree		Strongly agree	
		n	%	n	%	n	%	n	%
EB12	The company is seldom the first business to introduce new products to our competitors	55	15.7	125	35.6	86	24.5	64	18.2
EB13	A high rate of new product/service introduction compared to competitors (including new features and improvements)	13	3.7	49	14	112	31.9	135	38.5
EB14	The company has a strong emphasis on research of new products/services and processes	9	2.6	50	14.2	73	20.8	168	47.9
EB15	The company has a strong emphasis on the development of new products/services and processes	7	2	38	10.8	78	22.2	173	49.3
EB16	Changes in products and service offerings have been mostly of a minor nature	21	6	100	28.5	90	25.6	129	36.8
EB17	Changes in products and service offerings have been radical and major	23	6.6	100	28.5	118	33.6	89	25.4
EB18	The changes in new products and services are better than that of our competitors	4	1.1	19	5.4	113	32.2	172	49
EB19	New products and services introduced that did not exist in the market before	16	4.6	76	21.7	109	31.1	117	33.3

Table 5.15 shows the innovation intensity of the businesses of the various respondents. Nine items were identified to correlate with innovation intensity during the factor analysis. The findings indicate that 52.7 percent (185) strongly agreed that the business tries to anticipate developments in the market in order to adjust to changes quickly. In item EB12, only 86 (24.5%) agreed that the business is seldom the first business to introduce new products to our competitors and 125 (35.6%) disagreed with the statement. A total of 138 (38.5%) strongly agreed that a high rate of new products/services are introduced compared to competitors (including new features and improvements). The respondents strongly emphasise research of new products/services and processes, as 168 (47.9%) strongly agreed with this item. The majority of respondents (173 or 49.3%) therefore, also strongly agreed that the business places a strong emphasis on the development of new products/services and processes. The majority of the respondents, namely, 129 (36.8%) indicated that changes in products and service offerings have been mostly of a

minor nature and 118 (33.6%) of the respondents indicated that changes in products and service offerings have been radical and major. The findings also indicate that 172 (49%) feel the changes in new products and services are better than that of their competitors and 117 (33.3%) indicated that new products and services introduced did not previously exist in the market. These findings indicate that the respondents are on average, very innovative.

#### 5.4.2 Descriptive statistics of the risk propensity

**Table 5.16: Frequencies and percentages of risk propensity**

Item	Description	Strongly disagree		Disagree		Agree		Strongly agree	
		n	%	n	%	n	%	n	%
EB5	The company has a strong inclination/tendency to low risk projects with certain return rates	20	5.7	90	25.6	108	30.8	115	32.8
EB6	The company never pursues any projects that could potentially result in any kind of loss	28	8	111	31.6	80	22.8	104	29.6
EB7	The Company shows the mind-set to the environment to best explore it gradually via timid, incremental behaviour	17	4.8	52	14.8	135	38.5	131	37.3
EB8	The company typically adopts a wait-and-see posture in order to minimise the probability of making costly decisions	42	12	132	37.6	73	20.8	88	25.1
EB9	A top management philosophy that emphasises proven products and services and the avoidance of heavy new product development costs	35	10	87	24.8	79	22.5	126	35.9

Table 5.16 reflects the findings of the risk propensity of the businesses. Five items correlated with risk propensity during the factor analysis. The findings reflect that 115 (32.8%) respondents indicated that the business has a strong inclination/tendency to low risk projects with certain return rates. One hundred and eleven (31.6%) disagree with the item that the business never pursues any projects that could potentially result in any kind of loss. The findings indicate that 132 (37.6 %) of the respondents disagree that the business typically adopts a wait-and-see posture in order to minimise the probability of making costly decisions. A further 126 (35.9%)

agreed that top management has a philosophy that emphasises proven products and services and the avoidance of heavy new product development costs.

### 5.4.3 Descriptive statistics of organisational structure

**Table 5.17: Frequencies and percentages of organisational structure**

Item	Description	Strongly disagree		Disagree		Agree		Strongly Agree	
		n	%	n	%	n	%	n	%
EB1	A flat organisational structure	21	6	71	20.2	62	17.7	122	34.8
EB2	Many standards and procedures that everyone must follow	20	5.7	53	15.1	71	20.2	153	43.6
EB3	Open channels of communication	9	2.6	10	2.8	29	8.3	152	43.3
EB4	The fact that employees can take decisions within their scope of responsibilities	8	2.3	17	4.8	45	12.8	180	51.3

Table 5.17 shows the findings for organisational structure to indicate how the organisational structure of the businesses encourages entrepreneurial behaviour. Four items correlated with risk propensity during the factor analysis. The findings show that 122 (34.8%) respondents indicate that the business has a flat organisational structure. The findings further show that 153 (43.6%) strongly agreed that there are many standards and procedures that everyone must follow. However, 152 (43.3%) strongly agreed that there are open channels of communication, which might compensate for the many standards and procedures. Furthermore, the findings also show that employees can take decisions within their scope of responsibilities as 180 (51.3%) strongly agreed with this item.

#### **5.4.4 Descriptive statistics of business introducing new products during the previous year**

**Table 5.18: Descriptive statistics of new products introduced**

	<b>Frequency (n)</b>	<b>Percentage (%)</b>
Yes	219	62.4
No	132	37.6
Total	350	100

#### **5.4.5 Descriptive statistics of business introducing any significant new methods or operational processes over the past two years**

**Table 5.19: Descriptive statistics of new methods or operational processes introduced**

	<b>Frequency (n)</b>	<b>Percentage (%)</b>
Yes	248	70.7
No	103	29.3
Total	351	100

Table 5.18 and Table 5.19 reflect the findings of questions 16 and 17 in the questionnaire. These questions dealt with the introduction of new products, method or operational processes in the preceding years. These two questions also indicate how innovative businesses are. Table 5.18 shows that 62.4 percent of the respondents' businesses introduced new products during the previous year and Table 5.19 indicates that 70.7 percent of the respondents' businesses introduced either new methods or operational processes. These findings clearly show that the majority of the respondents in this study have a strong emphasis on the development of new products, methods and operational processes.

#### 5.4.6 Mean and standard deviation of entrepreneurial behaviour

**Table 5.20: Mean and standard deviation: Innovation intensity and risk propensity in different sectors**

Description	Innovation intensity			Risk propensity		
	Mean	N	Std deviation	Mean	N	Std deviation
Agriculture	3.2411	14	.80781	3.2286	14	.98329
Mining and quarrying	3.1071	7	.39150	3.1071	7	.39150
Manufacturing	3.4640	59	.73734	2.8780	59	.70272
Electricity, gas and water	3.5982	14	.64147	3.1857	14	.95261
Construction	3.3050	25	.71905	3.0560	25	.69647
Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods.	3.3556	58	.68136	3.0138	58	.72049
Transport, storage and communication	2.9891	23	.63393	3.2857	23	.51828
Catering and accommodation	3.1023	11	.65626	2.6727	11	.67689
Community, social and personal services	3.5056	45	8.2226	3.1200	45	.80159
Finance, insurance, real estate and business services	3.3342	95	.70415	2.9411	95	.71985
Total	3.31519	351	.72052	3.0068	351	.72708

Table 5.20 shows the means and standard deviations of the innovation intensity and risk propensity of the businesses in the different sectors. Electricity, gas and water with a mean of 3.5982 and a standard deviation of 0.64147 perform better than the other sectors with regards to innovation intensity. The sector of transport, storage and communication performed the worst with regards to innovation intensity. This statistic seems to be very relevant because of the problems that the South African electricity provider, Eskom encounters presently. They have to develop innovation strategies to address the power problem in the country. With regards to the



risk propensity of the businesses in the study, the findings show that agriculture is performing slightly better than the other sectors with a mean of 3.2286 and a standard deviation of 0.98329.

**Table 5.21: Mean and standard deviation: Innovation intensity and risk propensity according to gender**

Description	Innovation intensity			Risk propensity		
	Mean	N	Std deviation	Mean	N	Std deviation
Male	3.3996	208	.71279	2.9923	208	.75035
Female	3.2861	142	.72972	3.0268	142	.69618
Total	3.3536	350	.72083	3.0063	350	.72804

Table 5.21 shows the means and standard deviations of the innovation intensity and risk propensity according to gender. The aim was to determine whether gender plays any role in the innovation intensity and risk propensity of the business. According to the results, there is not really a huge difference in the innovation intensity and risk propensity between males and females. Males perform slightly better than females with a mean of 3.3996 and a standard deviation of .75035 compared to a mean of 3.2861 and a standard deviation of .69618 for females.

**Table 5.22: The means and standard deviations of the innovation intensity and risk propensity according to age**

Description	Innovation intensity			Risk propensity		
	Mean	N	Std deviation	Mean	N	Std deviation
21-30 years	3.2813	12	.74644	2.9000	12	.66332
31-40 years	3.1200	50	.72402	3.0560	50	.68287
41-50 years	3.4262	105	.75732	3.0686	105	.71459
51-60 years	3.3971	119	.74338	3.0202	119	.74806
61 plus years	3.3404	65	.57897	2.8646	65	.74507
Total	3.3519	351	.72052	3.0068	351	.72708

Table 5.22 shows the means and standard deviations of the innovation intensity and risk propensity according to age. The purpose was to determine whether the age of the managers has an influence on the innovation intensity and risk propensity of the business. There is very little difference between the different age groups with regards to innovation intensity in the businesses, but the 41-50 years age group performs better than the other age groups with a mean of 3.4262 and a standard deviation of 0.75732. There is also only a slight difference between the businesses regarding risk propensity in the same age group, namely 41 to 50 years, who are again performing better with a mean of 3.0686 and a standard deviation of 0.71459.

**Table 5.23: The means and standard deviations of the innovation intensity and risk propensity according to academic qualifications**

Description	Innovation intensity			Risk propensity		
	Mean	N	Std deviation	Mean	N	Std deviation
Grade 11 and Lower	3.4125	10	.75243	2.9800	10	.46619
Grade 12 (Matric)	3.0772	34	.75379	3.2588	34	.75883
Post matric diploma or certificate	3.2500	85	.63475	3.1671	85	.67036
Bachelor's degree	3.3417	75	.72664	2.8933	73	.67009
Post graduate degrees	3.4753	147	.73656	2.9156	147	.76996

Table 5.23 shows the means and standard deviations of the innovation intensity and risk propensity according to academic qualifications. Do the academic qualifications of the managers have an influence on the innovation intensity and risk propensity of the business? The innovation intensity of managers with post graduate degrees is better than the others with a mean of 3.4753 and a standard deviation of 0.73656. The managers with the lowest qualification performed the second best with a mean of 3.4125 and a standard deviation of 0.75243. This is a clear indication that you do not need a high qualification to show your innovation skills. The managers with a grade 12 (matric) qualification show the best risk propensity with a mean of 3.2588 and a standard deviation of 0.75883.

**Table 5.24: The means and standard deviations of the innovation intensity and risk propensity according to management level**

Description	Innovation intensity			Risk propensity		
	Mean	N	Std deviation	Mean	N	Std deviation
Top management	3.4967	153	.69582	2.9399	153	.74695
Senior management (General Manager)	3.3159	93	.69299	2.9312	93	.69813
Middle management (Business Manager, Human Resource Manager, Project Manager, Development Manager)	3.2366	84	.74623	3.1381	84	.69973
Junior management (Team Manager, Sales Manager, Marketing Manager, Team Leader)	2.9167	21	.69297	3.3048	21	.71448
<b>Total</b>	<b>3.3519</b>	<b>351</b>	<b>.72052</b>	<b>3.0068</b>	<b>351</b>	<b>.72708</b>

Table 5.24 shows the means and standard deviations of the innovation intensity and risk propensity according to management level. Does the managerial level have an influence on the innovation intensity and risk propensity of the business? Where the manager falls within the top management category, the businesses show the highest innovation intensity with a mean of 3.4967 and a standard deviation of 0.69582. The junior management category performs better with regards to risk propensity with a mean of 3.3048 and a standard deviation of 0.71448.

