

**INTRAPRENEURIAL ORIENTATION, SOCIAL NETWORKS  
AND FIRM PERFORMANCE**

**BY**

**SYLVIA .M. AARAKIT  
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## DECLARATION

I, Sylvia .M. Aarakit, declare to the best of my knowledge that this research report is my own original work and has not been published and/or presented for any other degree award to any other university or higher institution of learning before.

Signed: ----- Date: -----

SYLVIA .M. AARAKIT

2008/HD10/14233U

**APPROVAL**

This is to certify that this dissertation had been submitted with our approval as University Supervisors.

Signed: ----- Date: .....

Dr. Joseph Ntayi

Makerere University Business School

Signed: ----- Date: -----

Dr. Isaac .N. Nkote

Makerere University Business School

## **DEDICATION**

I dedicate this research report to the Almighty God, who always opens opportunities for me, my mother Deborah, my father Sam, my husband Julius and my children Emily and Elly.

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## **LIST OF ABBREVIATIONS**

CVI:	Coefficient of Variation Index
ECA:	Economic Commission for Africa
GDP:	Gross Domestic Product
MFPEDE:	Ministry of Finance Planning and Economic Development
MPED:	Ministry of Finance Planning and Economic Development
OECD	Organisation for Economic Cooperation and Development
SMEs:	Small and Medium Enterprises
UBOS:	Uganda Bureau of Statistics
UMA:	Uganda Manufacturers Association

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## **ABSTRACT**

The purpose of this study was to investigate the relationship between intrapreneurial orientation, social networks and firm performance. The study was guided by the following research objectives; to examine the components of intrapreneurial orientation, to examine the components of social networks, to establish the relationship between intrapreneurial orientation and firm performance, to establish the relationship between social networks and intrapreneurial orientation, to establish the relationship between social networks and firm performance, and to examine the predictor effect of the components on firm performance

A cross sectional research design was adopted which involved descriptive, correlation and regression approaches. A sample of 117 firms was selected from the two subsectors of bakery manufacturing and beverage manufacturing in the four divisions of Kampala district. The respondents were purposively selected from each stratum. Findings revealed that there was a significant positive relationship between all the study variables of intrapreneurial orientation, social networks and firm performance. Results from the regression analysis showed that intrapreneurial orientation and social networks significantly predicted 39% of firm performance.

It was recommended that owner managers need to put in place policies and programs to support intrapreneurs. This should begin with a diagnosis of their personal characteristics and motives aimed at strengthening proactiveness and innovation that builds a base for more improved firm performance. Also small firms should focus on creating a user friendly environment that enables employees to voice out their endeavors and discoveries.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

Firms form the bedrock of most economies. They are frequently the prime source of new jobs and play a crucial role in income generation (Ocici, 2007). For instance: 80% of businesses in Congo are small firms, about 3.2 million people in Kenya are employed in small firms, and contributes 20% of the national GDP, small firms also account for 70% of jobs in Nigeria while about 90% of all industrial firms in Morocco are small, providing 30% of exports and 46% of the total Jobs. Similarly in South Africa, these firms provide about 55% of jobs and 26% of the GDP (OECD, 2005). In Uganda, small firms constitute over 90% of the investment in the private sector, contributing 75% to the GDP and employing over 2.5 million people (UBOS, 2007). Currently the beverage and bakery manufacturing subsectors are said to have a high start-up rate but contributing less than 38% of the manufacturing employment and output (Randall, 2008 & ECA, 2009).

Findings show that, the impressive contribution of big firms in developed economies stems from intrapreneurship (Antoncic & Hisrich, 2001). They viewed intrapreneurship as entrepreneurship within an existing organization, referring to emergent behavioral intentions and behaviors of an organization that are related to departures from the customary (Coulthard & Loos, 2007). The results of the above study support the notion that intrapreneurial orientation is an important predictor of firm growth in terms of absolute growth and relative growth. Likewise, Kakati (2003) discovered that intrapreneurial orientation is the key factor for survival and competitiveness for both big and small firms, successful firms develop various intrapreneurial capabilities to support their business strategies, and then obtain outstanding firm performance. Monnavarian & Ashena (2009) further observed that intrapreneurial orientation helps firms to

face the complexity provoked by globalization, and becomes instrumental for business survival, growth, profitability, and market competitiveness.

The research findings in China show that the organizational environment helps firms to deal with continuous changes and uncertainty in the market while social networks are mandatory to accessing productive resources that motivate intrapreneurs towards business continuity and growth performance since the key likely problems of any firm is growth and survival (Zhang & Yung, 2006). Thus, to increase better performance probabilities, small firms with resource restrictions, need not only to be integrated but also to lay emphasis on building a cooperative environment through Social networking (Otero-Neira, Lindman, & Ferná ndez, 2009).

While studies have to a great extent emphasized intrapreneurial orientation as having an impact on firm performance, most of them are based on the context of big corporations in developed economies (Peng & Shekshnia, 2001; Dail *et al.*, 2002; Gartner and Birley, 2002., Ireland et al., 2003). Walter *et al.* (2004), and Bewayo (2004), point out that, small firms in Uganda are started as a result of necessity factors and entirely managed by a single individual. As a result, the firms continue to present several problems such as high failure rate, low sales & market share, uncompetitiveness and product duplication (Kasekende & Opondo, 2003, Hatege, 2007). Similarly Ocici (2007) admits that the rate at which the Small firms collapse is on the rise and may continue to increase if nothing is done to avert the situation.

Reports by Hatege (2007) show that 90% of the small businesses rarely participate in social networking activities and those that are noted to have a network relationship usually engage in a single relationship. Whereas studies conducted in S. Africa show that most small firms stagnate at start-up stage due to limited intrapreneurial capabilities (OECD, 2005), reports by Ocici (2007)

and Warlow (2009) show that, 30%-80% of small businesses that start each year in Uganda, collapse within a period of not more than 12 to 24 months. Bewayo (2004) revealed that 26% of the 208 entrepreneurs he surveyed in Kampala and Wakiso had ever experienced a failed business and 70% knew someone who has experienced a failed business. Further, evidence from the Uganda National Chamber of Commerce (2009) revealed that 80% of the beverage and bakery manufacturing firms had duplicated similar products and more than 50% of the firms started don't celebrate their first birthday. Similarly these firms were reported to remain small, with a reputation of producing related products and being unimaginative (Warlow, 2009 & UMA Report, 2009). Such undesired features may be attributed to weak social ties necessary for resource acquisition, limited intrapreneurial capabilities to ensure entrepreneurial opportunities are identified and exploited.

Given the special contribution that the manufacturing sector plays, this paper examines the effect intrapreneurial orientation and social networking may have on small manufacturing firms, which might lead to their improved performance.

## **1.2 Statement of the Problem**

The beverage and bakery manufacturing subsectors are reported to have the increasing number of new business start-ups (UBOS 2007 & Hatega, 2007). However, these local firms are characterized by poor firm performance in terms of low market shares, low sales, uncompetitiveness, product duplication and high closure rates in the initial years of operation. Whereas many factors related to business failure could be addressed through government and private sector initiatives such as programmes aimed at increasing access to long-term development finance and management trainings (MPED, 2008 and Back ground to the Budget,

2009), the persistent poor performance of small manufacturing firms could probably be attributed to low levels of intrapreneurial orientation and inadequate social networks.

### **1.3 Purpose of the Study**

The study investigated the relationship between intrapreneurial orientation dimensions, social networks and firm performance.

### **1.4 Objectives of the Study**

- i. To examine the components of intrapreneurial orientation and social networks.
- ii. To establish the relationship between intrapreneurial orientation and firm performance.
- iii. To establish the relationship between social networks and intrapreneurial orientation.
- iv. To establish the relationship between social networks and firm performance.
- v. To examine the predictor effect of the components on firm performance

### **1.5 Research Questions**

- i. What are the components of intrapreneurial orientation and social networks
- ii. What is the relationship between intrapreneurial orientation and firm performance?
- iii. What is the relationship between social networks and intrapreneurial orientation?
- iv. What is the relationship between social networks and firm performance?
- v. What is the predictor effect of the components on firm performance?

## **1.6 Scope of the Study**

- **Geographical Scope**

The study focused on beverage and bakery manufacturing firms in Kampala. The five divisions of Nakawa, Kawempe, Rubaga, Makindye and Central were covered because these areas have the highest concentration of manufacturing businesses according to UBOS Report 2006/2007.

- **Subject Scope**

The study focused on intrapreneurial orientation, social networks and firm performance of small and medium scale beverage and bakery manufacturing firms.

