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**A Multi-theoretical Investigation of
Entrepreneurial Orientation at Star
Assurance Ghana Ltd**

by

**Robert Hinson
Masud Ibrahim
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Nnamdi Madichie**

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International Business Economics
Aalborg University
Fibigerstraede 2
9220 Aalborg East
Denmark
Phone + 45 99 40 99 40
Fax + 45 98 15 69 50
<http://www.business.aau.dk/ivo>

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Robert Hinson
Masud Ibrahim &
Nnamdi Madichie

Design: Joan Vuust
Lay-out: Joan Vuust

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Robert E. Hinson
Aalborg University Denmark

Ibrahim Masud
University of Ghana Business School
Ghana

Nnamdi Madichie
University of Sharjah
U. A. E.

A Multi-theoretical investigation of entrepreneurial orientation at Star Assurance Ghana Ltd

Abstract

Purpose – This study examines how entrepreneurial firms gain competitive advantage by acquiring the requisite resources and capabilities needed to achieve growth and profitability.

Design/methodology/approach – The paper is based on a single case study design – drawing upon a combination of participant observation, documentary analysis and an in-depth interview with key informants at Star Assurance. **Findings** – Star Assurance’s existence and growth over a quarter of a century is attributable to its ability to leverage its entrepreneurial orientation, resources and capabilities in ensuring a competitive advantage and ultimately growth and profitability. **Originality/value** – Our paper demonstrates that despite the abilities of the resource based view (RBV) and entrepreneurial orientation (EO) theories in explaining competitive advantage; they may still be limited in the long run. A combination of these theories provides a better theoretical platform for understanding entrepreneurial firm growth.

Keywords: Dynamic capabilities, Entrepreneurial orientation, Resource based view, Insurance Industry, Star Assurance, Ghana.

Paper type: Case Study

Introduction

Successive governments in Ghana have over the last few years attempted to provide opportunities for many entrepreneurs in Ghana (Chgunta, et al., 2002). Entrepreneurship and entrepreneurial activities in Ghana can however be traced to the post independence era; the period after 1957. Since the end of the first republic in 1966, successive Ghanaian governments have been making efforts to promote local or indigenous entrepreneurs and entrepreneurial activities within the private sector. The National Liberation Council (1966-1968) known commonly as the NLC, for instance most public corporations under its economic policy. Under the second republic of Ghana (1969 – 1971), the Business promotion Act of 1970 was promulgated and a set of incentives were instituted to promote and develop indigenous entrepreneurial activities.

Some of the incentives under the Business Promotion Act of 1970 included: low taxes, liberalisation of economic activities, tax rebates, long tax holidays, high depreciation rates, and low factor prices. Under the Rawlings regime (1983-2000), programs were launched within the framework of the governments restructuring program with the basic aim of resuscitating the economy (Buame, 2007). Responses to most of these entrepreneurial programs invariably received mixed reactions (Steel and Webster, 1991). This suggests that, the underlying challenges militating against the effective development of entrepreneurial activities have not been seriously examined. Most of these development policies and programs were based on “conventional wisdom” about entrepreneurship and activities involved in the process. This conventional wisdom rested on non existing values and institutional patterns such as a well functioning and effective bureaucracy, self orientation, emotional and material independence, individual financial security, availability and easy access to information.

In order to take a closer look at entrepreneurial enterprise development in Ghana, this study explores the entrepreneurial orientation of Star Assurance; a private insurance company in Ghana in relation to how it utilises its core competencies as well as available resources and capabilities in achieving competitive advantage in a competitive insurance industry. Entrepreneurial Orientation (EO) refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices. As

such, it reflects how a firm operates rather than what it does (Lumpkin and Dess, 1996). Miller (1983) summarizes the characteristics of an entrepreneurial firm:

“An entrepreneurial firm is one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive” innovations, beating competitors to the punch” (p. 771).