## 5.5 DESCRIPTIVE STATISTICS OF HUMAN RESOURCE MANAGEMENT PRACTICES

### 5.5.1 Descriptive statistics of employee relations

**Table 5.25: Frequencies and percentages of employee relations**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP8	Open channels of communication	8	2.3	12	3.4	42	12	173	49.9	116	33
HRMP32	The company offers flexible benefits that are tailored to the diverse needs of the employees	14	4	65	18.6	102	29.1	135	38.6	34	9.7
HRMP42	Managers' beliefs are based on values, such as respect for their people; they guide the company with what they do more than simply running the company with strategies	6	1.7	16	4.6	46	13.1	193	55.1	89	25.4
HRMP43	The company is focused on team-oriented culture	7	2	17	4.9	61	17.4	185	52.9	80	22.9
HRMP44	The company has systems and practices in place that inspire the workforce to do their best	7	2	23	6.6	80	22.9	190	54.3	50	14.3
HRMP45	Managers utilise every communication channel possible to help employees understand the company's direction	8	2.3	30	8.6	96	27.4	165	47.1	51	14.6
HRMP46	Managers provide frequent and continuous communication, regarding their expectations of the employees	6	1.7	24	6.9	80	22.9	187	53.4	53	15.1
HRMP47	The company gives more control over how, when, for whom and where the employees work	11	3.1	52	14.9	114	32.6	145	41.4	28	8
HRMP48	The company is transparent in decision-making	13	3.7	30	8.6	85	24.3	177	50.6	45	12.9

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP49	The company has a clear-cut communication flow between managers and subordinates	8	2.3	26	7.4	76	21.7	186	53.1	54	15.4
HRMP50	Managers consult employees when major changes are made in the company	14	4	44	12.6	83	23.7	160	45.7	49	14
HRMP51	The company is open to criticism	13	3.7	15	4.3	56	16	196	56	70	20

Table 5.25 shows the descriptive findings for employee relations. Twelve items correlated with employee relations during the factor analysis. The findings reflect that 173 (49.9%) of the respondents agreed that there are open channels of communication in the business and 135 (38.6%) agreed that the business offers flexible benefits that are tailored to the diverse needs of the employees. The findings further show that 193 (55.1%) agreed that the managers' beliefs are based on values, such as respect for their people; they guide the business with what they do more than simply running the company with strategies. One hundred and eighty-five (52.9%) of the respondents agreed that the business is focused on team-oriented culture. The majority of respondents 190 (54.3%) agreed that the business has systems and practices in place that inspire the workforce to do their best and 165 (47.1%) agreed that managers utilise every communication channel possible to help employees understand the company's direction. One hundred and eighty-seven (53.4%) of the respondents agreed that managers provide frequent and continuous communication, regarding the expectations of the employees, while 145 (41.4%) agreed that the business gives more control over how, when, for whom and where the employees work. The findings also show that 177 (50.6%) respondents agreed that the business is transparent in decision-making and 186 (53.1%) agreed that the business has a clear-cut communication flow between managers and subordinates. Furthermore, the findings show that 160 (45.7%) agreed that the managers consult employees when major changes are made in the company and 196 (60%) agreed that the business is open to criticism.

### 5.5.2 Descriptive statistics of managerial jobs

**Table 5.26: Frequencies and percentages of managerial jobs**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP1	Implicit and loosely written	60	17.2	100	28.7	62	17.8	98	28.1	29	8.3
HRMP2	Explicit and specifically written	26	7.4	67	19.1	71	20.2	134	38.2	53	15.1
HRMP4	Unstructured: bounded by few policies or procedures	42	12	105	30	61	17.4	116	33.1	26	7.4
HRMP5	Highly structured: bounded by many policies and procedures	39	11.1	102	29.1	84	23.9	101	28.8	25	7.1

Table 5.26 shows the descriptive findings for managerial jobs. Four items correlated with managerial jobs during the factor analysis. The findings here show that 100 (28.7%) respondents disagreed that managerial jobs are implicit and loosely written whereas 134 (38.2%) agreed that managerial jobs are explicit and specifically written. Managerial jobs are also unstructured: bounded by few policies or procedures according to 116 (33.1%) of the respondents and 101 (28.8%) of the respondents agreed that managerial jobs are highly structured: bounded by many policies and procedures.

### 5.5.3 Descriptive statistics of compensation practices (incentives)

**Table 5.27: Frequencies and percentages of compensation practices (incentives)**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP31	Company properly acknowledges and adequately compensates performance	6	1.7	31	8.9	69	19.7	193	55.1	51	14.6

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP35	Salary of management is linked to the success of the company	19	5.4	65	18.6	69	19.7	147	42	50	14.3
HRMP36	Creativity and the ability to take entrepreneurial risks play a part when management is appraised and paid	17	4.9	54	15.4	120	34.3	128	36.6	31	8.9
HRMP37	Earnings of management are linked to the results that were achieved through innovative initiatives	17	4.9	63	18	110	31.4	128	36.6	32	9.1
HRMP38	Success through the development of new activities (e.g. capture of a new market, introduction of a new product, etc.) plays a central role for personal career development within your company	13	3.7	62	17.7	110	31.4	140	40	25	7.1
HRMP39	Creative ideas are highly appreciated	7	2	18	5.1	60	17.1	190	54.3	75	21.4
HRMP40	Innovative employees with the ability to get the job done enjoy a good reputation	8	2.3	9	2.6	58	16.6	189	54	86	24.6

Table 5.27 shows the descriptive findings for compensation practices (financial incentives). Seven items correlated with compensation practices during the factor analysis. The findings show that 193 (55.1%) of the respondents agreed that the business properly acknowledges and adequately compensates performance and 147 (42%) agreed that the management of salary is linked to the success of the company. It is also evident from the findings that 36.6 percent of the respondents agreed with the items that creativity and the ability to take entrepreneurial risks play a part when management is appraised and paid. Furthermore, that the earnings of management are linked to the results that were achieved through innovative initiatives. The respondents, 140

(40%), agreed that success through the development of new activities (e.g. capture of a new market, introduction of a new product, etc.) plays a central role for personal career development within their company. A further 190 (54.3%) agreed that creative ideas are highly appreciated. Innovative employees with the ability to get the job done, enjoy a good reputation according to 189 (54%) of the respondents.

#### 5.5.4 Descriptive statistics of training and development: skills training

**Table 5.28: Frequencies and percentages of training and development: skills training**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP25	The company invests time in developing their managers/leaders	13	3.7	45	12.9	130	37.1	134	38.3	28	8
HRMP26	The company invests time in developing high potential employees	9	2.6	28	8	100	28.6	180	51.4	33	9.4
HRMP27	Training provided with a focus on interpersonal skills (capacity for teamwork, conflict management, etc.)	10	2.9	45	12.9	115	33	149	42.7	30	8.6
HRMP28	Training provided with focus on creativity (creativity methods, problem-solving skills)	12	3.4	41	12.9	116	33.1	152	43.4	29	8.3
HRMP29	Training provided with focus on the enforcement of ideas and innovations (project management, resource sourcing and networking)	13	3.7	45	12.9	122	34.9	141	40.3	29	8.3

Table 5.28 shows the descriptive findings for training and development (skills training). Five items correlated with training and development (skills training) during the factor analysis. The findings show that 134 (38.3%) of the respondents agreed that the business invests time in developing their managers/leaders, while 180 (51.4%) agreed that the business invests time in developing high potential employees. The majority of respondents (149 or 42.7%) agreed that training is provided with a focus on interpersonal skills (capacity for teamwork, conflict



management, etc.) and 152 (43.3%) agreed that training is provided with focus on creativity (creativity methods, problem-solving skills). The respondents, 141 (40.3%), also agreed that training is provided with focus on the enforcement of ideas, innovations (project management, resource sourcing, and networking).

### 5.5.5 Descriptive statistics of training and development: employee development

**Table 5.29: Frequencies and percentages of training and development: employee development**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP22	The company encourages employees to take some responsibility for their own development	5	1.4	10	2.9	45	12.9	208	59.4	82	23.4
HRMP23	The company fosters a culture of growth	7	2	13	3.7	61	17.4	201	57.4	68	19.4
HRMP24	The company identifies its own future leaders	7	2	18	5.1	88	25.1	196	56	41	11.7
HRMP25	The company invests time in developing their managers/leaders	13	3.7	45	12.9	130	37.1	134	38.3	28	8
HRMP26	The company invests time in developing high potential employees	9	2.6	28	8	100	28.6	180	51.4	33	9.4
HRMP30	Training is on-going (continuous)	10	2.9	16	4.6	63	18	189	54	72	20.6

Table 5.29 shows the descriptive findings for training and development (employee development). Six items correlated with training and development (employee development) during the factor analysis. The findings show that the majority 208 (59.4%) of the respondents agreed that the business encourages employees to take some responsibility for their own development and 201 (57.4%) agreed that the business fosters a culture of growth. The findings also show that 196 (56%) respondents agreed that the business identifies its own future leaders and 134 (38.3%) agreed that the business invests time in developing their managers/leaders.

According to 180 (51.4%) respondents, the business invests time in developing high potential employees and 189 (54%) agreed that training is on-going (continuous).

### 5.5.6 Descriptive statistics of selection and staffing practices

**Table 5.30: Frequencies and percentages of selection and staffing practices**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP9	The company has highly selective recruiting programmes	18	5.1	75	21.4	97	27.6	124	35.3	37	10.5
HRMP10	The company recruits people based on the right fit	9	2.6	16	4.6	49	14	207	59	70	19.9
HRMP12	The company recruits people who share the same set of values and beliefs as the company	5	1.4	20	5.7	75	21.4	183	52.1	68	19.4
HRMP14	When recruiting for top management positions, attention is paid to entrepreneurial characteristics (especially creativity, drive for action, autonomy)	16	4.6	22	6.3	101	28.8	157	44.7	55	15.7

Table 5.30 shows the descriptive findings for selection and staffing. Four items correlated with selection and staffing during the factor analysis. The findings show that 124 (35.3%) of the respondents agreed that the business has highly selective recruiting programmes and 207 (59%) agreed that the business recruits people based on the right fit. The majority of the respondents (183 or 52.1%) agreed that the business recruits people who share the same set of values and beliefs as the company and 157 (44.7%) agreed that when the business recruits for top management positions, attention is paid to entrepreneurial characteristics (especially creativity, drive for action, autonomy).

### 5.5.7 Descriptive statistics of employee performance (appraisal process)

**Table 5.31: Frequencies and percentages of employee performance (appraisal process)**

Item	Description	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
		n	%	n	%	n	%	n	%	n	%
HRMP15	Open management positions are often filled with external candidates	25	7.1	85	24.2	130	37	90	25.6	21	6
HRMP16	Employees are involved and participate in the process	11	3.1	38	10.9	89	25.4	174	49.7	39	10.9
HRMP17	Managers provide constructive feedback on employees' performance	9	2.6	17	4.9	68	19.4	208	59.4	48	13.7
HRMP21	Encourages high-risk taking	46	13.1	101	28.9	131	37.4	54	15.4	18	5.1

Table 5.31 shows the descriptive findings for employee performance (appraisal process). Four items correlated with employee performance (appraisal process) during the factor analysis. The findings show that the majority 130 (37%) of the respondents remained neutral to the item that open management positions are often filled with external candidates, but 174 (49.7%) of the respondents agreed that employees are involved and participate in the process. The majority of the respondents 208 (59.4%) agreed that managers provide constructive feedback on employees' performance and 131 (37.4%) remained neutral that high-risk taking is encouraged.