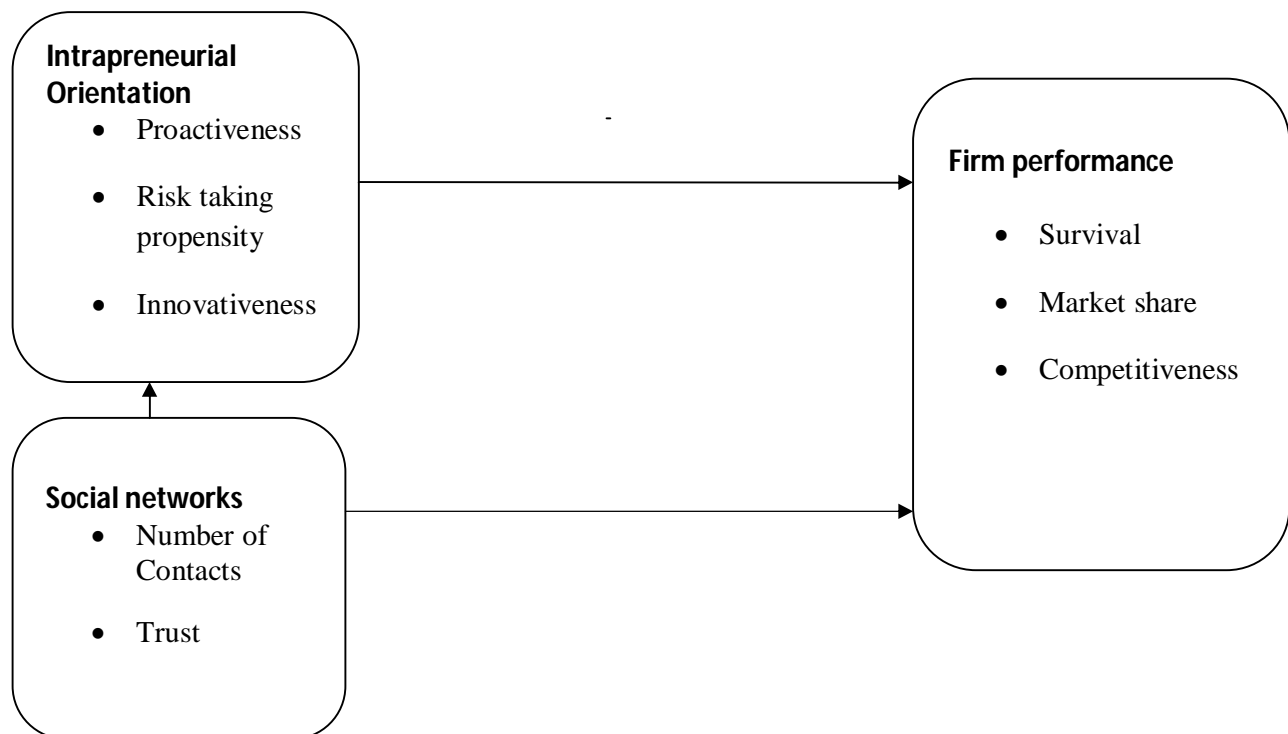
## **1.7 Significance of the Study**

- i. The results of the study will help the entrepreneurs and company executives to appreciate the value of intrapreneurial capabilities in providing wide skills necessary for firm performance
- ii. The findings and the recommendations of the study will help policy making bodies in both private and government programs to develop strategies that will address the pressing needs of the small manufacturing firms.
- iii. The findings will also give insights for intrapreneurship research and point out areas of further research for Academicians.

## 1.8 The Conceptual Framework

The conceptual frame work for the study is developed from exiting literature and the model illustrates the relationship between intrapreneurial orientation, social networks and firm performance.

**Figure 1: Conceptual framework**



**Source:** self developed from literature review (Pena, 2002.Nerys & Eysyllt, 2004, Christian et al., 2006, Zhang and Si, 2008, Lumpkin, Congliser & Schneider, 2009)



### **Description of the conceptual framework**

The level of intrapreneurial orientation influences firm performance in terms of survival, market share growth and competitiveness; however the level of influence is moderated by the prevailing environment within the firm. Similarly the existing social networks influence on firm performance directly but could at the same time influence the level of intrapreneurial orientation within the firm.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

## **2.1 Introduction**

This chapter brings out the existing literature on intrapreneurial orientation, social networks and firm performance as discussed by different authors. It brings out an appreciation of what has been done on the variable under study but also the gaps that were identified in the existing body of literature.

## **2.2 Intrapreneurial orientation**

In previous research, intrapreneurship has been defined in several ways: as a process by which individuals inside organizations pursue opportunities independent of the resources they currently control, as doing new things and departing from the customary to pursue opportunities, as a spirit of entrepreneurship within the existing organization and as creation of new organizations by an organization (Hisrich and Peters, 1998).

An intrapreneurial organization concentrates on encouraging creative behaviours among the employees and thus benefits by initiating development of new products, processes or systems to maintain and increase the presence in the market place (Hitt *et al*, 1999). Individuals pursuing entrepreneurial efforts within an existing organization are referred to in the literature as corporate entrepreneurs (Kuratko & Goldsby 2004) or intrapreneurs (Pinchot 1985). The terms “corporate entrepreneurship” and “intrapreneurship” are used within the literature to refer to entrepreneurship within the confines of an existing organization. Vandenbrande (2009) defines Intrapreneurship as practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities. It is practiced by employees within an established organization using a business model

The concept of considering entrepreneurship at firm level is the starting point for this study. Miller (1983) noted intrapreneurship as a multidimensional concept comprising three dimensions: innovation, proactiveness and risk taking. In regard to this, Intrapreneurial orientation therefore, is described as a dimension of strategic posture represented by individual's risk taking propensity, tendency to act in a competitively aggressive, proactive manner and reliance on frequent product innovation (Pinchot 1985, Bamber *et al.*, 2002).

However scholars like Lyon, Douglas, Lumpkin, and Dess (2000) viewed intrapreneurial orientation as a mindset that is focused toward entrepreneurship and is manifested in the processes, practices, and culture of the organization. Organizations are said to have intrapreneurial orientation when a group of innovative organizational members are working together, producing fresh ideas and they are provided with a prevailing atmosphere conducive to acting on those ideas (Miles and Arnold, 1991). Although various definitions have been used, there is some consistency across them in that, most researchers agree that Intrapreneurial orientation involves an acceptance and encouragement of individual behaviours, specifically innovativeness, risk-taking, and proactiveness (Pinchot 1985, Matsuno, Mentzer and O'zsomer, 2002, Antoncic, Bostjan, 2003).

The concept has three distinct dimensions while differing somewhat in their emphasis, activities and orientations, these dimensions pertain to the same concept of intrapreneurship because they are factors of Schumpeterian innovation, the building block of entrepreneurship (Antoncic & Hisrich, 2001). Within this stream of dimensions, innovativeness is defined as a predisposition towards seeking novel opportunities and solutions; risk taking is defined as a willingness to attempt to capitalize on an opportunity in the face of uncertainty; and proactiveness represents a tendency toward a perspective that is forward-looking in nature and both recognizes and anticipates opportunities (Dess and Lumpkin 2005). This study will therefore adapt the three

dimensions of innovativeness, risk taking propensity and proactiveness as advanced by Pinchot (1985) and operationalised by Dess and Lumpkin (2005).

### *Innovativeness*

Innovation has long been acknowledged as important to the long-term growth and success of small firms. A successful company is conditioned not only by the organization's capacity to determine market needs; the individuals must also find the best way of satisfying customers through competitively viable offers. Innovation is perhaps the tool to achieve such offers (Han et al., 1998). Innovation can be considered as a necessary ingredient for firms simple wanting to remain competitive (Darroch and McNaughton, 2002). Covin and Miles (1999) suggested that intrapreneurship would not exist without innovation. They defined innovation as the individual's tendency to seek for new ideas and experiment those creative ideas earlier than competitors. Customers are increasingly requiring unique, personalized products and sales solutions. In fact, one of the most widely shared characteristics among successful employees is the adoption of an innovative, creative work approach

In addition, a number of authors have linked innovation to firm performance. Bradmore (1996) said that innovation enhances firm performance through the successful implementation of new ideas, similarly Neely and Hii (1998) suggested two views on how innovation affects firm performance. The first view is aligned towards strengthening the firm's competitive position in relation to its competitors and the second view argued that the process of innovation transforms a firm fundamentally by enhancing its internal capabilities, making it more flexible and adaptable to market pressures than non- innovating firms. These views are in line with the findings of Singh (1993) who concluded that business environments and sales interactions present to firms unstructured and ambiguous problems precisely the context in which innovativeness is

particularly useful. Furthermore, research on innovation has shown that it encourages information collection and utilization which are crucial to creating customized solutions (Robertson & Yu, 2001). Because of the value of an innovative approach in uncertain environments and the extent to which such an approach encourages information gathering and utilization, this study has confirmed the strong believe that innovativeness, and hence, an intrapreneurial approach, will enhance firm performance

### *Risk-Taking*

Lumpkin and Dess (1996) defined risk taking as venturing into unknown. Several scholars argue that in any manufacturing establishment, some amount of uncertainty exists. Even in routine business, there is a chance that the client will be dissatisfied in some way. This is because in addition to monetary risk, it typically entails psychological and social risk. In manufacturing like the service setup, the potential for uncertainty is even greater as the customer ultimately determines the product. Weber and Milliman (1997) found that in decision-making, individuals have a tendency to be drawn toward or repelled by alternatives which they believe to have more or less risk. Research on risk-taking as a predisposition has shown that a propensity toward risk decreases the assessment of risk, thus leading to more risky behaviour (Sitkin and Weingart 1995). The more willing and able the employees are to engage in risky behaviour; the more comfortable they feel with changing market needs.

### *Proactiveness*

By nature, people who are proactive believe that they can create change in their environment (Crant 2000). Such individuals prefer to take initiative in an attempt to control the environment rather than to passively observe events around them and react (Bateman and Crant 1993). Prior research on proactiveness has found that not only does this trait predict career success but it also

leads to greater career initiative such as voluntary skill development (Crant 2001). Additionally, a proactive personality enhances motivation to learn as measured by one's wish to participate in and learn from training experiences (Major, Turner, and Fletcher 2006). Therefore, proactive employees who strive to get the most out of their jobs are more likely to feel competent and ready to act in a dynamic business environment. In general, both production and sales activities involve tasks which require some level of proactiveness such as asking questions to determine the most appropriate products and services, actively pursuing prospects through follow-up, asking for the sale, and identifying unmet customer needs. An employee that proactively pursues opportunities, gains knowledge of the potential markets, his or her specific target market, and the relevant decision information, will be more likely to successfully target markets with a particular unmet need and also more likely to create consistent contact between the firm and the customer.

A number of authors have further identified another component of proactiveness, which they describe as the intensity of the firm's efforts to outperform industry rivals and taking them head on at every opportunity. This has been defined as aggressive competitiveness. It is characterised by strong offensive posture which is directed to overcoming competitors (Lumpkin & Dess, 1997). Venkatraman (1989) suggested that competitive aggressiveness is accomplished by setting ambitious market share goals and taking bold steps to achieve them.

Despite these arguments advanced on intrapreneurial orientation, none of the previous studies tries to explain which dimension could explain the better/ or poor performance of small manufacturing firms prevalent in developed and developing countries respectively. Still unclear from these studies is whether the intrapreneurial capabilities exhibited by firm employees are affected by the prevailing environment in the organisation as well as their ability to participate in social networks. This study therefore provides empirical evidence to fill these gaps by examining the relationship between these variables.