Based on this, several researchers agree that EO is a combination of the three dimensions of innovativeness, proactiveness, and risk taking. Thus, EO involves a willingness to innovate to rejuvenate market offerings, take risks to try out new and uncertain products, services, and markets, and be more proactive than competitors toward new marketplace opportunities (e.g., Covin and Slevin, 1989; Covin and Slevin, 1990; Covin and Slevin, 1991; Knight, 1997; Miller, 1983; Namen and Slevin, 1993; Wiklund, 1999; Zahra and Covin, 1995 and Zahra, 1993).

This research was necessary because there is a paucity of research in developing economy contexts; including Ghana, in respect of how private firms are harnessing their entrepreneurial potential in achieving their corporate objectives. Previous studies argued that in order for firms to achieve competitive advantage, they need resources and capabilities and an entrepreneurial orientation. These studies proposed the adoption of the resource-based view (RBV) of the firm as the basis for achieving competitive advantage. However, as argued by Prahalad and Hamel (1990), having a bundle of resources and capabilities alone does not guarantee a firm sustained competitive advantage in the long run. This study therefore proposes a new model which incorporates three well known models – i.e. EO, RBV and the Dynamic Capabilities View (DCV) into one model and argues that in order for firms to have a sustained competitive advantage; firms must be entrepreneurial, possess resources and capabilities as well as be dynamic in seeking new competencies.

Following this the introduction, we discuss the research gap and study objectives in section two. We then go on to provide literature review in section three. Our adopted conceptual framework is presented in the fourth section. This is followed by our case study methodology, discussion of findings, and main contribution of our paper in subsequent sections.

Research Gap and Study Objectives

The extant literature on entrepreneurial orientation as well as strategic competencies reveals that most of the studies basically concentrated on issues like profitability, growth, and organisational performance (e.g. Miller 1983; Covin and Slevin, 1989; Prahalad and Hamid, 1990). Others also looked at drivers of urban entrepreneurship (Mills and Lubuele, 1997; Sriram et al. 2006); contributions of social entrepreneurs (Urban 2008; Kramer, 2005; Dees, 2001) and characterization of Black African entrepreneurs (Nwankwo, 2005), just to mention a few.

Entrepreneurial activity of a country or a group of people is the mediating factor in the socio-economic transformation, development and progress of that country or group of people. Previous studies on entrepreneurs and entrepreneurship in Ghana centred on lack of resources for entrepreneurs (Kuada, 2009), gender parity education like women empowerment (Dzisi, 2008), entrepreneurship and innovation (Robson, et al., 2009) and an enabling environment for entrepreneurial success (Buame, 1996). All the above studies laid emphasis on the entrepreneurship processes and the outcomes of the processes. None of the a fore mentioned research investigations explicitly stated or delved into the traits or characteristics of these entrepreneurial firms. Consequently our paper's main objectives are:

- developing an understanding of the key competencies underpinning Star Assurance as an entrepreneurial entity;
- understanding the effect of entrepreneurial orientation on business performance;
- understanding the connections between resources and capabilities and a firm's competitive advantage; and
- how an entrepreneurial firm may leverage its dynamic capabilities in achieving competitive advantage.

Literature Review

Entrepreneurship has been defined as an attitude toward management that seeks to accentuate innovation, flexibility, and responsiveness driven by the perception of opportunity, while providing more sophisticated and efficient management (Guth & Ginsberg, 1990; Naman & Slevin, 1993). Miller (1983) suggests a broader interpretation of the concept that has motivated most academic attention, namely that entrepreneurship represents a characteristic of the firm that goes beyond the efforts of one key manager, especially when the size of the firm increases and its organisational structure becomes more complex. Entrepreneurship has also been defined as the set of behaviors that initiates and manages the re-allocation of economic resources and whose purpose is value creation through those means (Herron and Robinson, 1993).