### 5.5.8 Descriptive statistics of compensation practices (non-financial incentives)

**Table 5.32: Frequencies and percentages of compensation practices (non-financial incentives)**

Item	Description	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
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		<b>n</b>	<b>%</b>	<b>n</b>	<b>%</b>	<b>n</b>	<b>%</b>	<b>n</b>	<b>%</b>	<b>n</b>	<b>%</b>
HRMP17	Managers provide constructive feedback on employees' performance	9	2.6	17	4.9	68	19.4	208	59.4	48	13.7
HRMP19	Emphasis on the way the job is performed (results- or outcomes-driven)	5	1.4	11	3.1	61	17.4	212	60.6	61	17.4
HRMP39	Creative ideas are highly appreciated	7	2	18	5.1	60	17.1	190	54.3	75	21.4
HRMP40	Innovative employees with the ability to get the job done enjoy a good reputation	8	2.3	9	2.6	58	16.6	189	54	86	24.6

Table 5.32 shows the descriptive findings for compensation practices (non-financial incentives). Four items correlated with compensation practices (non-financial incentives) during the factor analysis. This finding shows that 208 (59.4%) of the respondents agreed that managers provide constructive feedback on employee's performance and 212 (60.6%) agreed that emphasis is placed on the way the job is performed (results- or outcomes-driven). The findings also show that 190 (54.3%) agreed that creative ideas are highly appreciated and 189 (54%) agreed that innovative employees with the ability to get the job done enjoy a good reputation.

### 5.5.9 Mean and standard deviation of HRMPs

**Table 5.33: Overall means and standard deviations of HRMPs**

Description	Mean	N	Std deviation
Employee relations	3.7020	351	.68992
Managerial jobs	2.8723	351	.96973
Compensation practices	3.8757	351	.66069
Training and development (skills training)	3.3833	351	.81205
Employee development	3.8029	351	.66848
Selection and staffing practices	3.6425	351	.71639
Total	3.5826	351	.53622

Table 5.33 shows the overall means and standard deviations of the HRMPs. The results in Table 5.33 show that compensation practices performed much better than the other HRMPs with a mean of 3.8757 and a standard deviation of 0.66069. *Managerial jobs* is the worst performing HRMP with a mean of 2.8723 and a standard deviation of 0.96973.

## 5.6 DESCRIPTIVE STATISTICS FOR BUSINESS PERFORMANCE

### 5.6.1 Descriptive statistics for business performance

**Table 5.34: Descriptive statistics business performance**

Description	Decreased significantly		Decreased		Remained the same		Increased		Increased significantly	
	N	%	N	%	N	%	N	%	N	%
The overall level of financial performance, e.g. company profit, net financial results	50	14.2	82	23.4	75	21.4	113	32.3	30	8.5
The overall level of market share in percentage	23	6.6	72	20.6	140	39.9	100	28.5	15	4.3

Description	Decreased significantly		Decreased		Remained the same		Increased		Increased significantly	
	N	%	N	%	N	%	N	%	N	
The overall development of cost base, e.g. production cost, operating expenses	17	4.8	41	11.7	77	21.9	178	50.7	37	10.5
The overall level of assets acquisition	23	6.6	48	13.7	163	46.4	97	27.6	18	5.1
The overall satisfaction of customers	6	1.7	18	5.1	128	36.5	168	48	30	8.5

Table 5.34 reflects the findings of questions that were posed to determine the financial performance of the business. The overall performance of 32.3 percent of the respondents' businesses increased during the years 2015, 2016 and 2017. The overall market share percentage remained the same for the majority of the respondents (39.9 %), for 28.5 percent it increased and for 20.6 percent it decreased. The majority of the respondents (50.7%) indicated that the overall development of the cost base increased. The overall asset acquisition remained the same for 46.4 percent of the respondents but 27.6 percent of the respondents indicated an increase in their asset acquisition. The overall satisfaction of customers increased for 48 percent of the respondents and 36.5 percent indicated that it remained the same.

## 5.6.2 Performance in relation to business sectors

**Table 5 35: Performance: What does your organisation do?**

Description	Mean	N	Std deviation
Agriculture	3.3571	14	.83086
Mining and quarrying	3.0000	7	.84063
Manufacturing	3.2678	59	.63094
Electricity and gas and water	3.4143	14	.73365
Construction	2.6883	24	.91920
Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods.	3.2724	58	.60721
Transport, storage and communication	3.3217	23	.50358

<b>Description</b>	<b>Mean</b>	<b>N</b>	<b>Std deviation</b>
Catering and accommodation	3.2545	11	.79544
Community, social, and personal services	3.2000	45	.77107
Finance, insurance, real estate and business services	3.3105	95	.69596
<b>Total</b>	<b>3.2386</b>	<b>350</b>	<b>.71137</b>

Table 5.35 shows that the sector: electricity, gas and water presented the best business performance with a mean of 3.4143 and the construction sector represented the worst performing businesses with a mean of 2.6883 and a standard deviation of 0.91920.

### 5.6.3 Performance in relation to age of the respondents

**Table 5.36: Performance versus age of respondents**

<b>Description (years)</b>	<b>Mean</b>	<b>N</b>	<b>Std deviation</b>
21-30	3.5818	11	.40452
31-40	2.9760	50	.93341
41-50	3.3238	105	.69025
51-60	3.2496	119	.66662
61 plus	3.2246	65	.62200
<b>Total</b>	<b>3.2386</b>	<b>350</b>	<b>.71137</b>

Table 5.36 shows that the business where the managers were in the age group 21 to 30 years had a better business performance with a mean of 3.5818 and a standard deviation of 0.40452. The businesses where the managers were in the age group 31 to 40 years performed the worst with a mean of 2.9760. All the other age groups had means of relatively similar values.

### 5.6.4 Performance: Years at organisation

**Table 5.37: Performance in relation to years of service of respondents**

<b>Description</b>	<b>Mean</b>	<b>N</b>	<b>Std deviation</b>
Less than 6 months	3.0286	7	1.00948
Between 6 to 12 months	3.5846	13	.69504
Between 1 to 5 years	3.4085	47	.68773
Between 6 to 10 years	3.2173	104	.80634

<b>Description</b>	<b>Mean</b>	<b>N</b>	<b>Std deviation</b>
Between 11 to 15 years	3.2164	67	.68215
Between 16 to 20 years	3.1300	40	.67869
More than 20 years	3.1972	72	.57408
<b>Total</b>	<b>3.2386</b>	<b>350</b>	<b>.71137</b>

Table 5.37 shows the mean and standard deviation of business performance in relation to how long the managers have been with the business. Those businesses where the managers have been with the business between 6 to 12 months had the best business performance with a mean of 3.5846 and a standard deviation of 0.69504. The businesses where managers were less than 6 months in employment fared the worst with a mean of 3.0286 and a standard deviation of 1.00948.

### 5.6.5 RELATIONSHIP BETWEEN VARIABLES

Correlations were used to explore the relationships among a series of variables. The Pearson's correlation coefficient is used to measure the strength and direction of the relationship between the variables.

**Table 5.38: Correlations 1**

		<b>Employee relations</b>	<b>Managerial jobs</b>	<b>Compensation practices</b>
Innovation intensity	Pearson Correlation	.419**	-.025	.387**
	Sig. (2-tailed)	.000	.638	.000
	N	351	351	350
Organisational structure	Pearson Correlation	-.033	-.186**	-.177**
	Sig. (2-tailed)	.536	.000	.001
	N	351	351	350
Risk propensity	Pearson Correlation	.649**	.025	.554**
	Sig. (2-tailed)	.000	.634	.000
	N	351	351	350
Entrepreneurial behaviour	Pearson Correlation	.561**	-.116*	.422**
	Sig. (2-tailed)	.000	.029	.000
	N	351	351	350



Table 5.38 shows the correlations between innovation intensity, organisational structure, risk propensity, entrepreneurial behaviour and employee relations, managerial jobs and compensation practices. It shows a positive correlation between risk propensity and employee relations with  $r = 0.649$ , based on 351 respondents. This represents a large effect size as 0.649 of the variance in employee relations is explained by risk propensity. It can thus be concluded that the employee relations percentage has a strong relationship to innovation intensity. According to Cohen (1988: 79-80), an effect of  $r \geq .10$  is small,  $r \geq .30$  is medium and  $r \geq .50$  is large. There is also a large variance in compensation practices and risk propensity ( $r = .554$ ). Here it can also be concluded that compensation practices have a positive relationship to risk propensity. The conclusion is therefore, that a statistically significant strong relationship exists between employee relations and risk propensity.

**Table 5.39: Correlations 2**

		Skills training	Employee development	Staffing selection practices
Innovation intensity	Pearson Correlation	.374**	.394**	.455**
	Sig. (2-tailed)	.000	.000	.000
	N	350	350	351
Organisational structure	Pearson Correlation	-.009	-.125*	-.159**
	Sig. (2-tailed)	.869	.019	.003
	N	350	350	351
Risk propensity	Pearson Correlation	.441**	.489**	.509**
	Sig. (2-tailed)	.000	.000	.000
	N	350	350	351
Entrepreneurial behaviour	Pearson Correlation	.467**	.436**	.476**
	Sig. (2-tailed)	.000	.000	.000
	N	350	350	351

Table 5.39 shows the correlations between innovation intensity, organisational structure, risk propensity and entrepreneurial behaviour and skills training, employee development and staffing selection practices. The correlation between risk propensity and employee development is  $r = 0.489$  and this represents a medium effect size. The correlation between risk propensity and staffing selection practices is 0.509 based on 351 respondents. The effect size is large with  $r = 0.509$ . The conclusion is therefore, that a statistically significant strong relationship exists

between risk propensity and staffing selection as well as between risk propensity and employee development. Based on the correlations, inferences can be drawn that risk propensity in the businesses is associated with higher employee development and better staffing selection practices.

**Table 5.40: Correlations 3**

		Human Resource Management Practices	Performance
Innovation intensity	Pearson Correlation	.501**	.310**
	Sig. (2-tailed)	.000	.000
	N	351	350
Organisational structure	Pearson Correlation	-.163**	-.193**
	Sig. (2-tailed)	.002	.000
	N	351	350
Risk propensity	Pearson Correlation	.672**	.185**
	Sig. (2-tailed)	.000	.000
	N	351	350
Entrepreneurial behaviour	Pearson Correlation	.569**	.225**
	Sig. (2-tailed)	.000	.000
	N	351	350

\*\* Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

Table 5.40 shows the correlations between innovation intensity, organisational structure, risk propensity, entrepreneurial behaviour and HRMPs and business performance. The R-value of 0.501 represents the correlation between innovation intensity and HRMPs and is based on 351 respondents. This represents a large effect as  $r = 0.501$ . There is a statistically significant positive correlation between innovation intensity and HRMPs ( $r = .501$ ,  $p < .001$ ). The correlation between risk propensity and HRMPs is 0.672 based on 351 respondents. This represents a large effect as 0.672 of the variance in HRMPs is explained by risk propensity. There is a statistically significant positive correlation between risk propensity and HRMPs ( $r = .672$ ,  $p < .001$ ). Based on the correlations, the inference is drawn that a business's HRMPs are associated with a higher

percentage of innovation intensity and higher risk propensity. All the other variables of innovation intensity, organisational structure and risk propensity only showed medium and small effects on performance with  $r$  values of 0.310, 0.193 and 0.185 respectively. Organisational structure has a negative correlation with HRMPs and business performance with  $r$ - values of -0.163 and -0.193 respectively. This means that organisational structure does not move in the same direction as HRMPs and business performance, because as the one goes up the other one goes down. An improvement in the organisational structure does not lead to improvement in HRMPs and business performance.