### **2.3 Social networks**

Social networks are an increasingly popular form of alliance in most businesses, and small firms are not an exception (Nerys & Esyllt, 2004). It can be said that all companies are part of a network to some extent. Each company develops a relationship with its suppliers, customers and with other businesses in the same industry, and this can include competitors. This type of co-operative agreement enables companies to achieve their aim by co-operation rather than by competition. Nohria (1992) described networks as a form of collaborative relationships that firms enter into with their partners for strategic reasons. Hagedoorn and Shakenraad (1994) on the other hand define networks as “flexible modes of governance”. Carson et al (1995) further described networking in a small business context as “an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings. The term networks also describes a collection of “actors” (people, departments or businesses), and their strategic links (family, community, finance, business alliances) with each other (Johnsen & Johnsen, 1999). However, Coulthard and Loos (2007) generalized networking to include the exchange of friendship, information, benefits and influence. But for purposes of this study, networks are defined as voluntary arrangements between firms aimed at providing a competitive advantage for the participants.

Barnir and Smith (2002) note that social networks are important for small firms because they provide additional resources as well as emotional support. Gulati (1998) explored the theory that networks are governed by social context and the interaction of the actors within the network rather than economic factors. The role of informal networks is also very important. These can be in the form of friendships, informal advice by different people, or chatting within and outside the company.

According to Renzulli and Moody (2000), the total number of networks refers to all first order contacts, regardless of type of interaction or the number of people that the entrepreneurs turn to when they discuss aspects of running and growing a business. Discussing their new enterprise with a number of persons gives them leads to where to obtain resources such as information, property, capital, and credit.

Trust on the other hand is a precondition of the co-operative behavior needed within business groups if they are to achieve their objective because it determines the extent to which resources and information will be exchanged within an organization, there are specific norms in place to determine how employees and supervisors will behave (Tsai, 2000). However, within business networks comprising entrepreneurs there are no traditional hierarchical and/or market relationship that normally governs behaviour and practices (Newell & Swan, 2000, Sheppard & Tuchinsky, 1996). Therefore, without trust, entrepreneurial firms have no mechanisms for controlling for the expected behaviour and obligation of others and their hidden motivations

There has been a lot of research studying the benefits for firms that use their social networks to identify business opportunities. In particular, social network theory assumes that it is possible to examine the linkages between defined groups of connected people as a system because of the characteristics they display (Scott, 2003). Social network research suggests that the 50% of the firms investigated identified more opportunities than those firms who searched on their own (Singh, 2000).

Previous research suggests that good social networks are characterized by good flows of information, support, and sustained by the credibility and governance determining behavior within the group. However, establishing governance without a market mechanism to control the behavior



of would-be competitors requires entrepreneurs to know who to trust because it affects what and how they share information (Barnir and Smith, 2002). Researchers argue that this knowledge comes from identifying different dimensions of trust and different authors have different names for markedly similar concepts.

In particular, Zucker (1986) suggests that there are three forms of trust – characteristic based trust (based on member's characteristics), process-based trust (based on established history) and institutional-based trust (determined by established practices). Process-based trust is often used to examine how entrepreneurs learn about who and when to trust and it is examined by analyzing their history of trust experiences (Bower et al., 1996) whereas McKnight et al. (1998) defines disposition to trust (similar to Zucker's characteristic-based trust) as the extent to which one actor presents a readiness to depend on other actors across a range of situations and other actors. The argument presented is that if entrepreneurs have a predisposition to trust, then it is likely that this behaviour will advantage them because they will have the skills to balance trust and control. Using Zucker's dimensions, entrepreneurs probably experiment with trusting and respond to different situations based on past experience. Hence, if the first experience is positive, (probably because of the actor's beliefs about trusting) then they may continue to behave accordingly which increases the value of each relational exchange to each entrepreneur.

## **2.4 Firm performance**

Performance of a firm is how well or poorly a firm is doing as compared to the set objectives. Bernadette and Gavin (2001), argue that businesses should set clear objectives, aim at growth and are able to compete both in the short run and long run to perform well and to achieve success.

Failure to create such links results into failure of many small firms during their first years of operation or causes struggle in their survival. Several measures of firm performance have been advanced (McNamee, Greenan, and McFerran 1999; Barringer, *et al.*, 2005 & Chen *et al.*, 2007) however, the selection of suitable measures ought to be in the light of the firm's strategic intentions to suit the competitive environment in which it operates and the kind of business engaged in (Hvolby and Thrstenson, 2000). According to Alastair (1999), a balance between financial and non financial measures provide more accurate measure of the overall performance of a firm because not all aspects of organization's activity can be expressed in monetary terms.

Recent research on the performance of small firms focussed on Survival rates in terms of age of business (Lynch and Habte-Giorgis 1999), growth in sales (Watson, 2004; Dobbs and Hamilton 2007; Davis 2008 & Salvou and Avlonitis 2008), and competitiveness as appropriate measures of firm performance. This is because the traditional measures of business performance particularly financial measures can be used for older firms but may not be appropriate or adequate for small entrepreneurial firms that may be in the early years of establishment (Zhang & Si, 2008).

Fasci and Valdez (1998) contend that age of a business is an indicator of firm performance. However, small firms are exposed to higher risk of failure and their performance within the first years of operation which seems to be a significant challenge, than older ones which are usually in a better financial position to effect such changes (Zhang and Yung, 2006). Therefore, for a business to survive longer, it should be performing well to be able to take care of the challenges of necessary productive resources required in the early years of operation. Esaet (2007) also cites various studies (Freeman *et al.* 1983 and Shepherd *et al.* 2000) where smallness exposed a business to a greater risk of failure resulting from dynamic competitive environment.

Hamilton (2007) and Salvou & Avlonitis (2008) measured growth in terms of increase in sales turn over. This factor has provided the most common means of operationalising business growth for reason that they its relatively uncontroversial methodologically and data tends to be easily available (Delmar *et al.*, (2003); Freel and Robson, (2004); as cited by Dobbs and Hamilton (2007).

The difficulties in meeting customers' actual needs can put the firm's competitiveness at risk (Flusche *et al.*, 2001).Owing to the dynamism in competition over time, firms need a new dimension of response, in terms of technology, products, markets and employee perceptions, with a focus of turning these challenges into profitable opportunities in order to survive and flourish in such a competitive environment (Irwin, 2000). Thus, firms with intrapreneurial orientation should be able to respond quickly to competitive challenges and market opportunities before their competitor firms.

## **2.5 Intrapreneurial orientation and Firm performance**

As environments become more complex and dynamic, firms must become more entrepreneurial in order to identify new opportunities for sustained superior firm performance. The significance of intrapreneurs in creating wealth for and developing firms has been emphasised by many researchers (Hisrich and Peters, 2002; Hostager *et al.*, 1998; Geisler, 1993; Pinchot, 1985). Hisrich and Peters (2002) state that intrapreneurs identify and evaluate the opportunities on behalf of their organizations, develop a business plan, determine the resources required and play a key role in managing organizations. Hostager *et al.* (1998) also indicate that intrapreneurs take risks, identify ideas for new products or services and turn these ideas into profitable products and services in their organizations. Miller (1983) emphasizes that, the process of intrapreneurship and the organizational factors which foster and, or impede it are more important for firm performance.

Similarly, Pinchot (1985) argues that organizations are very much dependent on these individuals who by taking risks, champion new business ideas from development through to profitable reality. Geisler (1993) comments that while identifying the ideas for new products or services and turning them into profitable reality, intrapreneurs continuously look for innovative solutions. They therefore act like initiators of continuous change. Collectively, these studies conclude that in the era of hyper competition and dynamism, firms are now more dependent on the knowledge and skills of innovative, opportunity seeking intrapreneurial employees than ever before.

Hisrich and Peters (2002) indicate that in the process of creating value by bringing together a unique package of resources, the intrapreneurs possess the characteristics of creativity and opportunism. While identifying business opportunities, they take ownership and are accountable for their activities. They utilize their creative and flexible thinking, risk taking and ultimately risk reducing skills. The risk taking behaviour of the intrapreneurs is particularly critical because operations in a dynamic environment are often filled with uncertainties and potential business risks. Intrapreneurs need to take calculated risks when they enter into foreign operations and one would expect them to carefully screen a business opportunity before reaching a decision (Yeung, 2002).

A recent report by Ernst and Young (2009) stated that “intrapreneurial thinking isn’t optional...it’s more than a buzzword – it’s a business strategy”. Today organizations stand to benefit more than ever from reengineering company processes, developing new offerings, and rethinking relationships with various partners. It is those firms with an intrapreneurial spirit that pervade the employee mindset to pursue new market opportunities, maximize efficiencies and set themselves up to compete successfully in the future. This is in line with the findings of Griffith,

Noble and Chen (2006), who revealed that, innovation, risk-taking and long-term rather than short-term perspective are fundamental in gaining the competitive advantage in the market.

The higher levels of performance in firms are explained by the fact that individual employees driven by personal inner desires tend to develop creative and innovative projects in anticipation of the opportunities in the environment and counter competitor actions, with calculated risks (Jambulingam, Thanigavelan, Kathuria, & Doucette, 2005., De Jong, & Wennekers, 2008). Findings by Messeghem (2003) reveal that, intrapreneurship can have beneficial effects on the firm's growth and profitability, both in absolute and relative terms. This is because innovation, pro-activeness and risk taking have long been acknowledged as important to the long-term growth and competitiveness of the organization. Further research on innovation has shown that it encourages information collection and utilization which enhances employee readiness to meet customer needs (Wang and Netemeyer 2004).