Entrepreneurial Orientation (EO)

Like was alluded to earlier, entrepreneurial Orientation (EO) refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles and methods; and several researchers have agreed that EO is a combination of three dimensions of innovativeness, proactiveness, and risk taking. The innovativeness dimension of EO reflects a tendency to engage in and support new ideas, novelty, experimentation, and creative processes, thereby departing from established practices and technologies (Lumpkin and Dess, 1996). A high rate of technological and/or product market innovation, as implied by the innovativeness dimension, can be used by the firm to pursue new opportunities. Innovativeness is fundamental to contemporary definitions of entrepreneurship (Miller, 1983; Shane and Venkataraman, 2000). Kropp et al. (2006) identified that the innovativeness component of an entrepreneurial orientation is important to the success of a new business.

Proactiveness refers to a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors (Lumpkin and Dess, 1996). Lumpkin and Dess (2001) conceptualize proactiveness as a mindset that focuses on introducing new products or services in anticipation of future demand and shaping the environment. Some of the activities associated with proactiveness include new opportunity identification and evaluation, identification and monitoring of market trends, and new venture team formation. Opportunity recognition is one of the key

elements of the entrepreneurial process (Schwartz et al., 2005). A proactiveness mindset leads to developing a vision for a new business idea to capitalize on a business opportunity (Bird, 1989; Schumpeter, 1954).

Risk taking is associated with a willingness to commit more resources to projects where the cost of failure may be high (Miller and Friesen, 1982). According to Lumpkin and Dess (2001), risk taking is a component of entrepreneurial orientation and a distinctive facet of entrepreneurial behavior (Das and Teng, 1997; Lee and Peterson, 2000). Risk taking can be at an individual level (Sitkin and Pablo, 1992; Brockhaus, 1980) or can be a firm-level trait (Baird and Thomas, 1985) that differs by a firm's stage of development (Lumpkin, 2002). Palmer and Wiseman (1999) distinguished between managerial risk, which relates to choices associated with uncertain outcomes, and organizational risks, which involves volatile income streams. Forlani and Mullins (2000, p. 304) describe entrepreneurs' perception of risk as the "uncertainty and potential losses associated with the outcomes which may follow from a given set of behaviors." Defined as substantial variance in important outcomes (MacCrimmon and Wehrung, 1986), risk represents the likelihood that an individual will forego a safe alternative with a known outcome in favor of a more attractive choice with a more uncertain reward (Brockhaus, 1980). Some aspects of strategic risk include venturing into new and unknown territories. It also involves committing a relatively large share of assets and significant borrowing (Baird and Thomas, 1985, pp. 231-2 cited in Lumpkin and Dess, 1996).

Entrepreneurial Orientation and Firm's Performance

Past research efforts have attempted to explain firm performance by investigating a firm's entrepreneurial orientation. Research studies consistently showed support for a positive relationship between entrepreneurial orientation and firm performance and sales growth (Zahra, 1991; Zahra and Covin, 1995). Covin and Slevin (1989) reported a positive relationship between entrepreneurial posture (top management risk taking, product innovation, and aggressive or proactive competitive stance) and of firm performance. Other scholars also provide evidence of a strong relationship between entrepreneurial orientation and profitability and revenue generated by the firm (Smart and Conant, 1994; Zahra, 1993), and such relationships increased over time (Wiklund, 1999).

Entrepreneurial orientation is positively associated with firm performance. Knowledge or the perception of opportunity, and entrepreneurial intention (propensity) are important underpinnings of entrepreneurial capability. From the resource-based view, human capital is rare and valuable, not easily imitated or replaced, so human capital is the most important resource for gaining competitive advantage and consequently greater financial return (Barney, 1991). Education and training play a vital role in fostering an entrepreneurial spirit, particularly in knowledge-based and high technology firms. Entrepreneurs with new ideas or knowledge intend to commercialize the value of their knowledge. Professionals with prestigious occupational and educational backgrounds would bring in more intellectual ability, knowledge, and social contacts that allow them to make strategic choices leading to performance (Becker, 1993; Hitt, et al. 2001). A firm's ability to engage in entrepreneurial activities depends on its human capital and competences, so human capital is central for explaining firm performance