**Table 5.41: Correlations 4**

	<b>Performance</b>	
Innovation intensity	Pearson Correlation	.310**
	Sig. (2-tailed)	.000
	N	350
Organisational structure	Pearson Correlation	-.193**
	Sig. (2-tailed)	.000
	N	350
Risk propensity	Pearson Correlation	.185**
	Sig. (2-tailed)	.000
	N	350
Entrepreneurial behaviour	Pearson Correlation	.225**
	Sig. (2-tailed)	.000
	N	350
Employee relations	Pearson Correlation	.187**
	Sig. (2-tailed)	.000
	N	350
Managerial jobs	Pearson Correlation	-.065
	Sig. (2-tailed)	.223
	N	350
Compensation practices	Pearson Correlation	.220**
	Sig. (2-tailed)	.000
	N	349
Skills training	Pearson Correlation	.134*
	Sig. (2-tailed)	.012
	N	349

	Performance	
Employee development	Pearson Correlation	.193**
	Sig. (2-tailed)	.000
	N	349
Staffing selection practices	Pearson Correlation	.210**
	Sig. (2-tailed)	.000
	N	350
Human Resource Management Practices	Pearson Correlation	.210**
	Sig. (2-tailed)	.000
	N	350
** Correlation is significant at the 0.01 level (2-tailed)		
* Correlation is significant at the 0.05 level (2-tailed)		

Table 5.41 shows the correlations between the HRMPs and entrepreneurial behaviour (corporate entrepreneurship) variables and performance. The table shows that none of the correlations have a large effect but only medium and small effects with the correlation between innovation intensity and performance reflecting the highest correlation with an *r* value of 0.310. There is therefore, a statistically significant correlation between *innovation intensity* and performance meaning that *innovation intensity* can influence performance even though it has only a medium effect.

## 5.2 REGRESSION ANALYSIS

Multiple regression analysis was used to assess the influence of an outcome variable (performance) of more than one predictor variable, namely, both HRMPs and entrepreneurial behaviour. A four-step process was followed to interpret the regression output. The output includes the model F and a significant value, which is presented by ANOVA (Analysis of Variance). In this case, the model ( $F = 11.2$ ,  $df = 2$ ,  $p\text{-value} < 0.05$ ) degrees of freedom is significant as shown by the significance level ( $p\text{-value}$ ) of 0.000, (which means the actual value is less than 0.001). Therefore, because the model F is significant (low  $p\text{-value}$ ), the independent variables, HRMPs and entrepreneurial behaviour (corporate entrepreneurship) explain a significant portion of the variation in the dependent variable.

**Table 5.42: Model summary: HRMPs and entrepreneurial behaviour (corporate entrepreneurship)**

Model Summary				
Model	R	R square	Adjusted R square	Std. error of the estimate
1	.246 <sup>a</sup>	.061	.055	.69147
a. Predictors: (constant), Human Resource Management Practices, Entrepreneurial behaviour				

**Table 5.43: ANOVA analysis 1**

ANOVA<sup>a</sup>

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	10.697	2	5.349	11.187	.000 <sup>b</sup>
	Residual	165.912	347	.478		
	Total	176.609	349			
<sup>a</sup> Dependent variable: Performance <sup>b</sup> Predictors: (constant), Human Resource Management Practices and Entrepreneurial behaviour						

Because the model F is significant, the coefficient of determination,  $R^2$  can now be interpreted. This interpretation explains the percentage of total variation in the dependent variable accounted for by the independent variables or differently put, it is the extent to which the variances of the independent and the dependent overlaps. The model  $R^2$  of 0.061 also supports this conclusion. Here the model  $R^2$  of 0.061 indicates a 6 percent variance in the dependent variable. The total t-value of 5.516 is associated with a low p-value (sig) of 0.000. In Table 5.44, the t-value for the independent variable, entrepreneurial behaviour of 2.455 is associated with a low p-value (sig) of 0.015 and this is significant as the p-value is  $< 0.05$ . The t-value of 1.925 for the independent variable, HRMPs, is associated with a p-value of 0.055 and it is not significant because the p-value is  $> 0.05$ . The regression analysis equation is

$$Y = 1.756 + .268X_1 + .162X_2$$

Coefficient of multi determination ( $R^2$ ) = 0.061

F-value = 11.2:  $p < 0.05$

The regression equation indicates that performance is positively related to  $X_1$  (HRMPs) and  $X_2$  (entrepreneurial behaviour/corporate entrepreneurship). There is a statistically significant relationship between entrepreneurial behaviour and business performance with a p-value of 0.015. The conclusion is that both entrepreneurial behaviour and HRMPs have a positive influence on the performance of the business.

**Table 5.44: Coefficients 1**

Model		Unstandardised coefficients		Standardised coefficients	t
		B	Std. error	Beta	
1	(Constant)	1.756	.318		5.516
	Entrepreneurial behaviour	.268	.109	.155	2.455
	Human Resource Management Practices	.162	.084	.122	1.925

**Table 5.45: Coefficients 2**

Model		Sig.	Collinearity statistics	
			Tolerance	VIF
1	(Constant)	.000		
	Entrepreneurial behaviour	.015	.676	1.480
	Human Resource Management Practices	.055	.676	1.480
<sup>a</sup> Dependent variable: Performance				

**Table 5.46: Model summary 2**

Model	R	R Squared	Adjusted R squared	Std. error of the estimate
1	.344a	.118	.095	.67651
<sup>a</sup> . Predictors: (constant), Staffing selection practices, Organisational structure, Managerial jobs, Communication, Skills training, Innovation intensity, Compensation practices, Employee development and Employee relations				

**Table 5.47: ANOVA analysis 2****ANOVA<sup>a</sup>**

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	20.757	9	2.306	5.039	.000 <sup>b</sup>
	Residual	155.147	339	.458		
	Total	175.904	348			
<sup>a</sup> Dependent variable: Performance <sup>b</sup> Predictors: (constant), Staffing selection practices, Organisational structure, Managerial jobs, Communication, Skills training, Innovation intensity, Compensation practices, Employee development and Employee relations						

Multiple regression analysis was also used to assess the influence of the independent variables on (performance) dependent variables. Those predictor variables were: *staffing selection practices, organisational structure, managerial jobs, innovation intensity, skills training, risk propensity, compensation practices, employee development and employee relations*. A four-step process was followed to interpret the regression output. The output included the model F and a significant value which is presented by ANOVA (Analysis of Variance). In this case, the model F of 5.039 with 9 and 339 degrees of freedom, is significant as shown by the significance level (p-value) of 0.000 (which means the actual value is less than 0.001). Therefore, because the model F is significant (low p-value), the independent variables explain a significant portion of the variation in the dependent variables.

**Table 5.48: Coefficients 3**

Model		Unstandardised coefficients		Standardised coefficients	t
		B	Std. error	Beta	
1	(Constant)	2.411	.410		5.887
	Innovation intensity	.232	.067	.236	3.473
	Organisational structure	-.081	.058	-.083	-1.385
	Communication	-.023	.073	-.024	-.321
	Employee relations	.011	.102	.011	.110
	Managerial jobs	-.050	.041	-.068	-1.215
	Compensation practices	.116	.091	.108	1.279
	Skills training	-.062	.068	-.071	-.914
	Employee development	.034	.090	.032	.373
	Staffing selection practices	.034	.073	.034	.464

**Table 5.49: Coefficients 4**

Model		Sig.	Collinearity statistics	
			Tolerance	VIF
1	(Constant)	.000		
	Innovation intensity	.001	.565	1.769
	Organisational structure	.167	.728	1.373
	Communication	.748	.474	2.111
	Employee relations	.913	.265	3.775
	Managerial jobs	.225	.822	1.217
	Compensation practices	.202	.364	2.747
	Skills training	.361	.429	2.328
	Employee development	.709	.362	2.762
	Staffing selection practices	.643	.481	2.080



Because the model F is significant, the coefficient of determination,  $R^2$  can now be interpreted. This interpretation explains the percentage of total variation in the dependent variables accounted for by the independent variables, or differently put, it is the extent to which the variances of the independent and the dependent overlap. The model  $R^2$  of 0.95 also supports this conclusion. Here the model  $R^2$  of 0.095 indicates a 10 percent variance in the dependent variable. The total t-value of 5.887 (Table 5.48), is associated with a low p-value (sig) of 0.000 (Table 5.49). The t- value for the independent variable, *innovation intensity* (3.473), is associated with a low p-value (sig) of 0.001 and this is significant as the p-value is  $< 0.05$ . The t-value for the independent variable, *organisational structure*, of -1.3851 is associated with a p-value of 0.167 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *risk propensity*, of -321 is associated with a p-value of 0.748 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *employee relations*, of 0.110 is associated with a p-value of 0.913 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *managerial jobs*, of -1.215 is associated with a p-value of 0.225 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *compensation practices*, of 1.279 is associated with a p-value of 0.202 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *skills training*, of -0.914 is associated with a p-value of 0.316 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *employee development*, of 0.373 is associated with a p-value of 0.709 and it is not significant because the p-value is  $> 0.05$ . The t-value for the independent variable, *staffing selection practices*, of 0.464 is associated with a p-value of 0.643 and it is not significant because the p-value is  $> 0.05$ . In this case, only *innovation intensity* is statistically significant, based on a p-value of 0.001. The conclusion is therefore, that *innovation intensity* will influence performance as evidenced by the significant positive p-value of 0.001.

**Table 5.50: Model summary: HRMPs and business performance**

Variables entered/removed			
Model	Variables entered	Variables removed	Method
1	Human Resource Management Practices	.	Enter
<sup>a</sup> Dependent variable: Performance <sup>b</sup> All requested variables entered			

Model Summary				
Model	R	R squared	Adjusted R squared	Std. Error of the Estimate
1	.210 <sup>a</sup>	.044	.042	.69645
a. Predictors: (constant), Human Resource Management Practices				

**Table 5.51: ANOVA analysis 3**

ANOVA <sup>a</sup>						
Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	7.816	1	7.816	16.115	.000 <sup>b</sup>
	Residual	168.793	348	.485		
	Total	176.609	349			
<sup>a</sup> Dependent variable: Performance						
<sup>b</sup> Predictors: (constant), Human Resource Management Practices						

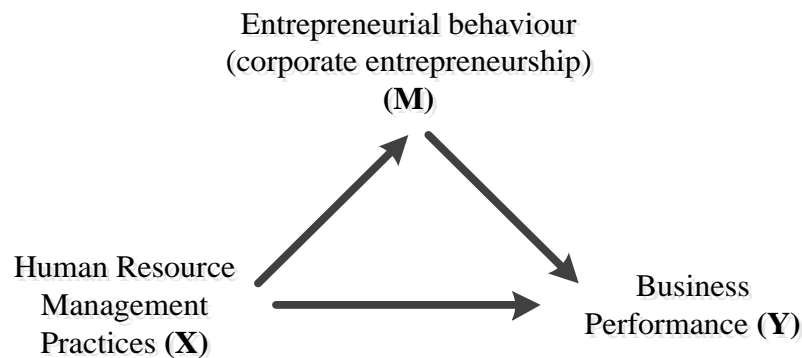
**Table 5.52: Coefficients 3**

Coefficients <sup>a</sup>		Unstandardised coefficients		Standardised coefficients	t
		B	Std. error	Beta	
1	(Constant)	2.239	.252		8.896
	Human Resource Management Practices	.279	.069	.210	4.014
<sup>a</sup> Dependent variable: Performance					

Because the model F is significant, the coefficient of determination,  $R^2$  can now be interpreted. This interpretation explains the percentage of total variation in the dependent variable accounted for by the independent variables or differently put, it is the extent to which the variances of the independent and the dependent overlaps. The model  $R^2$  of 0.044 also supports this conclusion. Here the model  $R^2$  of 0.044 indicates a 4 percent variance in the dependent variable. The total t-value of 8.896 is associated with a low p-value (sig) of 0.000. In Table 5.52, the t-value for the independent variable, HRMPs (4.014), is associated with a low p-value (sig) of 0.000 and this is significant as the p-value is  $< 0.05$ .

The regression equation indicates that performance is positively related to HRMPs. There is a statistically significant relationship between HRMPs and business performance with a p-value of 0.000. The conclusion is that HRMPs have a positive influence on the performance of the business.