By nature, people who are proactive believe that they can create change in their environment (Crant 2000). Such individuals prefer to take initiative in an attempt to control the environment rather than to passively observe events around them and react. Prior research on proactiveness has found that such individuals are more likely to feel competent and ready to act by identifying unmet customer needs, pursuing opportunities and create consistent contact between the firm and the customer (Major, Turner, and Fletcher 2006). The relationship between intrapreneurial orientation and firm performance has been confirmed in past research on large firms (Zahra, 1991, 1993; Zahra and Covin, 1995) and on existing firms regardless of their size (Antoncic and Hisrich, 2004, Stewart, 2009)

Whereas there is a consensus among scholars that, intrapreneurial orientation can greatly influence firm performance, some researchers argue that intrapreneurial orientation is fundamental in service firms where employee- customer interaction defines service quality and customer

satisfaction in totality (Brown et al. 2002). Similarly Christian et al (2006), Lumpkin, Congliser and Schneider, (2009) also pointed out that, small firms are characterized by absolute centrality of the owner manager, limited scanning activities and high level of informality, these may inhibit the diffusion of intrapreneurial activities that require autonomy on the part of the employees. In regard to this, owner- managers feel insecure to empower the lower managers in their businesses and such behaviour may negatively affect the market performance of the small firms (Christian *et al.*, 2006)

## **2.6 Social networks and Intrapreneurial orientation**

Researchers have concluded that social networking determines the individual innovative performance. Intrapreneurs connect with other business-related persons (for example, family members, co-workers and friends) mainly through social networks to attain resources, information and emotional support for their individual endeavors (Fang, Zhang & Hongzhi, 2009). Similarly Nerys and Esvllt (2004) admit that, a valuable aspect of being an intrapreneur is the ability to use a lot more resources than those that they directly manage, to seize opportunities that they would not be able to if they relied entirely on the resources within their control to improve performance. However, findings of Zhang and Yang (2006) revealed that the individual orientation exhibited influences one's attitude towards social networks. What is clear according to Renzulli *et al.* (2000) is that, intrapreneurial attributes determine the network size and composition, which a business will participate in.

Researchers like Connell, Ferres & Travaglione, (2004) have recognized that intrapreneurial orientation and social networks enhance interpersonal trust between employees thus development of social capital within organizations. In this context, social capital refers to the inherent value found in constructive human relationships and connections within the workplace (Cohen and

Prusak, 2000). As such, it is understood that social ties between employees are aligned with sustained competitive advantage, reduced transaction costs, knowledge sharing, innovation and improved firm performance. Connell *et al* (2003) simply concludes that, effective social relationships can facilitate intrapreneurial attitudes (innovativeness, risk taking and proactiveness) that impact on an organization's market bottom line. Similarly Mirabile, *et al* (2004) support the above conclusion and noted that individuals embedded within congruent social networks were more resistant than were individuals embedded within heterogeneous social networks. This implies that heterogeneous social relationships positively impact on intrapreneurial attitudes in terms of risk-taking propensity in the market. Brindley (2005) in submission added that the usefulness and suitability of social networks in providing support and information could be a strategic tool to an intrapreneur who operates in a very constrained competitive environment to improve firm performance.

For small firms, their internal organizational resources are limited. It is necessary to interact with external environment more to gain reinforcement. Limited social networks means inadequate interactions with external firms, and will cause negative impacts on intrapreneurial orientation. For example, intrapreneurial orientated companies tend to achieve organizational visions and goals independently (Lumplin & Dess, 1996). However, without adequate resources, all strategic intentions and plans are going to fail, and it is disapproving to innovation, which is the keystone for intrapreneurial. Therefore, social network can have positive effects on entrepreneurial orientation.

On the other hand, intrapreneurial orientation can also have constructive influence on social network. Highly intrapreneurial-oriented companies have more abilities to gain valuable resources and economic opportunities through their social networks (Connell *et al*, 2003) and then create

more value for customers and businesses. It is difficult for non-intrapreneurial-oriented companies to obtain precious resources from their social network. Therefore, for small firms, one can expect a mutual relationship between social networks and intrapreneurial orientation.

However, most of these studies have focused on examining intrapreneurialism and social networks in larger firms. It's against this background that the study focuses on small firms in order to close the emerging gap.

## **2.7 Social networks and Firm performance**

Networks can take many different forms in a market and the process of networking has various definitions in the literature. Carson *et al* (1995) described networking in a small business context as “an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings. (Coulthard & Loos, 2007) generalized networking to include the exchange of friendship, information, benefits and influence. But for the purpose of this study, networks are defined as voluntary arrangements between firms or individuals aimed at providing a competitive advantage for the participants.

Most of the literature emphasizes the positive aspects of networking behaviour and show that interpersonal networking plays an important role in the process of enterprise creation and growth (Birley *et al*, 1991). In this regard social networking is seen primarily as a means of raising required resources and can include: capital raising, identifying market opportunities, identifying and developing technology, obtaining ideas and ensuring future support for these ideas (Ramachandran & Ramnarayan, 1993).

According to Hogg and Adamic (2004), a social network normally provides participants with opportunities of finding social support, establishing new social or business contacts for collaboration (O'Murchu *et al.*, 2004), exchanging social capital including financial resources,



goods or services, exploring and application of knowledge transfer. The number of contacts relations (Stocker et al., 2001), and the extent to which one person dominates in a network all affect firm performance (Nerys & Esyllt, 2004). Batjargal (2001) found relational and resource embeddedness in favorable social networks having a direct positive impact on sales growth and profit margin. Lewrick, Raeside, & Peisl (2007) further noted that, social networks have a strong influence on individual's attitude towards firm performance in terms of the value derived from information and knowledge absorbed from mutual acquaintances, friendships, family and membership of certain groups.

The earlier studies by Granovetter (1983) reported social ties to have a special role in a person's opportunity for mobility "that there is a structural tendency for those to whom one has a contact with to have better access to market information in terms of product prices, customer feedback and supplier intentions". But highlighted the fact that firms lacking in social ties will be fragmented and incoherent, new ideas will spread slowly, scientific endeavours will be handicapped, and subgroups separated by race, ethnicity, geography, or other characteristics will have difficulty reaching a consensus towards boosting firm performance. In emphasizing the relationship between social networks and firm performance Barnir and Smith (2002) found out that, through an efficient network, a business can profit from lower marketing costs and emotional support. Brindley (2005), argues that support and assistance of trusted networks of family and friends minimize the risks of small business venture failing in the early years of operation. Ishengoma & Kappel (2008) further proved that networks can be a very cost effective way of improving firm performance.

Trust is identified as being an important link between enterprising individuals and can be defined as the willingness to rely on an exchange partner in whom one has confidence (Moornman et al, 1993). Morgan and Hunt (1994) argue that, trust prevails when one party has confidence in an

exchange partner's reliability and integrity. Wood, McDermott and Swan (2002) have identified several qualities associated with the term trust that is; integrity, honesty, truthfulness, reliability, dependability, openness and respect for other's autonomy and fairness. Kingsley and Malecki (2004) further explained that, individuals and firms will only rely on an information source if there is a level of trust in the relationship because trust increases the predictability of the goodwill of others. These authors found that, the more active a firm was in cultivating and using informal networks for information, the more likely they were to have both informal and formal patterns of communication with their business partners. This makes sense in that, without information no decision can be made in terms of opportunity recognition and exploitation. Albright (2004) suggests that, useful external sources of information are not published, rather most managers get much of their information from word-of-mouth through their personal network of contacts.

Research shows that trust is essential in building information sources (Kingsley & Malecki 2004, Wood, McDermott & Swan 2002). Studies by Butler and Hansen (1991) and O'Donnell (2004) showed a link between trust and strategic collaborations with suppliers, customers and business associates. O'Donnell (2004) added that, trust developed via informal networks also appears an important source for gathering information and support. These networks are associated with personal friendships, meetings with recognized experts, potential and valued customers and colleagues considered being on the same wavelength. Internal trust revolves around the relationships within the firm. According to O'Donnell (2004) most owner managers network extensively with their employees for marketing purposes. This researcher found that those extensive and proactive networkers maintain strong ties with their employees.

However, these studies seem not to agree on variables necessary for measuring effectiveness in social networks among small manufacturing firms. Thus, this study focused on examining whether network contacts and trust contribute to better firm performance.

## **2.8 The Effect of Organizational Environment**

Hornsby *et al.*, (2002) and Kuratko *et al.*, (1990) have found five internal enablers of intrapreneurial orientation, consistent with the main literature: rewards, management support, resources (including time), organizational structure, and risk-taking. Similarly, Lumpkin and Dess (2001) found a positive relationship while linking two dimensions of intrapreneurial orientation to firm performance. However, based on an empirical analysis, Kuratko *et al.* (2004) only found management support, organizational structure, resources and rewards significant. Antoncic and Hisrich (2004) were in support of the above argument and they advanced that organizational factors such as management support and rewarding intrapreneurial activities are important in relation to intrapreneurial orientation and firm performance. Therefore the study will adapt structures, reward and resources as measures to operationalize the influence of organizational environment in the study.

Covin and Slevin (1990) define organizational structure as the arrangement of workflow, communication, and authority relationships within an organization. A study by Altinay & Altinay, (2004) reported positive associations between decentralized structure and intrapreneurial orientation and these associations have been explained in terms of increased autonomy and control over resources, which enables organizational members to initiate and test more innovative ventures as well as social relations. These authors claim that a decentralized and informal structure would assist in information sharing, empowering lower level managers, initiating increased participation from team members and thus promoting innovation.

Some authors (Morris and Kuratko, 2002; Sathe, 2003) stress that intrapreneurial behaviour can be influenced by effective reward systems that must consider clear goals, feedback, individual influence and rewards based on results or it can be related to the performance of the firm. Covin and Slevin (1990) express agreement with these views that besides having a positive culture, intrapreneurs need to be appropriately rewarded by the leadership for all the energy, effort, and risk taking expended in the creation of the new products. These rewards should be based on the attainment of established performance goals.