In terms of the individual dimensions of EO, previous research suggests that each can have a universal positive influence on performance. Innovative companies, creating and introducing new products and technologies, can generate extraordinary economic performance and have even been seen as the engines of economic growth (Schumpeter, 1934 and Brown and Eisenhardt, 1998). There is also reason to believe that EO as an overarching construct can have universal positive performance implications. A general tendency in today's business environment is the shortening of product and business model life cycles (Hamel, 2000). Consequently, the future profit streams from existing operations are uncertain and businesses need to constantly seek out new opportunities. An EO can assist companies in such a process. Several empirical studies find support for EO's positive impact on performance (Wiklund, 1999; Zahra, 1991 and Zahra and Covin, 1995), and anecdotal evidence to support the value of entrepreneurship abound (Hamel, 2000).

RBV and Core Competencies of Firms

The Resource-Based View (RBV) of the firm is a widely used theoretical framework in the management literature (Beard and Sumner, 2004; Runyan et al., 2006). The foci of RBV are competitive advantages generated by the firm, from its unique set of resources (Wernerfelt, 1995; Barney, 1986, 1991; Peteraf, 1993). One major recent development in the concept of resource-based view has been the introduction of the

notion of 'core-competencies' of a firm (Prahalad and Hamel, 1990: 89-90; Hamel and Prahalad, 1994: 223-228). Prahalad and Hamel (1990) define "core competence" as a 'bundle of skills and technologies that enables a company to provide a particular benefit to customers' (p. 219): they quote for example – among others – Sony's capacity to miniaturize, Canon's optical technology, and Honda's engine design. Core competencies are not product-specific. Instead they represent a particular unique and hence difficult-to-emulate configuration of skilled practices and know-how that lies at the root of the competitiveness of a firm (Toni and Tonchia 2003).

Prahalad and Hamel (1990) argued that core competencies are not tangible assets or resources. This is because core competencies do not show up on the balance sheet yet they are extendable capabilities that provide gateways to future opportunities. A core competence is an 'aptitude' or 'skill' for doing things. Hence, 'A factory, distribution channel, brand, or patent cannot be a core competence – these are things rather than skills' (Hamel and Prahalad 1994). Moreover, they further argue that not all capabilities are core competencies. That is the reason why 'what was once a core capability in one decade may become a mere capability in another' (Toni and Tonchia 2003). In Prahalad and Hamel's (1990) view, the diversified firm resembles a tree, where the core competencies are the roots which supply food, support and stability. Core competencies must be such that: permit potential access to a high number of markets; be seen by the end customer as the principal source of value added to the product; and be difficult to imitate by the competitors.

Conceptual Framework

The conceptual framework of this study is predicated upon three concepts used in studying firm performance across several management disciplines. These, (as highlighted in Figure 1), include Entrepreneurial Orientation (EO), Resource Based View (RBV) and the Dynamic Capabilities (DC) view. Results of empirical studies considering the link between entrepreneurial orientation and performance have been mixed. Although Covin and Slevin (1986) initially found a positive correlation between entrepreneurial orientation and performance, they later reported that strategic posture had no influence on a firm's performance.

Take in Figure 1

McDougall et al. (1994) also found no significant relationship between these constructs. Given the mixed results obtained, Zahra (1993) noted there is a scarcity of empirical evidence relating to the effect of entrepreneurship on financial performance. Additionally, Lumpkin and Dess, 1996 as well as Zahra, 1993 argue that different entrepreneurial postures may influence different measures of performance at different points in time.