## 5.7 MEDIATION MODEL



**Figure 5.11: Mediation model**

The simple mediation model is any causal system in which one causal antecedent X variable is proposed as influencing outcome Y through a single intervening variable M. The simple mediation model was generated by SPSS (version 3.0), to determine whether the fourth hypothesis, which is corporate entrepreneurship (entrepreneurial behaviour) is a mediator between HRMPs and business performance. In the mediation model, the two consequent variables are entrepreneurial behaviour (M) and business performance (Y) and the two antecedent variables are HRMPs (X) and entrepreneurial behaviour (corporate entrepreneurship) (M). There are two pathways where the one leads from X (HRMPs) to Y (business performance) and which is a direct effect. The other pathway from X (HRMPs) to Y (business performance) is the indirect effect of X on Y through M (entrepreneurial behaviour/corporate entrepreneurship). Therefore, entrepreneurial behaviour is referred to as the mediator. In the reporting of the results, the direct effect and indirect effect X on Y will be presented. The direct effect quantifies the estimated difference in Y (business performance) between two cases that differ by one unit on X (HRMPs) independent of M's (entrepreneurial behaviour) influence on Y (business performance). Inference for the direct effect of X (HRMPs) on Y (business performance) in a mediation analysis, uses the standard method that is used for any regression coefficient in a regression model (Hayes, 2013:101). This involves testing a null hypothesis against an alternative hypothesis. According to Hayes (2013:101), researchers focus on ascertaining whether a claim that the null hypothesis is different from zero is justified based on the available

data. If so, this supports the argument that X is related to Y independent of the mechanism presented by M on Y. If that is not the case, then you can claim that X does not affect Y, independent of M's effect on Y (Hayes, 2013:101).

**Table 5:53: Process procedures for SPSS simple mediation analysis**

Y: Business performance X: HRMPs (Human resource management practices) M: EB (Entrepreneurial behaviour/corporate entrepreneurship) Sample Size: 350						
<b>OUTCOME VARIABLE: Entrepreneurial behaviour/corporate entrepreneurship</b>						
Model Summary						
R	R <sup>2</sup>	MSE	F	df1	df2	p
0.5696	0.3244	0.1154	167.1129	1	348	0.0000
Model						
R	Coefficient	Standard error	t-value	p	LLCI	ULCI
Constant	1.8057	0.1228	14.7073	0.0000	1.5642	2.0475
HRMPs	0.4380	0.0339	12.9272	0.0000	0.3714	0.5047
<b>OUTCOME VARIABLE: Performance</b>						
Model summary						
R	R <sup>2</sup>	MSE	F	df1	df2	p
0.2461	0.0606	0.4781	11.1866	2	347	0.0000
Model						
R	Coefficient	Standard error	t-value	p	LLCI	ULCI
Constant	1.7555	0.3183	5.5162	0.0000	1.1296	2.3815
HRMPs	0.1615	0.0839	1.9251	0.0550	-0.0035	0.3266
EB	0.2679	0.1091	2.4547	0.0146	0.0532	0.4825

DIRECT AND INDIRECT EFFECTS OF X ON Y							
Direct effect of X on Y							
Effect	se	t	p	LLCI	ULCI	ć_ps	ć_cs
0.1615	0.0839	1.9251	0.0550	-0.0035	0.3266	0.2271	0.1219
Indirect effect(s) of X on Y:							
	Effect		BootSE		BootLLCI		BootULCI
EB	0.1173		0.0550		0.0147		0.2305
Partially standardised indirect effect(s) of X on Y:							
	Effect		BootSE		BootLLCI		BootULCI
EB	0.1649		0.0759		0.0212		0.3183
Completely standardized indirect effect(s) of X on Y:							
	Effect		BootSE		BootLLCI		BootULCI
EB	0.0885		0.0404		0.0112		0.1708
ANALYSIS NOTES AND ERRORS							
Level of confidence for all confidence intervals in output: 95,0000							
Number of bootstrap samples for percentile bootstrap confidence intervals: 5000							
NOTE: Variables' names longer than eight characters can produce incorrect output.							
Shorter variable names are recommended.							

As can be seen in Table 5.53, the effect is not statistically different from zero,  $\acute{c} = 0.1615$ ,  $t(348) = 1.93$ ,  $p = 0.0550$ . Therefore, the null hypothesis that  $\tau\acute{c} = 0$  cannot be rejected. The interval estimate for  $\tau\acute{c}$  is -0.0035 to 0.3266 with a 95 percent confidence interval. This confidence interval does include zero, so zero cannot be confidently ruled out as a plausible value for the direct effect. This proves that HRMPs do not have a direct effect on business performance in this model.

The indirect effect quantifies how much two cases that differ by a unit on HRMPs (X) are estimated to differ on business performance (Y) because of HRMPs' (X) influence on entrepreneurial behaviour/corporate entrepreneurship (M), which in turn influences business performance (Y). The indirect effect is relevant as to whether HRMPs' effect on business performance can be said to be transmitted through the mechanism represented by human resource management practices  $\rightarrow$  entrepreneurial behaviour/corporate entrepreneurship  $\rightarrow$  business performance's causal chain of effects. The data were tested to estimate whether the data

allow for the claim that the estimated difference in business performance (Y) attributable to this mechanism can be said to be different from zero. If so, one can claim that entrepreneurial behaviour/corporate entrepreneurship serves as a mediator of the effect of HRMPs on business performance. The Bootstrap confidence interval was used to do the null hypothesis test. The statistical difference from zero is with  $p = 0.0000$ . The interval estimate for  $\gamma_c$  is 0.0147 to 0.2305 with a 95 percent confidence interval with the number of bootstrap samples for percentile bootstrap confidence intervals equal to 5000. The indirect effect of 0.1773 (mediation) is significant and this is derived from the fact that the interval Boot LL and UL does not include zero. Therefore, entrepreneurial behaviour mediates the relationship between HRMPs and business performance. The inclusion of the mediator improves the relationship between HRMPs and business performance. The variance explained by the model increased from 0.044 (as reflected in Table 5.50) to 0.0606 (R squared).

## 5.8 CONCLUSION

This chapter addresses various aspects by means of descriptive and inferential statistics. Relevant data were captured and presented in tables and graphs. The various statistical techniques that were discussed in Chapter 4, formed the basis for the results that were presented in Chapter 5. Firstly, the response rate was discussed, followed by the determination of the reliability and validity of the research instrument using factor analysis. The Cronbach Alpha values were determined, and the values supported the fact that the instrument is reliable. Thereafter, the demographic data of the respondents were presented. The main purpose was to describe the pertinent characteristics regarding the profile of the respondents. The descriptive statistics of the factors: entrepreneurial behaviour and human resource management practices were presented. Correlations and regression analysis were used to present the significant statistical differences between the various dependent and independent variables. The findings of the simple mediation model were presented to determine whether HRMPs are a mediator between entrepreneurial behaviour/corporate entrepreneurship and business performance. The analysis shows that entrepreneurial behaviour/corporate entrepreneurship mediates the relationship between HRMPs and business performance.

In the next chapter (Chapter 6), the major purpose and the findings of the research study will be summarised. A conclusion and recommendations of the study are presented. The research objectives and hypotheses will be revisited. Finally, limitations of the study, contributions to the field of entrepreneurship and corporate entrepreneurship and recommendations for further research will be presented.

## **CHAPTER 6**

### **CONCLUSIONS AND RECOMMENDATIONS**

“Employees need to be trained to be business innovators. Brainstorming, electronic suggestion boxes, innovation prizes – won’t do it. Companies must invest in people’s skills.”

(Allio, 2008:7)

#### **6.1 INTRODUCTION**

As indicated in Chapter 1 and confirmed in Chapter 2, globalisation in the 21st century has posed many challenges to companies and has led companies to relook their organisational philosophy and strategic approaches to become more competitive. In order to overcome the challenges that they experience, both in the internal and external environment, they must keep abreast with rapid technological evolution and sophisticated competitors in the external environment, and internally deal with bureaucratic processes and structures. Businesses should, therefore, continually innovate and create value to survive.

Established businesses should encourage entrepreneurial activity throughout their operations to compete successfully on a continuous basis. Through corporate entrepreneurship, an entrepreneurial spirit within the business can be created where an atmosphere of innovation can prosper. It is clear that entrepreneurial activities in businesses are initiated and carried out by individuals within the business. Businesses can remain competitive in today’s rapidly changing environment by achieving productivity through their employees. Human resources can either encourage or hinder corporate entrepreneurship. Edralin (2010:25) argues that companies understand more and more that nurturing an entrepreneurial culture through the implementation of HRMPs will enhance their business’s ability to be more competitive and produce better performance results. The purpose of this study was to determine the relationship between HRMPs, corporate entrepreneurship and business performance in medium and large businesses in Gauteng.

In Chapter 5, the findings of the study were presented. In this chapter, the hypotheses will be revisited. An overview of the theoretical objectives will be presented and then, thereafter, the overview of the empirical objectives. The contribution to the field of study and limitations are then discussed. Recommendations are provided and the path for further research given. Lastly the chapter ends with a summary and conclusion of the study.

## **6.2 HYPOTHESES REVISITED**

The purpose of the study was to determine the relationship between human resource management practices, corporate entrepreneurship and business performance.

### **6.2.1 Human resource management practices and corporate entrepreneurship**

The first hypothesis of the study suggested that human resource management practices have a positive influence on corporate entrepreneurship. The Pearson correlation produced a result of  $r=0.569$  and a p-value of 0.00, which is significant because the p-value is lower than the common alpha level of 0.05 and therefore the null hypothesis can be rejected. This is an indication that a positive relationship exists between human resource management practices and corporate entrepreneurship. This result implies that changes in the predictor's value, human resource practices, are related to changes in the response variable, corporate entrepreneurship.

Various other studies have been conducted to determine whether a relationship exists between human resource management practices and corporate entrepreneurship. Schuler (1986:625) argues that entrepreneurial behaviour could be fostered by putting together consistent sets of HRMPs. Maalej, Amami and Saâdaoui (2014:691) in their research, linking corporate entrepreneurship with human resource management practices, state that the ability to pursue new opportunities can be described as entrepreneurial ability, and it supposes a human resource that understands and exploits such opportunities. Therefore, recruitment policies, remuneration and promotion influence the entrepreneurial potential. The finding in the Maalej *et al.* study is also in line with the finding of a study done by Schmelter *et al.* (2010:730) that strong positive relationships exist between human resource management practices such as staff selection, training and development, staff rewards and corporate entrepreneurship. This corresponds with a study in China (Tang, Wei, Snape & Chu Ng, 2015: 1593), where strategic human resource management was positively associated with corporate entrepreneurship ( $\beta=0.44$ ,  $p \leq 0.001$ ). It is clear from the discussion above that human resource management activities and practices in the business could reinforce entrepreneurial activities. Therefore, activities of human resources are fundamental and important to enhance corporate entrepreneurship. Based on the arguments above, the hypothesis was accepted.

### **6.2.2 Corporate entrepreneurship and business performance**

The second hypothesis of the study suggests that corporate entrepreneurship has a positive influence on business performance. The Pearson correlation produced a result of  $r=0.225$  and a p-value of 0.00, which is significant because the p-value is lower than the common alpha level of



0.05 and therefore the null hypothesis can be rejected, and the alternative hypothesis accepted. This is an indication that a positive relationship exists between corporate entrepreneurship and business performance. This result implies that changes in the predictor's value, corporate entrepreneurship, are related to changes in the response variable, business performance. This synchronises with the findings of Kaya (2015:668) that a significant relationship exists between corporate entrepreneurship and performance. Covin and Slevin (1989:81) concur that small firms with high strategic posture indices (entrepreneurial firms), generally perform best in hostile environments. A similar outcome was obtained in a study by Karacaoglu, Bayrakdaroglu and San (2013:163), where they found that the dimensions of corporate entrepreneurship, which are proactiveness, innovation and risk-taking, interact mostly with financial performance (such as return on assets, return on equity, net sales/assets). Corporate entrepreneurship with its different dimensions was studied and associated with business performance in the literature. In this study, corporate entrepreneurship's effect on the performance of 351 businesses showed that a positive relationship exists. The hypothesis was accepted.