According to Sathe (2003), people are motivated by different things. Entrepreneurs may seek rewards such as the pride that comes from starting their own business and the prospect of financial gains, whereas intrapreneurs value other incentives, which are not always clear. Morris and Kuratko (2002) note that intrapreneurs are motivated by controllable rewards such as “regular pay, bonuses, profit share, equity or shares in the company, expense accounts, job security, promotions, expanded job responsibilities, autonomy, public or private recognition, free time to work on pet projects, money for research or trips to conferences”

In practice however it can be more difficult to differentiate between entrepreneurial and intrapreneurial incentives, as not all entrepreneurs or intrapreneurs are motivated in the same way. In addition to the structure and rewards, intrapreneurs need financial resources to get off the ground (Hornsby *et al.*, 2002; Sathe, 2003). Bukh *et al.*, (2005) concluded that, the most important resource in the knowledge society is knowledge itself, and knowledge is not just the fundamental driver of innovation, but also an important part of the company’s competitive advantage. Simons (2000) added that, as organizations become larger and more complex, they are challenged to find a way to nurture and empower innovative, opportunity seeking, entrepreneurial employees, whilst encouraging accountability

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section spells out the research design used to identify the antecedents that build intrapreneurial orientation, social networks and firm performance, the procedures of sampling, data collection methods, processing & analysis and measurement of the variables. The anticipated limitations and problems while conducting the study are also highlighted.

#### **3.2 Research Design.**

The study was cross sectional design, this involved descriptive studies to describe characteristics of the selected respondents in terms of age, gender, marital status, academic levels, type of business, age of the business, number of employees and business location. Correlation and Regression approaches were used to investigate the relationships between the variables of study and the extent to which the independent variables explain firm performance the dependent variable.

#### **3.3 Study Population.**

The study population composed of 51 Beverage manufacturing and 93 Bakery manufacturing in Kampala Metropolitan as captured by the Uganda Business Register 2006/7 (UBOS, 2007). Therefore the total population was 144 firms.

#### **3.4 Sampling Procedure and Sample Size.**

The sample size of 117 business firms was determined based on Morgan, (1970) as shown on the table below;

**Table 4: Sampling Method and Size**

<b>Strata</b>	<b>Population</b>	<b>Sample size</b>	<b>Response rate</b>
Beverage manufacturers	51	44	36 (81.8%)
Bakery manufacturers	93	73	49 (67.1%)
<b>Total(s)</b>	<b>144</b>	<b>117</b>	<b>85 (72.6%)</b>

Source: *Adopted from Report on the Uganda Business Register 2006/07 (UBOS, 2007)*

The study used a disproportionate stratified sampling procedure to select the appropriate strata of the business subsector. Small scale manufacturing firms were stratified according to subsectors based on Sekaran (2000), who points out that particular stratum can be focused on for ease of data collection and attainment of meaningful results. The strata of two subsectors could also minimize classification errors based on Ahuja (2001). Two (2) respondents were purposively selected from the firm in order to target only those who have decision making responsibilities and possess the required information. The unit of analysis in this study was small scale manufacturing firms in the five divisions of Kampala metropolitan and the unit of inquiry was individuals working within these firms.

### **3.5 Data Sources**

- **Primary Data**

The required primary data was collected directly from the respondents (intrapreneurs) who work in small and medium beverage manufacturing firms. This was done through administering a structured questionnaire with the help of one research assistant. Respondents were guided through the questionnaires to ensure high level of accuracy in the data collection process.

- **Secondary Data**

Secondary data was used to support the empirical findings of the study. This data was obtained from existing literature in previous research paper findings, journal articles, Text books, News papers, reports and conference proceedings. The type of data to be collected from the secondary sources was related to firm performance in Beverage & Bakery manufacturing firms. This data was obtained from the selected Beverage & Bakery manufacturing firms, Uganda Small Scale Industries Associations and Uganda Manufacturers Association

### **3.6 Data Collection Instrument**

Primary data was collected through administering a Questionnaire. The questionnaire contained closed ended questions relating to each study variable in question. The questions relating to intrapreneurial orientation, social networks, organizational environment and firm Performance will be constructed on an interval scale.

### **3.7 Validity and Reliability of the Instrument**

To establish for validity and reliability of the instrument, a pilot study was undertaken to examine for accuracy, precision, clarity and appropriateness of the procedure of instrument administration. As can be observed from the results below, all the variables had Cronbach Alpha coefficients and CVI values well over 0.5 in either case, proving that the research instrument used to collect data from the respondents was considered appropriate and could yield similar results at all time (Nunally, 1978). All the items included in the scale had been analyzed in the literature review on intrapreneurial orientation, social network, organization environment and firm performance in small manufacturing firms, for this reason I considered that content validity is ensured.

**Table 5: Reliability Coefficient and Coefficient of Variation Index for the Study Variable**

<b>Variable</b>	<b>Anchor</b>	<b>Cronbach Alpha Value</b>	<b>Content Validity Index</b>
Intrapreneurial Orientation-	5 point	0.607	0.833
Social Networks	5 point	0.594	0.778
Organizational Environment	5 point	0.501	0.583
Firm Performance	5 point	0.652	0.750

**Source: Primary Data**

### **3.8 Measurement of Variables**

The independent variable is intrapreneurial orientation and social networks, and the dependent variable is firm performance. All variables were measured on interval scales.

- Intrapreneurial orientation. This variable was assessed based on Matsuno, Mentzer, and Ozsomer (2002). 18- Itemized scale was obtained from 3-item measures, of “proactiveness, “risk taking propensity” and “innovativeness” factors using six items on a 5-point likert scale.
- Social networking. Number of network Contacts based on Watson, (2004) & Batjargal (2001); and density of networks from Jenssen and Greve (2002), Nerys & Esyllt, (2004) .The questions required the respondents to assess themselves with the statements using a 5-point Likert scale
- Firm performance measurement was based on a likert scale, using dimensions of Survival expressed in terms of age of as used by Lynch *et al* (1999) and Watson (2004); Growth in terms of increase in sales based on Dobbs and Hamilton (2007), Salvou and Avlonitis (2008) and competitiveness of the firm in terms of meeting customer needs and maintaining market presence.



### **3.9 Data Processing and Analysis**

The collected data was edited for possible errors of incompleteness and inconsistency to ensure correctness of the information that was given by the respondents. Variables were coded and Statistical package for social scientists (SPSS) was used for data entry and analysis. The instrument was loaded on a Principle Component Factor Method and Varimax rotation to confirm the factor structure. Pearson' correlation of coefficient was used to establish the relationships between intrapreneurial orientation, Social networks, organizational environment and firm performance. Multiple Regression analysis was used to determine how the predictor variables can explain the dependent variable.

### **3.10 Limitations of the study**

- The study focused on the small scale beverage bakery manufacturers. This could limit the generalization of the findings to all the small firms and this stratum may not give a clear picture of the situation in Uganda which other studies can build on.
- There was no complete response from the target respondents and affected the findings of the study (response rate was 73%).
- Since the scale being adapted was developed from developed countries, it may not be very appropriate for the Ugandan firms.

## **CHAPTER FOUR**

### **PRESENTATION AND INTERPRETATION OF FINDINGS**

#### **4.1 Introduction**

This chapter contains the statistical results that were generated from data analysis, together with their interpretation. The presentation in this chapter was guided by the research objectives and the results therefore, were generated so as to appropriately address the research objectives and questions. It includes Sample Characteristics, Factor Analysis, Correlation Analysis and Regression Analysis.

The presentation was guided by the following research objectives;

- i. To examine the components of intrapreneurial orientation and social networks.
- ii. To establish the relationship between intrapreneurial orientation and firm performance.
- iii. To establish the relationship between social networks and intrapreneurial orientation.
- iv. To establish the relationship between social networks and firm performance.
- v. To examine the predictor effect of the components on firm performance

#### **4.2 Characteristics of the Unit of Inquiry**

This section of the chapter presents the sample characteristics and frequency distribution of the firms that were used to indicate the variations by their gender, marital status, age group and level of education and these are closely followed by the characteristics of the businesses such as the type of business, location of business and number of employees a business has.

#### 4.2.1 Gender of the Respondents

The Gender of the respondents was tabulated to determine the nature of businesses by gender across the respondent categories. The aim was to determine the percentage distribution of the respondents by gender. The findings are shown in table 3.

**Table 6: Gender**

Category		Frequency	Valid Percent	Cumulative Percent
Valid	Male	88	51.5	51.5
	Female	83	48.5	100.0
	Total	171	100.0	

**Source: Primary Data**

The results in table 3 above showed that the majority of the respondents were the males, they constituted about 52% while the females on the other hand constituted about 49% of the sample. In addition, it was revealed that in Uganda firms of this nature tend to employ more male than female.

#### 4.2.2 Marital status of respondents

Through the tabulation of the respondents, table 4 below was generated to explore the marital status of the respondents. The aim was to explore the percentage distribution of the respondents by their marital status as shown below;

**Table 4: Marital status**

Category		Frequency	Valid Percent	Cumulative Percent
Valid	Single	81	47.4	47.4
	Married	85	49.7	97.1
	Divorced	3	1.8	98.8
	Others	2	1.2	100.0
	Total	171	100.0	

**Source: Primary Data**

The results in table 4 above showed that the majority of the respondents were married (49%), followed by the single (47%). others had the least percentage of

#### 4.2.3 Age of Respondents

The tabulations of age group were generated to explore the distribution of the age group of the respondents. This was to determine the percentage distribution of the age groups of person who responded as shown in table 5.

**Table 5: Age group**

Range		Frequency	Valid Percent	Cumulative Percent
Valid	Under 20 yrs	3	1.8	1.8
	20 - 29 yrs	124	72.5	74.3
	30 - 39 yrs	39	22.8	97.1
	40 - 49 yrs	5	2.9	100.0
	<b>Total</b>	171	100.0	

**Source: Primary Data**

The results in table 5 above showed that the majority of the respondents about 73% were in the age range of 20-29 years while those under 20 years comprised the least about 2% .

#### 4.2.4 Education Level of Respondents

Through tabulation, table 6 below was generated to explore the Academic Level of the respondents. The aim was to highlight the distribution of the academic levels of respondents of the persons who responded as indicated in table 6.