RBV and DC are two theories used to understand the concept of core competencies. It is assumed in earlier studies that these two theories are the source of firm's competitive advantage. The resource-based view suggests that the source of competitive advantage is rooted in a firm's resources and capabilities. These resources include capital equipment, skills of individual employees, reputation, and brand names (Barney 1991). Early proponents of the RBV (Barney, 1991) identified characteristics of "advantage-creating" resources such as, value, rareness, inimitability and non-substitutability to be the competitive advantage that firms have over their competitors. Also drawing from Selznick (1957) and Ricardo (1966), this approach assumes that some of these resources are either very costly to copy or inelastic in supply. However, as mentioned by Day, 1994; Barney, 1991; Grant, 1991; Chandler and Hanks, 1994; Mahoney and Pandian, 1992; possessing resources alone does not guarantee a sustained competitive advantage and performance. This is because, resources are not inelastic in the long run as they get depleted and cease to exist. Capabilities do not also guarantee competitive advantage in the long run due to the availability of knowledge. As argued by Prahalad and Hamel (1990), what is seen as a capability today might not be a capability tomorrow as firms share knowledge and rival firms might be able to gain similar knowledge on how to provide a certain service which they hither to could not.

Our conceptual model is premised on the fact that in as much as core competencies can lead to competitive advantage which might lead to organisational performance, it will be difficult if not impossible to consolidate that advantage in the long run. This is because competitors over time might be able to learn or buy some of these competencies that hither to they were not able to. This means that what the firm or individual see as their core competencies is imitable, copiable and transformable. It thus affirms the view we take in our conceptual model that firms need to constantly look out for new competencies if they must stay

competitive. To do this, the firm or the individual must be entrepreneurial by incorporating the three dimensions of entrepreneurial orientation as proposed by Lumpkin and Dess (1996). Thus, the firm or individual must be innovative, proactive and be ready to take the risk of trying out something new.

In addition, the firm must possess dynamic capabilities in the form of absorptive capacity as well as environmental dynamism to be able to integrate its resources (e.g., product development routines, strategic decision making); as well as focus on the re-use of resources within firms (e.g., transfer processes including routines for replication and brokering) to enhance its core competencies to achieve growth as well as maintain its competitive advantage.

Components of the Framework

The components of the conceptual framework for the current study include the Entrepreneurial Orientation (EO) model, the Resource Based View (RBV) model, the Dynamic Capabilities model as well as Entrepreneurial Success (ES). The three theoretical constructs EO, RBV and DC are all independent of each other, however they link up together to achieve ES.

Entrepreneurial Orientation (EO)

For an individual or a firm to be seen as entrepreneurial, they must possess all these three dimensions mentioned, that is, the ability to take risk, being proactive and innovative. These three dimensions have been well explained in the literature review.

Resource Based View (RBV)

The RBV is one of the most widely used theoretical frameworks in the management literature (Beard and Sumner, 2004; Runyan et al., 2006). The RBV is attributed to Penrose who first came up with the concept. The RBV is based on the principle that the source of competitive advantage is rooted in a firm's resources and capabilities. These resources according to Barney (1991) include capital equipment, skills of individual employees, reputation, and brand names. Resources according to Runyan et al., (2006) can be tangible or intangible in nature. Tangible resources include capital, access to capital and location. Intangible resources

on the other hand consist of knowledge, skills and reputation, among others. Having resources alone should not be seen as an end in itself, rather it should be seen as a means to an end.

Capabilities, on the other hand, refer to a firm's skill at effectively coordinating its resources. Amit and Shoemaker (1993) defined capabilities as "information-based tangible or intangible processes that are firm specific and deployed over time through complex interactions among the firm's resources (1993; p.35). These include reliable service, product innovativeness, manufacturing flexibility, customer responsiveness, and order fulfillment speed. One major recent development in the concept of resource-based view has been the introduction of the notion of 'core-competencies' of a firm (Prahalad and Hamel, 1990: 89-90; Hamel and Prahalad, 1994: 223-228). Core competence has been defined by Prahalad and Hamel (1990) as a bundle of skills and technologies that enables a company to provide a particular benefit to customers. They gave example of core competencies as Sony's ability to miniaturize their products, Canon's optical technology, and Honda's engine design. Core competencies are not product-specific; instead they are inherently acquired skills that represent a particular unique way or method of doing things which is best done by the firm or an individual and hence difficult-to-emulate. However, as mentioned earlier having resources or capabilities or competencies alone does not guarantee firm or an individual competitive advantage. However, they must be complemented with other qualities like being entrepreneurial as well as keeping in touch with current trend in the industry.