### **6.2.3 Human resource management practices and business performance**

The third hypothesis of the study suggests that human resource management practices have a positive influence on business performance. The Pearson correlation produced a result of  $r=0.210$  and a p-value of 0.00 which is significant because the p-value is lower than the common alpha level of 0.05 and therefore the null hypothesis can be rejected, and the alternative hypothesis accepted. This is an indication that a positive relationship exists between human resource management practices and business performance. This result implies that changes in the predictor's value, human resource management practices, are related to changes in the response variable, business performance. According to Zehir *et al.* (2016:378), the path analysis results of their study shows that strategic human resource management has a significant and positive effect on financial performance ( $\beta=0,179$ ;  $p<0,01$ ) and employee performance ( $\beta=0,407$ ;  $p<0,01$ ). The results of a study in China (Wang & Zang, 2005:553) show that there is a close relationship between HRMPs and organisational performance. Kaya (2006:2084) reported from Turkey and confirms that there is a positive relationship between HRMPs and firm performance. The above evidence leads to the conclusion that businesses that seek to enhance the entrepreneurial levels in their business should promote investment in HRMPs. These efforts will encourage employee contribution to business performance. Therefore, the hypothesis is accepted.

#### **6.2.4 Human resource management practices, corporate entrepreneurship and business performance**

The fourth hypothesis suggests that corporate entrepreneurship is a mediator between HRMPs and business performance. The Bootstrap confidence interval was used to do the null hypothesis test. The statistical different from zero is with  $p=0.0000$ . The interval estimate for  $\gamma_c$  is 0.0147 to 0.2305 with a 95 percent confidence interval and the number of bootstrap samples for percentile bootstrap confidence intervals equal to 5000. The indirect effect of 0.1773 (mediation), is significant and this is derived from the fact that the interval Boot LL and UL do not include zero. Therefore, entrepreneurial behaviour (corporate entrepreneurship) mediates the relationship between HRMPs and business performance. The null hypothesis was rejected and the alternative hypothesis accepted. In other words, corporate entrepreneurship affects firm performance, both directly and through its effects on HRMPs. Kaya (2006:2084) found that HRMPs partially mediate the relationship between corporate entrepreneurship and business performance in data collected from 124 Turkish businesses. Zehir *et al.* (2016:372), in their research, indicate that entrepreneurial orientation (including innovativeness, risk-taking propensity, proactiveness and competitive aggressiveness) mediates the relationship between strategic human resource management and firm performance (both financial performance and employee performance). Therefore, the hypothesis was accepted.

### **6.3 OVERVIEW OF THE LITERATURE STUDY**

The primary objective of the proposed study was to investigate the relationship between HRMPs, corporate entrepreneurship and business performance of medium and large businesses in Gauteng. In order to achieve the primary objective, secondary objectives were formulated in the form of theoretical and empirical objectives.

A literature review of secondary data on corporate entrepreneurship, HRMPs and their impact on firm performance was conducted. The secondary data for the literature review was obtained from scholarly articles, research reports, books, conference proceedings, studies conducted by academics, government institutions and non-governmental organisations working in the field of entrepreneurship, and internet searches. An overview of the literature review will subsequently be discussed according to the theoretical objectives. The literature review was covered in Chapters 2 and 3.

The theoretical objectives of the study are as follows:

- To conceptualise corporate entrepreneurship from the literature

- To conceptualise HRMP from literature
- To conceptualise business performance from literature
- To review literature on medium and large businesses in South Africa.

### **6.3.1 Overview of the literature review of corporate entrepreneurship**

Chapter 2 of this thesis dealt with various aspects of entrepreneurship and specifically, corporate entrepreneurship. The literature review revealed that there is not one single definition of entrepreneurship. However, Stevenson and Jarrillo-Mossi (1986:10) capture the essence of entrepreneurship as the process of creating value by bringing together a unique combination of resources to exploit an opportunity. This definition has four elements: firstly, it is a process, secondly it creates value, thirdly it puts resources together and fourthly it is opportunity driven. Sharma and Chrisman (1999:18) refine the concept of “entrepreneurship” to define independent entrepreneurship as a separate construct where independent entrepreneurship is viewed as the process whereby an individual or a group of individuals (acting independently or in association with an existing organisation) create a new organisation. A discussion about the difference between independent entrepreneurship and corporate entrepreneurship, was done. The major definitions of corporate entrepreneurship from various researchers were presented in Table 2.3. The definition of Sharma and Chrisman (1999:18) was adopted for this study, namely, “that corporate entrepreneurship is the process whereby an individual or a group of individuals in association with an existing business, creates a new business or instigates renewal or innovation within the business”.

The literature on corporate entrepreneurship also showed that corporate entrepreneurship has been termed in various ways, such as: corporate entrepreneurship, intrapreneuring, internal entrepreneurship, strategic renewal, corporate venturing, organisational transformation, and industry-rule bending. Corporate entrepreneurship was also described as a process, as an activity and was also regarded as firm behaviour. This study adopted the description that corporate entrepreneurship is a process.

The literature, furthermore, indicated that setting up corporate entrepreneurship is different from a start-up and therefore individual characteristics that foster corporate entrepreneurship should be identified. This process has led to two schools of thought: the trait approach (focuses on individual traits that people possess) and the behavioural approach (concentrating on the types of behaviours specific leaders/entrepreneurs display). Schuler (1986:610) indicates that for high level entrepreneurial activity, factors such as, highly creative and innovative behaviour, a very

long-term focus, highly cooperative and independent behaviour, elevated risk-taking, a high concern for results, great preference to assume responsibility, a high flexibility to change, tolerance of ambiguity and unpredictability, a high task orientation and a focus on effectiveness, are beneficial. However, Hayton and Kelly (2006:410) developed a competency-based framework where they focused on the competencies that a business requires. Business needed their employees to act entrepreneurially instead of considering individual characteristics. They have identified four roles that an individual should perform in a business: innovating, brokering, championing and sponsoring.

Businesses will always encounter certain obstacles in the process of promoting corporate entrepreneurship. The literature review found that systems that inhibit entrepreneurial activity reflect characteristics of oppressive control, inflexible budgeting systems and overly rigid planning systems. Suggestions were given in the literature review of how to overcome obstacles to corporate entrepreneurship, for instance: ineffective administrative bureaucracy should be eliminated, early changes in management avoided, and the required infrastructure, like facilities and financial support, should be provided.

### **6.3.2 Overview of the literature review of HRMPs**

Chapter 3 focused on the human resource management practices that influence corporate entrepreneurship. The literature concurred that the human resource management field has experienced a fundamental transformation from a micro-oriented, bureaucracy-based, tool-driven discipline to one centred on various aspects of the human resource management system corresponding to business strategies. It was further discovered that poorly designed HRMPs constrain entrepreneurial behaviour. The HRMPs of resource planning, training and development, rewards and compensation, employee relations, performance management, recruitment and selection, were researched. Practitioners and researchers agree that human resources can be a source of competitive advantage and employees capable of innovating, risk-taking and who can exchange knowledge, are necessary, along with the reward systems that encourage this type of behaviour.

### **6.3.3 Overview of the literature review on business performance**

Business performance was also discussed in Chapter 3. The literature showed that different methods are used to determine business performance such as market effectiveness, sales volumes, sales growth and new product innovation. Therefore, businesses use both financial and non-financial measures for business performance. Chapter 3 concluded with a discussion on the

relationship between corporate entrepreneurship, HRMPs and business performance. It was determined that HRMPs have an influence on corporate entrepreneurship. Other studies found that corporate entrepreneurship has a positive influence on performance and that corporate entrepreneurship plays a mediator role between HRMPs and business performance.

#### **6.3.4 Overview of the literature on medium and large businesses in South Africa**

Large businesses are not specifically describe in South Africa. Medium-sized businesses are described in the National Small Business Act using different descriptors, such as annual turnover, total full-time paid employees and total gross asset value to describe business size, and it (size) varies according to a specific sector or sub-sector.

### **6.4 OVERVIEW OF THE EMPIRICAL OBJECTIVES**

The empirical objectives of the study are as follows:

- To determine the levels of implementation of the different HRMPs
- To determine the levels of implementation of corporate entrepreneurship
- To determine the factors that influence business performance
- To investigate the relationship between HRMPs and business performance
- To investigate the relationship between HRMPs and corporate entrepreneurship
- To investigate the relationship between business performance and corporate entrepreneurship.

#### **6.4.1 The level of implementation of HRMPs**

The findings that determine the levels of implementation of HRMPs were reflected in Table 5.38 and Table 5.39. The Pearson correlations test was conducted to determine which HRMPs stimulate corporate entrepreneurship. The different HRMPs that were identified during the factor analysis are: employee relations, managerial jobs, compensation practices, skills training, employee development and selection and staffing practices. Entrepreneurial behaviour (corporate entrepreneurship) includes the constructs: innovation intensity, organisational structure and risk propensity. In Table 5.38, both employee relations and compensation practices stimulate corporate entrepreneurship positively with  $r = 0.561$  and  $r = 0.422$  respectively. Managerial jobs have a negative influence on corporate entrepreneurship with  $r = -0.116$ . In Table 5.39, skills training, employment development as well as staffing selection practices have a positive influence on corporate entrepreneurship with  $r = 0.467$ ,  $r = 0.436$  and  $r = 0.476$  respectively.

Based on the correlations, inferences can be drawn that corporate entrepreneurship in businesses is stimulated with better employee relations, staffing selection practices, compensation practices and higher employee development and skills training.

#### **6.4.2 The level of implementation of corporate entrepreneurship**

In this study and according to Table 5.39, the level of implementation of corporate entrepreneurship was mostly determined by selection and staffing practices as  $r=0.476$  was recorded. Four items were recorded for selection and staffing during the factor analysis and these are listed in Table 6.1.:

**Table 6.1: Items for selection and staffing**

HRMP10 The company recruits people based on the right fit	0.844
HRMP12 The company recruits people who share the same set of values and beliefs as the company	0.525
HRMP9 The company has highly selective recruiting programmes	0.413
HRMP14 When recruiting for top management positions, attention is paid to entrepreneurial characteristics (especially creativity, drive for action, autonomy)	0.335

In this study, the businesses response was very high with regards to selecting employees based on the right fit. This means that the corporate entrepreneurship process requires highly qualified people (Hayton, 2005:25). Edralin (2010:33) indicates that the recruitment and selection processes allow the business to selectively hire those employees that share the same beliefs and values as the firm, which is in line with HRMP12 and HRMP10. Edralin (2010:33) also found that recruitment and selection and employee relations are significant enablers of corporate entrepreneurship. The businesses in the study also showed that when recruiting for top management positions, attention is paid to entrepreneurial characteristics which are linked to innovativeness, creativity and autonomy. Florén *et al.* (2016:164) have found that training and development are also enablers of corporate entrepreneurship.

### **6.4.3 Factors that influence business performance**

To determine the factors that influence business performance, a Pearson Correlation was used. Table 5.40 and Table 5.41 were considered. In Table 5.40, business performance was correlated with entrepreneurial behaviour and with the individual items of innovation intensity, organisational structure and risk propensity. Performance is positively influenced by innovation intensity and risk propensity with  $r=0.310$  and  $r=0.185$  respectively. However, organisational structure has a negative influence on performance, with  $r=-0.193$ , which means that there is an inverse movement between performance and organisational structure. If the organisational structure improves it will not lead to an improvement in performance and vice versa. Table 5.41 shows the correlations between HRMPs variables and business performance. None of the correlations have a large effect, only medium and small effects, but the effects were all statistically significant with a p-value of 0.000.