**Table 6: Education level.**

Category		Frequency	Valid Percent	Cumulative Percent
Valid	Primary	19	11.1	11.1
	O level	90	52.6	63.7
	A level	55	32.2	95.9
	Tertiary	6	3.5	99.4
	Degree	1	.6	100.0
	<b>Total</b>	171	100.0	

**Source: Primary Data**

The results in table 6, above showed that the majority of the respondents had O-level as the highest level of education (52.6%). Furthermore, the results showed that the entrepreneurs with Degree, comprised the least percentage of about 0.6% of the sample.

#### **4.2.5 Sample characteristics**

To generate the distribution of type of business, tabulation was run to determine the percentage number of respondents in each selected business type. This is shown in table 7 below.

**Table 7: Type of business**

Type of business engaged		Frequency	Valid Percent	Cumulative Percent
Valid	Bakery	49	57.9	57.9
	Beverage	36	42.1	100.0
	<b>Total</b>	85	100.0	

**Source: Primary Data**

The results in table 7 showed that the majority of the businesses were engaged in the Bakery Manufacturing (57.9%) while the other 42.1% were engaged in Beverage manufacturing.

#### 4.2.5 Location of Businesses

The distribution of the businesses by location was generated from tabulation of location of the business as shown in table 8 below. The aim was to determine the distribution of the businesses surveyed across the five regions studied.

**Table 8: Location.**

Category		Frequency	Valid Percent	Cumulative Percent
Valid	Nakawa	2	2.9	2.9
	Central	18	21.6	24.6
	Lubaga	12	14.6	39.2
	Kawempe	52	60.8	100.0
	<b>Total</b>	85	100.0	

**Source: Primary Data**

The results in table 8 above showed that the majority of the businesses in the survey were observed to be in Kawempe division 60.8% while the divisions of Lubaga, Central and Nakawa had 14.6%, 21.6% and 2.9% respectively.

#### 4.2.5 Age of business

The tabulations of businesses were generated to explore the distribution of the age of operation of each business. This was to determine the percentage distribution of the age of operation per business surveyed as shown in table 9.

**Table 9: Age of business**

Period		Frequency	Valid Percent	Cumulative Percent
Valid	Less 1 yr	29	34.5	34.5
	1 - 2 yrs	39	45.6	80.1
	3 - 5 yrs	10	12.3	92.4
	6 - 10 yrs	6	7.0	99.4
	Over 10 yrs	1	.6	100.0
	<b>Total</b>	85	100.0	

**Source: Primary Data**

Results in table 9 above showed that, the majority of the businesses surveyed had operated for a period of 1-2 years (45.6%) followed by those that had operated for a period of less than I year (34.5%). 12.3%, 7.0% and 0.6% had operated for a period of 3-5 years, 6-10 years and over 10 years respectively.

#### 4.2.6 Number of employees

This was aimed at establishing the percentage distribution of businesses by the current number of employees held as shown in table 10 below;

**Table 10: Number of employees.**

Range		Frequency	Valid Percent	Cumulative Percent
Valid	05 – 10	22	25.7	25.7
	11 – 20	56	66.1	91.8
	21 – 50	7	8.2	100.0
	<b>Total</b>	85	100.0	

**Source: Primary Data**

The study revealed that, majority of the businesses employed 11-20 employees (66.1%) while 25.7% and 8.2% employed 05-10 and 21-50 employees respectively.

#### 4.3 Factor Analysis Results

The dimensions of the study variables were analyzed using Factor analysis to explore the relative composition of the variables so that the research could further study them. Factor analysis was done to further understand each study variable and to determine how each measure affects the study variable. Many items/factors used to measure the study variables were reduced to few and important factors.

### 4.3.1 Intrapreneurial Orientation

Factor loading was done for the six items on proactiveness, four items on innovation and three items on risk taking propensity. Only thirteen items were found to be significant measures of intrapreneurial performance. The remaining Items which were below 0.5 were considered to be insignificant and were deleted.

**Table 11: Factor analysis results: Intrapreneurial Orientation.**

	<i>Proactiveness</i>	<i>Innovativeness</i>	<i>Risk Taking Propensity</i>
I spot a good business opportunity long before others can.	.533		
I always look for better ways to do things at work.	.595		
I always make it happen if I believe in it .No matter what the odds	.615		
I usually fix errors before others	.516		
I have always been a powerful force for constructive change	.523		
I always implement a plan am certain that it will work.	.543		
I search out for new technologies, processes, techniques etc.		.555	
I always promote new ideas to others		.524	
I secure funds needed to implement new ideas.		.560	
I develop adequate plans for the implementation of new ideas.		.526	
I often take risks when executing my job			.502
I always prefer a job that has problems that I know about even if it offers lower rewards.			.541
I usually view risk on a job as a situation to be avoided at all costs.			.522
<b>Eigen Value</b>	<b>2.527</b>	<b>1.609</b>	<b>1.242</b>
<b>Variance %</b>	<b>28.075</b>	<b>17.874</b>	<b>13.800</b>
<b>Cumulative %</b>	<b>28.075</b>	<b>45.949</b>	<b>59.749</b>

**Source: Primary Data**

The results in table 11 showed that Intrapreneurial orientation is largely composed of component 1 (28. %) presented as proactiveness as the most important followed by component 2 (17.8%)



presented as innovativeness and component 3 (13.8%) presented as risk taking propensity. It was observed that, Intrapreneurial orientation accounts for 59.75%.

#### 4.3.2 Social networks

Social network in small firms was analyzed and only ten items were significantly found to measure social networks. The remaining Items were considered to be insignificant and were deleted. The results for the factor analysis regarding the social networks are as shown in table 12 below.

**Table 12: Factor analysis results: Social networks.**

	<i>Number of Contacts</i>	<i>Trust</i>
My frequent source of good ideas is from my friends and family.	.666	
Regular business contacts with other employees in my company helps me to acquire productive resources	.518	
Participation in trade fairs helps me to market our products	.524	
My external accountants help me to solve most of our financial management problems.	.769	
Attending seminars has improved my skills and knowledge	.507	
My supervisor always provides me with the necessary support	.693	
I obtain advice & resources from people I have known for a long time	.679	
I trust my network contacts.		.674
My network contacts do not take unfair advantage over me		.520
I freely discuss my work concerns with my network contacts		.557
<b>Eigen Value</b>	<b>1.875</b>	<b>1.339</b>
<b>Variance %</b>	<b>41.660</b>	<b>21.153</b>
<b>Cumulative %</b>	<b>41.660</b>	<b>62.813</b>

**Source: Primary Data**

The results in table 12 above showed that, component 1 (41.66%) presented as network contact relations was the most important and component 2 (21.15%) presents as trust followed. Analysis revealed that, networking accounts for 62.81% variance.

#### 4.4 Correlation Analysis

Correlation Analysis was carried out to establish the relationships between the study variable because the study focused on investigating the relationship between the study variables. Pearson (r) Correlations were used to test the direction and strength of relationships that are extant among the study variables which were; intrapreneurial orientation, social networks and firm performance. Pearson correlation was used because of the interval nature of the data.

**Table 15: Pearson Correlations.**

<i>Correlations</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
Proactiveness-1	1.000								
Innovativeness-2	.215**	1.000							
Risk Taking Propensity-3	.187*	.114	1.000						
<b>Intrapreneurial Orientation-4</b>	.516**	.482**	.312**	1.000					
Number of Contacts-5	.102	.087	.287**	.224**	1.000				
Trust-6	.263**	.151	.074	.312**	.010	1.000			
<b>Social Networks-7</b>	.374**	.258**	.365**	.635**	.403**	.430**	1.000		
<b>Firm Performance-9</b>	.303**	.234**	.332**	.494**	.237**	.277**	.521**	.527**	1.000
** Correlation is significant at the 0.01 level (2-tailed).									
* Correlation is significant at the 0.05 level (2-tailed).									

**Source: Primary Data**

##### 4.4.1 The Relationship between intrapreneurial orientation and firm performance.

The results in table 15 above revealed that there exists a significant and positive relationship between intrapreneurial orientation and firm performance ( $r = .494^{**}$ ,  $p < .01$ ). Even components of Intrapreneurial orientation were positively related to firm performance with the following parameters; proactiveness ( $r = .303^{**}$ ,  $p < .01$ ), innovativeness ( $r = .234^{**}$ ,  $p < .01$ ) and risk taking propensity ( $r = .332^{**}$ ,  $p < .01$ ). These results imply that the higher the level of intrapreneurship among the employees, the higher the level of the firm performance that is likely to be realized.

#### **4.4.2 The Relationship between social networks and intrapreneurial orientation**

The results in table 15 also showed that there exists a significant relationship between social networks and intrapreneurial orientation in small firms ( $r = .635^{**}$ ,  $p < .01$ ). These results highlight the fact that as people interact with others and build more relationships the more they become intra in the businesses and the more they are likely to also come up with novel ideas, and make improvements so as to enhance the quality of the products and the services they offer so as to improve the satisfaction of their customers. The social capital they gain from relationships and trust can be used to identify opportunities, ideas and resources.

#### **4.4.3 The Relationship between social networks and firm performance.**

The results in table 15, further showed a significant and positive relationship between social networks and firm performance ( $r = .521^{**}$ ,  $p < .01$ ). This implies that, adhering to and implementing the advice and other information from the professionals, experienced business associates and colleagues will enhance the level of performance of the small scale manufacturing businesses. In other words the greater the quality and diversity of relations that they are likely to form with family and friends, colleagues and professionals in their field of operation for instance the regular business contacts with other intrapreneurs in the field of business can help one to acquire useful resources, information and skills which make the business operations smoother and competitive.

#### **4.5 The Regression Analysis**

In order to determine how the study variables are related, a predictor model was developed using multiple regression Analysis. Multiple regression analysis was adopted since there were more than one predictor variables which were; intrapreneurial orientation and social networks affecting firm

performance the dependent variable. The results in table 16 below show the extent to which the predictors which are; intrapreneurial orientation and social networks explain firm performance.

**Table 16: Regression Analysis Model**

Models	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.626	.349		1.795	.075
Intrapreneurial Orientation	.224	.091	.205	2.460	.015
Social Networks	.260	.096	.231	2.696	.008
<b>Dependent Variable: Firm Performance</b>					
R Square	.403		F Statistic		33.107
Adjusted R Square	.391		Sig.		.000

**Source: Primary Data**

The results in table 16 showed that, intrapreneurial orientation and social networks if well managed can improve the rate of firm performance by 39.1% (Adjusted R Square = .391). Among the two variables, it was noted that addressing social networks (Beta = .231) should take priority over intrapreneurial orientation (Beta = .205) if the performance of small manufacturing firms is to be improved. The regression model was significant (sig.<.01).

**Table 17: Regression model for the components of the Main Independent variables i.e. intrapreneurial orientation and the social networks**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.620	.205		12.751	.000
Proactiveness	.066	.031	.160	2.127	.035
Innovativeness	.083	.031	.203	2.698	.008
Risk Taking Propensity	.087	.023	.297	3.866	.000
Number of Contacts	.037	.027	.102	1.359	.176
Trust	.086	.031	.202	2.762	.006
<b>Dependent Variable: Firm Performance</b>					
R Square	0.277			F Change	11.046
Adjusted R Square	0.252			Sig.	0.000

**Source: Primary Data**

The results showed that, risk taking propensity and innovativeness were the most important components of intrapreneurial orientation that affect firm performance. In fact risk taking propensity explains about 28% of firm performance while innovativeness explains about 20% (beta values). This implies that, improving firm performance using the intrapreneurial capabilities requires individual employees in small manufacturing firms to boost their risk taking propensity and innovativeness.

The results of the analysis also revealed that trust as a component of social networking is very instrumental as far as firm performance is concerned. It was found out that trust explains 20% of firm performance while number of network contacts explains 10% of firm performance. This means that trustfulness among the employees can cause a great change in the performance of a small manufacturing firm. Otherwise the regression model was significant to the extent that the components of the main independent variables can cause a total change of (25.2%) on firm performance as per adjusted r square.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study focused on the relationship between intrapreneurial orientation, social networks and firm performance. This chapter is divided into four sections; summary and discussion of findings, Conclusions, recommendations and areas for further study. These sections were guided by the study objectives.

#### **5.2 Discussion of Findings**

##### **5.2.1 The components of intrapreneurial orientation**

It was established that, intrapreneurial orientation is largely composed of three measures. The findings show that proactiveness, innovation and risk taking propensity were the most significant measures of intrapreneurial orientation. According to the factor analysis, 59.75% of the intrapreneurial capability is attributed to three components. This implies that when individuals identify and pursue new opportunities, initiate new products, processes and services, operate in uncertain environments then such people have intrapreneurial capability. Also such individuals are more likely to persist through the challenges of business.

These findings are in agreement with Dess and Lumpkin (2005) and Antoncic and Bostjan, (2003) who assert that Intrapreneurial orientation involves an acceptance and encouragement of individual behaviours, specifically innovativeness, risk-taking, and proactiveness. The findings are also in line with early works of Pinchot (1985) as used by Dess and Lumpkin (2005) who assert that intrapreneurial orientation is manifested by level of proactiveness, innovativeness and risk taking propensity that an individual possesses. Therefore, intrapreneurship would not exist without innovation, because customers are increasingly requiring unique, personalized products

and sales solutions. In fact, one of the most widely shared characteristics among successful employees is the adoption of an innovative, creative work approach.

### **5.2.2 The components of social networks**

The findings of this study show that social network as a construct can be measured largely by the number of contacts and trust. It was revealed that a network contact relation was the most important measure of social network followed by trust. This implies that the more the contacts one holds the higher the level of networking in that particular individual. Similarly social networks are built when individuals hold a reasonable number of contacts within and without the firm.

These findings are in line with Stocker *et al.* (2001) who found that the number of contacts relations and the degree of interrelatedness of network contacts strongly contribute to ones networking capability. These findings were further supported by Renzulli, & Moody ( 2000) who assert that, the total number of networks refers to all first order contacts, regardless of type of interaction or the number of people that the entrepreneurs turn to when they discuss aspects of running and growing business. The findings were also in agreement with Tsai (2000) who suggests that, trust is a precondition of the co-operative behavior needed within business groups if they are to achieve their objective because it determines the extent to which resources and information will be exchanged within an organization.

### **5.2.3 The Relationship between intrapreneurial orientation and firm performance.**

It was established that there is a significant positive relationship between intrapreneurial orientation and firm performance. This means that high intrapreneurial capability in terms of risk

taking propensity, proactiveness and innovation among firm employees will enhance firm's survival, growth and competitiveness.

This significant and positive relationship between intrapreneurial orientation and firm performance could be attributed to the fact that, the majority of the respondents in the sample (59.7%) were found to have taken time to, identify and new ideas, undertake risky projects and secured funds necessary to fix a problem with desire for personal satisfaction, who despite being in odds with their colleagues and having inadequate resources were more likely to persist through the challenges in order to grow the business.

These findings are in agreement with other scholars such as; Hisrich and Peters (2002) who asserted that intrapreneurs identify and evaluate the opportunities on behalf of their organizations, develop a business plan, determine the resources required and play a key role in managing organizations. Hostager *et al.* (1998) who indicated that intrapreneurs take risks to identify ideas for new products or services and turn these ideas into profitable products and services in their organizations. They therefore, create firms with better performance

The findings are also supported by Griffith, Noble and Chen (2006), who revealed that, innovation, risk-taking and long-term rather than short-term perspective are fundamental in gaining the competitive advantage in the market and long term survival of a business. However, these findings could contradict Brown *et al.* (2002) who assert that intrapreneurial orientation is only fundamental in service firms where employee- customer interaction defines service quality and customer satisfaction in totality

#### **5.2.4 The Relationship between Social networks and intrapreneurial orientation.**

The findings indicated a significant relationship between social networks and intrapreneurial orientation in small firms. This implies that the size, type and level of strength and quality of



affiliations that the intrapreneur will prefer to create, contact, participate in and adhere to for advice, information, and other form of support directly influences his/her intrapreneurial capability. The findings are in agreement with Cohen and Prusak (2000) who assert that social ties between employees are aligned with sustained competitive advantage, reduced transaction costs, knowledge sharing innovation and improved firm performance. Connell et al (2003) simply concludes that, effective social relationships can facilitate intrapreneurial attitudes (innovativeness, risk taking and proactiveness) that impact on an organization's market bottom line.

The findings were further supported by Visser & Mirabile, *et al* (2004) who noted that individuals embedded within congruent social networks were more resistant than were individuals not embedded within any social network. This implies that heterogeneous social relationships positively impact on intrapreneurial attitudes in terms of risk-taking propensity in the market. Johannesse *et al.*, (2001) who found that weak network ties contribute positively to innovativeness. They provide more diverse and rich links to the kind of novel and unique information that may be needed to generate innovative activity.

### **5.2.5 The Relationship between Social networks and Firm performance.**

There was a significant positive relationship between Social networks and Firm performance. This means that the quality and large personal networks of entrepreneurs would increase the likelihood of locating clients for their products and services and suppliers to their firms, who are socially bound. This is because resourceful and powerful ties as well as weak ties produce high rates of return when they are utilized. This is likely to facilitate sales stabilization and eventual growth since the embeddedness provides a flexible room for negotiations that might allow entrepreneurs to convert the social bounds into revenue growth and other tangible benefits. The personal

chemistry between the entrepreneur and the supplier will enable the entrepreneur to purchase supplies and to her production inputs at lower prices and that might influence profit margin boosting and the overall performance.

These results are also in agreement with Watson (2004) and Anderson (2007) who found a significant association between accessing particular networks and firm performance for both the male-and female owned firms. In this regard social networking is seen primarily as a means of raising required resources and can include: capital raising, identifying market opportunities, identifying and developing technology, obtaining ideas and ensuring future support for these ideas.

The findings are further supported by Hogg and Adamic (2004) and O'Murchu *et al.*, (2004) who assert that strong ties enhance performance directly through trust building, information transfer, and joint problem solving arrangements. Weak ties with acquaintances, family, fellow intrapreneurs, are performance booting devices, as these vaguely defined relationships provide the crucial freedom to act upon opportunities and entrepreneurs with structural autonomy are likely to gain most not being bound by expectations and obligations. However, these findings may contradict Bartjargal (2001) who was unable to find any evidence linking and intrapreneur's use of networks to business performance. This is further supported by Lerner et al. (1997) who found that participation in multiple networks was negatively related to firm performance. This could be attributed to the fact that intrapreneurs are not at the helm of all business operations which leaves them with limited power for social networking.

### **5.2.7 The predictor effect of the components on firm performance**

Similarly there was a significant positive relationship between Innovation, proactiveness, risk taking propensity and Firm performance. This implies that with introduction of new technologies, new product, source of supply, new- improved approaches to providing products to customers which distinguishes one firm from other players in the industry, small firms are able to make improvements on the mix of products of the company that is, the choice of new products and their development, improvements of the internal operations and capacities, chosen markets are best served while accurately interpreting buying preferences, the best way of satisfying customers through competitively viable offers are made. Therefore, the superior benefits that innovativeness offers over existing products, processes, markets and supplies directly influences the sales, competitiveness and lately the firm performance. Similarly proactive employees who strive to get the most out of their jobs are more likely to feel competent and ready to act in a dynamic business environment

The findings are supported by Pen (2002) and Chen *et al.* (2007) who found Innovation to positively influence firm's growth and profits. Innovation boosts performance for new ventures. Because innovative products and services, new market development present new opportunities for a firm to expand into new areas, and meet changing market needs, increase sales, employment and increase competitiveness. Findings are further supported by Neely and Hii (1998) who suggested two views on how innovation affects firm performance. The first view is aligned towards strengthening the firm's competitive position in relation to its competitors and the second view argued that the process of innovation transforms a firm fundamentally by enhancing its internal capabilities, making it more flexible and adaptable to market pressures than non- innovating firms. Proactive employees who strive to get the most out of their jobs are more likely to feel competent and ready to act in a dynamic business environment. The Pearson's correlation also found a

positive effect between risk taking propensity and firm performance. It was revealed that people who take risks while executing their jobs would easily grow the business no matter the circumstances of operation. This finding is in line with Sitkin and Weingart (1995) who assert that the more willing and able the employees are to engage in risky behaviour; the more comfortable they feel with changing market needs.