### **6.4.4 The relationship between HRMPs and business performance**

Various authors have conducted research (Zehir *et al.*, 2016:372; Kaya, 2006:2074) to establish the relationship between HRMPs and business performance. Zehir *et al.* (2016:372) indicate in their research that entrepreneurial behaviour mediates the relationship between HRMPs and business performance. Kaya's (2006:2074) findings indicate that HRMPs partially mediates the relationship between corporate entrepreneurship and business performance. In the current study, the regression analysis, as reflected in Table 5.47, indicates that performance is positively related to HRMPs as the  $F=5.039$ , with 9 and 339 degrees of freedom, is significant as shown by the significance level (p-value) of 0.000. It can thus be concluded that HRMPs will influence performance as evidenced by the significant positive p-value of 0.000.

### **6.4.5 The relationship between HRMPs and corporate entrepreneurship**

Various researchers (Edralin, 2010:25; Schmelter *et al.*, 2010:736; Florén *et al.*, 2016:164) have concluded that different HRM functions are found to be significant enablers of corporate entrepreneurship. Edralin (2010:25) and Florén *et al.* (2016:164) determined in their respective studies, where they surveyed large companies, that the HRMPs of employee relations, training and development, and recruitment and selection, are significant enablers of corporate entrepreneurship. Morris and Jones (1993:891), in their study, found that a set of fourteen HRMPs demonstrate a certain internal consistency, for instance, the encouragement of risk-taking and innovative behaviour would seem consistent with individualised performance assessment and compensation. However, longer-term orientation would change the outcome, as

entrepreneurial events take longer to come to fruition. From these findings, it is clear that HRMPs have a significant influence on corporate entrepreneurship. The Pearson correlation test was used to determine the relationship between HRMPs and corporate entrepreneurship. The results in Table 5.40 show that there is a strong positive relationship between innovation intensity and risk propensity and HRMPs with  $r=0.501$  and  $r=0.672$  respectively with a p-value of 0.000. Organisational structure showed an inverse relationship with HRMPs with  $r=-0.163$  in Table 5.41, and a p-value of 0.002 in Table 5.40.

#### **6.4.6 The relationship between business performance and corporate entrepreneurship**

Kaya (2015:662) researched corporate entrepreneurship and firm performance in small and medium-sized enterprises and reported that corporate entrepreneurship positively affected the performance of the studied SMEs. Kaqracaoğlu, Bayrakdaroğlu and San (2013:163) obtained a similar outcome where they found that the dimensions of corporate entrepreneurship, which are proactiveness, innovation and risk-taking, interact mostly with financial performance (such as return on assets, return on equity, net sales/assets). In this study, using the Pearson correlation test, the results in Table 5.41 reveal that a positive relationship exists between innovation intensity and business performance and risk propensity and business performance with  $r= 0.310$  and  $r= 0.185$  respectively, with the p-value of 0.000. However, a negative significant relationship exists between business performance and organisational structure with  $r=-0.193$  with a p value of 0.000 in the same table.

### **6.5 CONTRIBUTION TO THE FIELD OF STUDY**

This study researched how human resource management practices can be applied to encourage corporate entrepreneurship and the influence this has on business performance. It is the first time that a study of this nature has been done in South Africa. Other contributions are as follows:

- This study contributes to the field of corporate entrepreneurship, specifically in South Africa, a developing country.
- Furthermore, considering human resource management is a system of management activities targeted toward the employee base, the results show the possibility of fostering entrepreneurial activity within the business by implementing appropriate HRMPs.
- This has an important implication for human resource management professionals. Namely, the objective should be to hire people with entrepreneurial abilities that are congruent with the corporate entrepreneurship dimensions.



## **6.6 LIMITATIONS**

Cooper and Schindler (2014:613) assert that all research studies have their limitations and the sincere investigator recognises that readers will need help when they judge the study's validity. In this regard the reader should be aware of the following limitations of this research study:

- This was a cross-sectional study and the constraint was for it to be completed in a given period of time. A longer period of time could have given a higher response rate.
- The study was done only in Gauteng and small businesses were not included in the study.
- A census sampling method was followed because it was very difficult to obtain the contact details of the various human resource managers. To ensure a reasonable response rate the entire population was included in the sample.
- The study measured corporate entrepreneurship with three dimensions and the HRMPs with six dimensions. Future research c replicate this study using a broader sampling context.

## **6.7 RECOMMENDATIONS**

Corporate entrepreneurship is a relatively new field in South Africa. South African businesses can take note of international research on how to structure their businesses to become more entrepreneurial. For future research the following recommendations can be made:

- This research study followed a quantitative research methodology, but future research should look into qualitative and quantitative analysis of conditions under which human resource management and corporate entrepreneurship interact.
- A longitudinal study should be conducted to determine whether high levels of entrepreneurial intensity are sustainable over time.
- Research could also be done on how the corporate entrepreneurial process develops and how to successfully exploit opportunities in a South African context.
- Research on the same topic could be conducted to include the other provinces so that a comparison can be done on how human resource management practices influence corporate entrepreneurship and subsequently business performance across South Africa.
- This research study focused on businesses that have 50 or more employees, therefore another study could be done to research how human resource management practices influence the implementation of corporate entrepreneurship in smaller businesses.

- Further research could be conducted to examine how HRMPs interact with other organisational variables that influence entrepreneurship.

The study has the following managerial implications:

- Businesses should assess their entrepreneurial intensity and climate for corporate entrepreneurship to identify gaps and to address them if they want to develop corporate entrepreneurship in their businesses.
- Not only top and senior level management, but all the employees in the business need to undergo training and development in corporate entrepreneurship and innovation.
- Entrepreneurial activity is driven by individuals, who are people who believe in behaving entrepreneurially. Therefore, the more a business can exhibit entrepreneurial qualities, the greater the ability to achieve innovation success.
- Corporate entrepreneurship needs to be integrated throughout the entire business.
- This study provided evidence that human resource management practices through corporate entrepreneurship influences business performance.

Research, and this study, have shown that businesses that want to be successful in terms of corporate entrepreneurship and innovation need to adhere to the following principles:

- Organisational structure should strive to negate highly structured job roles and encourage more results-orientated job roles, so that employees implement their own ideas, which allows them the freedom to think and act in unconventional ways.
- Recruitment and selection practices should be aligned to the planning practices as they stimulate employee characteristics such as innovativeness, creativity, risk-taking and cooperativeness.
- Businesses should strive to recruit employees that share the same beliefs and values as the business.
- Businesses that wish to be entrepreneurial and want to attain entrepreneurial employees should have compensation and rewards systems that promote corporate entrepreneurship and innovation.
- Businesses should provide training and development to employees that is continuous, less standardised and that focuses on individual knowledge requirements.

- Businesses are encouraged to have results-driven performance management, as results are the closest indicators of one's contribution to the business's performance.
- Performance management should, therefore, emphasise results criteria, use longer term criteria, encourage higher employee participation and recognise the accomplishments of groups of individuals.
- Businesses that want to be competitive should have good employee relations. Regular communications, respecting and treating employees fairly are beneficial for every business.
- Human resources can be a source of competitive advantage and should be managed strategically.
- Businesses should strive to create a corporate environment in which those who believe in the attractiveness of an opportunity should feel encouraged to pursue it.
- Managers should identify the desired levels of entrepreneurship and then determine the corresponding levels of particular HRMPs necessary to achieve the entrepreneurship performance goal.
- Businesses should adjust their policies or develop new policies to ensure that corporate entrepreneurship is enforced through human resource practices that encourage an entrepreneurial spirit which could lead to better financial performance.

## **6.8 SUMMARY AND CONCLUSIONS**

The literature review of the study introduced various important elements of corporate entrepreneurship and how to foster and develop corporate entrepreneurship. In this chapter, the major aspects of corporate entrepreneurship were highlighted with regard to the primary and secondary objectives. The hypotheses were revisited, summarised, and an indication was given to whether they were accepted or rejected.

The findings of the empirical part of the study indicated that corporate entrepreneurship is stimulated with better employee relations, selection practices, compensation, higher employee development and skills training. When recruiting for top management positions, attention must be paid to entrepreneurial characteristics, which are linked to innovativeness, creativity and autonomy. Selection and staffing are the most significant drivers of corporate entrepreneurship. The study also found that HRMPs influence business performance and that a positive relationship exists between innovation intensity and business performance, and risk propensity

and business performance. The results further show that corporate entrepreneurship is a mediator between HRMPs and business performance.

Hopefully, the findings of the study will serve as a motivation and guideline for businesses in South Africa to assess their entrepreneurial intensity and corporate entrepreneurial climate. The findings can also be used to innovate human resource management practices and to encourage entrepreneurial behaviour.

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## APPENDIX A: QUESTIONNAIRE

### THE INFLUENCE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON CORPORATE ENTREPRENEURSHIP AND THE CORRELATION TO THE BUSINESS PERFORMANCE OF MEDIUM AND LARGE BUSINESSES IN GAUTENG.

Good day participant

I am Magaret Phillips, a doctoral student at the Vaal University of Technology. I am conducting a survey amongst members of management to gain a general understanding of how entrepreneurial human resource management practices are applied in corporate businesses. I would appreciate some of your valued time and input. The questionnaire will take approximately 20 minutes to complete. You will remain anonymous and none of the information requested will enable anybody to identify you as an individual. Your participation in this study is voluntary and you can refuse to participate or stop at any time without stating a reason. All your answers are treated confidentially and will only be evaluated on an aggregated basis. I would appreciate it if you could please complete this survey for me.

#### SECTION A: DEMOGRAPHIC DATA AND BUSINESS INFORMATION

##### 1. What is the type of business (or what does your organisation do?)

Agriculture	1
Mining and quarrying	2
Manufacturing	3
Electricity, gas and water	4
Construction	5
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	6
Transport, storage and communication	7
Catering and accommodation	8
Community, social and personal services	9
Finance, insurance, real estate and business services	10

## **2. Gender**

Male	1
Female	2

## **3. What is your age range?**

Between 21 and 30 years	1
Between 31 and 40 years	2
Between 41 and 50 years	3
Between 51 and 60 years	4
61 plus years	5

## **4. Ethnicity**

Black	1
Coloured	2
Indian/Asian	3
White	4

## **5. Highest educational qualification**

Grade 11 or lower (Std. 9)	1
Grade 12 (Matric or Std. 10)	2
Post matric diploma or certificate	3
Bachelor's degree(s)	4
Post Graduate degree(s)	5

**6. How many years have you been with this organisation?**

Less than 6 months	1
Between 6 to 12 months	2
Between 1 to 5 years	3
Between 6 to 10years	4
Between 11 to 15 years	5
Between 16 to 20 years	6
More than 20 years	7

**7. Which of the following describes your level of management?**

Top management (CEO)	1
Senior Management (Director)	2
Middle Management (Business manager, HR manager, Project manager, Development manager, etc.)	3
Junior Management (Team manager, Sales manager, Marketing manager, Team leader etc.)	4

**8. How many years have you been in your present position?**

Less than 6 months	1
Between 6 to 12 months	2
Between 1 to 5 years	3
Between 6 to 10 years	4
Between 11 to 15 years	5
Between 16 and 20 years	6
More than 20 years	7

**9. For the past 3 years how many employees did your company have?**

	2015	2016	2017
How many employees did your company have?			

**10. In which category does your company's turnover fall in terms of the financial years below?**

	2015	2016	2017	
Up to R50 million	1	2	3	10.1
R50-100 million	1	2	3	10.2
R101-150 million	1	2	3	10.3
R151- 200 million	1	2	3	10.4
R201- 250 million	1	2	3	10.5
More than R250 million	1	2	3	10.6

**11. How would you rate your company's performance in terms of the following for the past 3 years (2015, 2016 and 2017) on a scale of 1 to 5 where 1 = decreased significantly, 2= decreased, 3=remained the same, 4= increased and 5= increased significantly?**

		Decreased significantly	Decreased	Remained the same	Increased	Increased significantly
1	The overall level of financial performance e.g. company profit, net financial results	1	2	3	4	5
2	The overall level of market share in percentage	1	2	3	4	5
3	The overall development of cost base, e.g. production cost, operating expenses	1	2	3	4	5
4	The overall level of assets acquisition	1	2	3	4	5
5	The overall satisfaction of customers	1	2	3	4	5



## SECTION B: ENTREPRENEURIAL BEHAVIOUR

We are interested in determining how entrepreneurial your organisation is. Please read the following statements. For each of the following statements in this section please indicate to what extent you agree or disagree. Please indicate your answer using the following five-point scale.

1 = Strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree

### 12. Organisation Structure

Our organisation is characterised by:		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	A flat organisational structure	1	2	3	4	5
2	Many standards and procedures that everyone must follow	1	2	3	4	5
3	Open channels of communication	1	2	3	4	5
4	The fact that employees can take decisions within their scope of responsibilities	1	2	3	4	5

### 13. Indicate the business's risk-propensity

Risk-propensity		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company has a strong inclination/tendency to low risk projects with certain return rates	1	2	3	4	5
2	The company never pursues any projects that could potentially result in any kind of loss	1	2	3	4	5
3	The company shows the mind-set to best explore the environment gradually via timid, incremental behaviour.	1	2	3	4	5
4	The company typically adopts a wait-and-see posture in order to minimise the probability of	1	2	3	4	5

Risk-propensity		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	making costly decisions					
5	A top management philosophy that emphasises proven products and services and the avoidance of heavy new product development costs	1	2	3	4	5

#### 14. The firm's proactiveness

Proactiveness		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company tries to anticipate developments in the market in order to adjust to changes quickly	1	2	3	4	5
2	The company responds to actions, which competitors initiate	1	2	3	4	5
3	The company is seldom the first business to introduce new products compared to our competitors	1	2	3	4	5
4	A high rate of new product/service introduction compared to competitors (including new features and improvements)	1	2	3	4	5

#### 15. The business's innovation intensity

Innovation intensity		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company has a strong emphasis on research of new products/services and processes	1	2	3	4	5
2	The company has a strong emphasis on the development of new products/services and processes	1	2	3	4	5
3	Changes in products and service offerings have been mostly of a minor nature	1	2	3	4	5
4	Changes in product and service offerings have been radical and major	1	2	3	4	5
5	The changes in new products and services are	1	2	3	4	5

Innovation intensity		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	better than that of our competitors					
6	New products and services introduced did not exist in the market before	1	2	3	4	5

### **New product introduction**

#### **16. Did your company introduce any new products during the past year?**

Yes	No
1	2

#### **17. Did your company introduce any significant new methods or operational processes over the past two years? (Examples of process innovations include new systems for managing customer service and inventories, improved process for collecting receivables, a major new sales or distribution approach, etc.)**

Yes	No
1	2

#### **18. Which of the following methods does your organisation use to recognise innovative behaviour (new ideas and improvements)? (Indicate all the ones that apply in your organisation)**

		Agree	Disagree
1	Salary raise	1	2
2	Promotion	1	2
3	Recognition rewards such as certificates or prizes	1	2
4	Once-off bonus	1	2
5	Profit-sharing	1	2
6	Stock ownership	1	2

**19. Approximately what percentage of your senior management's time is devoted to innovation?**

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**SECTION C: HUMAN RESOURCE MANAGEMENT PRACTICES**

Each of the following questions focuses on characteristics of human resource management practices. For each of the following statements in this section, please indicate to what degree these statements best describe your company's human resource management practices. Please indicate your answer using the following five-point scale.

1 = Strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree

**20. Job descriptions**

Managerial job description		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Implicit and loosely written	1	2	3	4	5
2	Explicit and specifically written	1	2	3	4	5
3	Emphasises results over processes and procedures	1	2	3	4	5

**21. Structure of managerial jobs**

Managerial jobs		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Unstructured: bounded by few policies or procedures	1	2	3	4	5
2	Highly structured: bounded by many policies and procedures	1	2	3	4	5
3	Broad in scope: wide variety of duties and responsibilities	1	2	3	4	5
4	Managers are free to take decisions within their	1	2	3	4	5

	scope of responsibilities					
5	Open channels of communication	1	2	3	4	5

## 22. The firm's selection and staffing practices

Selection and staffing practices		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company has highly selective recruiting programmes	1	2	3	4	5
2	The company recruits people based on the right fit	1	2	3	4	5
3	The company finds new workers through referrals from existing employees	1	2	3	4	5
5	The company recruits people who share the same set of values and beliefs as the company	1	2	3	4	5
6	In our company, possibilities exist to be promoted	1	2	3	4	5
7	When recruiting for top management positions, attention is paid to entrepreneurial characteristics (especially creativity, drive for action, autonomy)	1	2	3	4	5
8	Open management positions are often filled with external candidates	1	2	3	4	5

## 23. Employee performance appraisal practices

Employee performance appraisal		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Employees are involved and participate in the process	1	2	3	4	5
2	Managers provide constructive feedback on employee's performance	1	2	3	4	5
3	The company prefers continual coaching rather than overreliance on formal performance evaluation	1	2	3	4	5
4	Emphasis on the way the job is performed (results or outcomes driven)	1	2	3	4	5
5	Encourages innovative behaviour	1	2	3	4	5
6	Encourages high-risk taking	1	2	3	4	5

## 24. The firm's training and development practices

Training and development programmes		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company encourages employees to take some responsibility for their own development	1	2	3	4	5
2	The company fosters a culture of growth	1	2	3	4	5
3	The company identifies its own future leaders	1	2	3	4	5
4	The company invests time in developing their managers/leaders	1	2	3	4	5
5	The company invests time in developing high potential employees	1	2	3	4	5
6	Training provided with a focus on interpersonal skills (capacity for teamwork, conflict management, etc.)	1	2	3	4	5
7	Training provided with focus on creativity (creativity methods, problem-solving skills)	1	2	3	4	5
8	Training provided with focus on the enforcement of ideas, innovations (project management, resource sourcing and networking)	1	2	3	4	5
9	Training is ongoing (continuous)	1	2	3	4	5

## 25. The firm's compensation practices

Compensation practices		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company properly acknowledges and adequately compensates performance	1	2	3	4	5
2	The company offers flexible benefits that are tailored to the diverse needs of the employees	1	2	3	4	5
3	The company gives cash incentives not only to recognise good performance but also to encourage employees	1	2	3	4	5
4	The company provides financial rewards other than salary	1	2	3	4	5

Compensation practices		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
5	The salaries of management are linked to the success of the company	1	2	3	4	5
6	Creativity and the ability to take entrepreneurial risks play a part when management is appraised and paid	1	2	3	4	5
7	Earnings of management are linked to the results that were achieved through innovative initiatives	1	2	3	4	5
8	Success through the development of new activities (e.g. capture of a new market, introduction of a new product, etc.) plays a central role for personal career development within your company	1	2	3	4	5
9	Creative ideas are highly appreciated	1	2	3	4	5
10	Innovative employees with the ability to get the job done enjoy a good reputation	1	2	3	4	5

## 26. The firm's employee relations practices

Employee relations		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Managers communicate the company's business strategy	1	2	3	4	5
2	Managers' beliefs are based on values, such as respect for their people; they guide the company with what they do more than simply running the company with strategies	1	2	3	4	5
3	The company is focused on team-oriented culture	1	2	3	4	5
4	The company has systems and practices in place that inspire the workforce to do their best	1	2	3	4	5
5	Managers utilise every communication channel possible to help employees understand the company's direction	1	2	3	4	5
6	Managers provide frequent and continuous communication regarding their expectations to the employees	1	2	3	4	5

Employee relations		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
7	The company gives more control over how, when, for whom and where the employees work	1	2	3	4	5
8	The company is transparent in decision-making	1	2	3	4	5
9	The company has a clear-cut communication flow between managers and subordinates	1	2	3	4	5
10	Managers consult employees when major changes are made in the company	1	2	3	4	5
11	The company is open to criticism	1	2	3	4	5



## APPENDIX B: LETTER FROM THE LANGUAGE EDITOR

05/11/19

### EDITING REPORT

Thank you for the opportunity to edit the Doctoral thesis entitled:

THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES, CORPORATE ENTREPRENEURSHIP AND BUSINESS PERFORMANCE IN MEDIUM AND LARGE BUSINESSES IN GAUTENG PROVINCE

Track changes have been used to amend the document, and the student may accept or reject changes as she sees fit. Where I may not have been sure of what the student intended, I merely posed a question. Please delete my comments prior to publication. There are a substantial number of changes that have been made, although whether they adhere to the style guidelines of the institution, is up to the student to ensure. The following are some of the main language issues that have been addressed in the edit:

With regard to references, there are one or two that I have flagged as incomplete, which the student will need to address from his original sources. Where I could spot-check the correct reference, I would do so, but the editing service covers style guidelines only, namely, punctuation, etc. not determining whether each reference has been sourced correctly.

In the text, when quoting references, there are some errors in the punctuation with regard to the *et al.* A comma is only required when quoting inside a bracket (i.e. when used within a bracket, it will be written as *et al.,*). This has been changed accordingly.

There were quite a number of punctuation issues in the thesis, mainly with the incorrect or under-use of commas and missing full stops. When writing "According to (author,year:page)", there is a comma after the bracket, for example. There were also extra spaces between words, or in some cases no spacing. These have been corrected as far as possible.

The main changes that had to be made related to tense changes (writing in past tense, instead of present tense), for example, when referencing a source, one uses the present tense as the source is still current or valid. There were various incorrect prepositions and pronouns being used often as well as words which were used out of context or are too clichéd for academic writing. In many instances, the incorrect conjunctions were used or conjunctions were missing altogether. There were some issues with pronoun/verb agreement, for example "they have", not "they has". These have all been corrected as far as possible. The percentage (%) symbol should not be used in the text, but should be written in full, i.e. percent. All these changes have been listed within the document.

Throughout the thesis, the abbreviation HRMP was used, which should be HRMPs as the term is referring to management practices, not practice. Of course, it is important to use the same language style and terminology throughout the document. Another terminology question mark

was around the term selection staffing practices, which I think should rather be staffing selection practices, but I have highlighted it, for the student to amend or not, as perhaps this is a Human Resource term that I am not familiar with. There is also reference to t-value t in many places, I suggest this be only t-value?

A fundamental error which appears in the tables in Chapter 5 is that they do not tally with the total number of respondents, meaning there is perhaps some missing data, or the neutral responses were not recorded, or in some instances the count is higher than the number of respondents, or a different number of respondents totalled for each row. There are quite a few calculation errors too in the transferring of the percentages, etc. I only picked up a few of these errors, but I do not actually check calculations as part of the editing service. This will need to be double checked by the student.

There were quite a substantial number of letters that were transposed in words, numerous times, for example, “entreprnersihp”, instead of entrepreneurship, as one example, or “businness” instead of businesses. I feel compelled to point out that if this document was language editing previously, as indicated per the letter in the Annexure, then the student should insist on a refund, as a simple spell check, which can be done as a matter of course on whatever office programme is being used, was not even done, and innumerable, major errors were overlooked by the first editor, which is alarming.

Please note that I am unable to edit some of the diagrams, as they are in a read-only format. I have made comments if there were any errors in diagrams. Any changes to be made will have to be affected by the student before final publication.

While every effort has been made to edit wholly and completely, I cannot be liable for any inadvertent oversight. The final responsibility lies with the student to enact the changes and to check final formatting (as in most cases when a document is edited, it will affect, spacing, formatting, etc.). The student should be especially aware of beginning a new chapter on a new page, or diagrams being split over two pages after the changes have been accepted, as after editing, text may have shifted to a new page, and so forth. Tables may also in some cases, be split over two pages, in which case the student should determine that the table headings are repeated on the next page. The student should recheck that the page numbers in the Table of Contents remain the same, as a section may have shifted to a new page after the edit.

I wish the student every success with the finalisation of her thesis. Please do not hesitate to contact me with any queries or follow-ups.

Best regards

Dr Andrea Garnett  
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