### **5.3 Conclusions**

From the research findings of this study it can be concluded that, intrapreneurial orientation is measured by three components that is: proactiveness, innovativeness and risk taking propensity. Proactiveness was presented as the most influential measure followed by innovativeness and finally risk taking. This suggests that, in small manufacturing firms' individuals with the ability to identify and champion their own ideas as well as the ability to develop constructive solutions early before the competitors are considered intrapreneurially oriented. On the other hand, the number of network contacts and trust were found to be the major measures of social networks.

From the results of this study, it can be concluded that there is a significant positive relationship between intrapreneurial orientation and Firm performance. More specifically when intrapreneurs are committed, and voluntarily plan their actions in business firm performance tends to be improved than when they are impelled by undesirable factors. This suggests that intrapreneurs need to have a more positive attitude towards their jobs which is a reflection of proactiveness and risk taking. also intrapreneurs with high commitment to the business and have a positive attitude have the willingness to apply new ideas, invest in research and development and proactively scan their business environment to provide added value to the customers, regardless of whether the newness and added value are embodied in products, processes, work organizational systems or marketing systems. However, its social networks that tend to significantly contribute to Firm

performance. This could be attributed to the fact that the target sample in this study was small manufacturing firms where the owner manager is at the helm of all business activities and has a great influence on the performance of the firm than the employees.

From the above discussion, it can be concluded that there is significant positive relationship between social networks and Firm performance. Weak ties are performance boosting because vaguely defined relationships provide that crucial freedom to act upon opportunities. Social networks further provide the productive financial resources, information, advice and ideas for a small firm to overcome the challenges of operations to survive and compete with big firms in the industry. These resources are obtained at a relatively lower costs and easier terms from partners in the network given the level of trust among the network members. Consequently, it is beneficial for small firms to emphasize expansion of their social network size, composition, strength and maintaining trust between partners to realize improvements in performance.

From the results of this study, it can be concluded that the organizational environment positively affects intrapreneurial orientation and firm performance. This suggests that with the availability of productive resources, presence of favorable structures and reward systems the firm's performance is likely to improve. This is due to the fact that appropriate organizational environment motivates employees to become more intrapreneurial and as a result new opportunities, ideas and resources are identified.

From the research findings, it can be concluded that as intrapreneurs invest more in risk taking and innovation growth in sales, competitiveness in quality, response to customer needs and survival will be enhanced in the business. This is because risk taking and innovativeness components of intrapreneurial orientation highly impact on firm performance in terms of new idea generation, new products, processes and zeal to secure resources for implementation. Similarly, trust was

found to positively affect performance and was therefore concluded that participation in both formal and informal relations should be in a reciprocal manner to reduce on frustrations and distrust among partners.

#### **5.4 Recommendations**

The study focused on intrapreneurial orientation, social networks and firm performance. And because there were significant positive relationships between the variables the following recommendations were made;

Small manufacturing firms should develop and operationalise policies and programs that support intrapreneurial initiatives as a base for more improved firm performance. These programs and policies should also aim at creating a positive feeling towards intrapreneurship such that, it's seen as a career option. Such programs could take the form of project startup and/ innovation incentives, idea generation competitions and rewards as well as intrapreneurial training at the lower levels.

This study also shows that social networks can be a cost-effective way of improving small firms' performance, particularly manufacturing firms. It can therefore be recommended that, small firms support information exchange and resource sharing within and without the business through building blocks that enhance trust amongst its employees. This can be inexpensive method of finding out more efficient ways of operating thus improved firm performance.

This study also recommends that small firms focus on creating an intrapreneurial culture that supports personal initiatives and enables employees to voice out their endeavors and discoveries. This can be done through enhancing organizational structures, reward system and resource supply.

Establishing realistic structures allows open communication, autonomy and transparency within the firm. Adoption of commensurate reward systems motivates employees towards novelty and commitment while adequate resources especially time will encourage generation and commercialization of new and improved ideas.

### **5.5 Areas for Further Research**

The study concentrated on intrapreneurial orientation, social networks and firm performance. However, there is need for research in the following areas;

- Intrapreneurial orientation and the performance of frontline employees in the service sector
- Firm's internal factors and firm performance.
- Age of the firm and social networking capability of a firm.
- Risk taking and firm performance in specific sectors.
- Innovation and market performance of small firms.

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## Appendices

### A: Questionnaire

**MAKERERE UNIVERSITY  
MAKERERE UNIVERSITY BUSINESS SCHOOL  
GRADUATE AND RESEARCH CENTRE**

*Dear respondents,*

I am a student of Makerere University Business School pursuing Masters of Business Administration programme. Am conducting a study on the relationship between Intrapreneurial orientation, social networks and firm performance as a requirement for partial fulfilment of the requirements for the award of Master of Business Administration of Makerere University. I therefore request you to fill this questionnaire as soon as possible. All your responses will serve academic interests only and will be regarded confidential.

#### **SECTION A: GENERAL DATA**

1. Gender:      Male  1      Female  2
2. Marital status:      Single  1      Married  2      Divorced  3      Others specify.....  4
3. Age: Under 20  1      20 – 29  2      30 – 39  3      40 – 49  4      Over 50  5
4. The highest level of formal education:  
Primary Level  1      ‘O’ Level  2      ‘A’ level  3      Tertiary  4      Degree  5      Others.....  6
5. Type of manufacturing engaged in: Beverage  1      Bakery  2
6. Location of the business by Division:  
Nakawa  1      Central  2      Lubaga  3      Kawempe  4      Makindye  5
7. For how long has your business been in existence?  
Less than 1 year  1      1 – 2 years  2      3 – 5 years  3      6- 10 years  4      Over 10 Years  5
8. The current number of employees in this business is:  
5- 10  1      11 -20  2      21- 30  3      31- 40  4      41-50  5

**Guidelines to the following sections,**

Tick the appropriate box or correct response on the basis of the following scale

1	2	3	4	5
Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

**SECTION B:**

Intrapreneurial Orientation		Level of Agreement				
		1	2	3	4	5
	<b>Pro-activeness</b>					
1	I usually identify a good business opportunity long before others can.					
2	I always look for better ways to do things at work.					
3	I always champion my ideas even against others' opposition.					
4	I always make it happen if I believe in it .No matter the odds					
5	I usually fix errors before it's too late					
6	I have always been a powerful force for constructive change					
	<b>Risk-taking Propensity</b>					
7	I always implement a plan am certain that it will work.					
8	I often take risks when choosing a job					
9	I usually prefer a high security job with a steady salary					
10	I always prefer a job that has problems that I know about					
11	I usually view risk on a job as a situation to be avoided at all costs.					
12	I always feel safe to make work-related decisions.					
	<b>Innovativeness</b>					
13	I search out for new technologies, processes, techniques etc.					
14	I often generate creative ideas.					
15	I always promote new ideas to others					
16	I normally secure funds needed to implement new ideas.					
17	I always develop adequate plans for the implementation of new ideas in time.					
18	I normally look for adventure					

**SECTION C:**

Social Networks		Level of Agreement				
		1	2	3	4	5
1	I always make use of advice from my friends and family.					
2	Discussion of work decisions with my friends has greatly improved my performance					
3	My regular source of good ideas is from my friends and family.					
4	Regular business contacts with other employees helps me to acquire productive resources					
5	Business collaboration with my acquaintances regarding my work is good.					
6	Participation in trade fairs helps me to market our products					
7	I collaborate well with our customers.					
8	I always access financial support from the company so easily.					
9	My external accountants help me to solve most of our financial management problems.					
10	Attendance of seminars has greatly improved my skills and knowledge.					



11	My supervisor always provides me with the necessary support					
12	I regularly obtain advice & resources from people I have known for a long time					
13	My network contacts always keep their promises					
14	I absolutely trust my network contacts.					
15	My network contacts don't take unfair advantage over me					
16	I freely discuss my work concerns with my network contacts					
17	My network contacts always listen if I have issues to discuss with them.					
18	My network contacts always act in a manner that is consistent with what I want.					

**SECTION D:**

Firm Performance		Level of agreement				
		1	2	3	4	5
	<b>Survival</b>					
1	This company has been operating smoothly since its inception					
2	Challenges are handled well, without interrupting the operation of the business.					
3	The business always has resources it needs to grow since it started.					
4	The business makes enough profits, which we can invest in other businesses					
	<b>Market share</b>					
5	Our annual sales greatly increase each year.					
6	This firm's outreach is so far good enough in the market					
7	The customer retention rate is high.					
8	The company is likely to increase its output this year					
9	The production capacity is too small for the current needs of the market.					
10	Management is considering to increase the product outlets to meet the market demand					
11	The firm's stock turnover is high.					
	<b>Competiveness</b>					
12	This firm's market has been growing					
13	We provide distinctive products to our customers					
14	The firm's products are popular in the market					
15	This firm's products are cheaper in the industry.					
16	Majority of customers come for our products due to the firm's goodwill.					
17	Our transaction costs per customer is high					

**Rate the performance of the firm by ticking the appropriate box**

- Firm's growth rate is : Less than 2%  2-5%  5-8%  8-11%  over 11%
- Firm's sales increment : Less than 2%  2-5%  5-8%  8-11%  over 11%
- Customer retention rate : Less than 2%  2-5%  5-8%  8-11%  over 11%
- Firm's operations expansion : Less than 2%  2-5%  5-8%  8-11%  over 11%
- Firm's stock turnover rate : Less than 2%  2-5%  5-8%  8-11%  over 11%
- Firm's market coverage : Less than 2%  2-5%  5-8%  8-11%  over 11%

**Thank you for your time**