Dynamic Capabilities (DC)

In the dynamic markets of today, competitive advantage rest on the ability to constantly develop organizational capabilities that form the basis for products and services offered by the firm, thereby constantly renewing the competitive advantages of the firm. The dynamic capabilities concept argues that increases our understanding of some of the challenges involved in following a resource based approach to strategy. A strategy as argued by Teece et al. (1997) should not just be seen as a battle for strong market positions but it should be seen as a battle for sustained development of the firm's organizational capabilities. This is because in the long run it is insufficient to have strong resources and organizational capabilities due to the intensity of competitions in the dynamic markets. The firm should thus possess strong organizational

routines for developing and renewing these resources and organizational capabilities. The framework for the study thus argues that, in order to have a sustained competitive advantage, the firm should have in addition to its resources and capabilities the ability to absorb new knowledge of current trends in the environment. It should also be dynamic in the way it approaches its strategies and approaches to stay competitive.

Entrepreneurial Success (ES)

The conceptual framework for the current study argues that, in order to achieve a sustained competitive advantage, the firm must incorporate all the theories discussed above in this study. The ability of the firm to integrate the three theories which are Entrepreneurial Orientation (EO), the Resource Based View (RBV) and the Dynamic Capabilities (DC) will lead to Entrepreneurial Success (ES). ES include performance /competitive advantage and Business Continuity/Growth. The conceptual framework thus argues that an entrepreneurial firm with requisite resources and capabilities as well absorptive capacity and environmental dynamism will lead to firm's growth or performance as well as a sustained competitive advantage for a long time. This is because the firm then is always constantly being innovative and looking out for new resources and capabilities that give it superior competitive advantage over its competitors.

Methodology

There are many design or strategy alternatives when it comes to a research design. (Cavaye, 1996; Darke *et al.*, 1998; Hussey and Hussey, 1997; Leedy and Ormrod, 2001; Miles and Huberman, 1994; Powell, 1997), these alternatives include experiments, surveys, grounded theory, ethnography and case study. For the purpose of this study, the case study approach was adopted.

Case study selection

- Star Assurance was chosen for this study because it presents an extreme case. In Ghana it is difficult first and foremost starting a business. Nurturing a business to celebrate its twenty fifth anniversary in a fiercely competitive insurance sector demands special commendation. Star Assurance is an

indigenous insurance company established 25 years ago For this reason, this company was chosen for this study. Also, the selection of the case company is in line with Hussey and Hussey (1997:67) who proposed that, “you may wish to select a critical case which encompasses the issues in which you are most interested.”

The selection of a single case also conforms with Cavaye (1996:236) who stated that the “*study of a single case enables the researcher to investigate a phenomenon in depth...enabling a rich description and revealing its deep structure.*”

Case Study Respondents/ Key informants

As this study sought to find out the core competencies and entrepreneurial orientation of the case firm (Star Assurance), the interviewees comprised top executives of the company who are responsible for policy formulation and implementation. Due to their deep insight with regards to the phenomenon being studied, three top executives were thus selected for this study in order to help find answers to the research objectives and questions stated. Thus the selected sample included the Managing Director, the Executive Director, and the Marketing Manager.

Data Collection

Data was obtained from six different sources. These are documentation, archival records, interviews, direct observations, participant-observation, and physical artefacts. However, the in-depth interview method was used as the primary data source to obtain more information to answer some of the major research questions.

Interviews. An interview is one of the most important sources of case study information. Interviews are guarded conversations rather than structured queries. Although in interview a researcher will be pursuing a consistent line of inquiry, the actual stream of questions in a case study interview is likely to be fluid rather than rigid (Rubin & Rubin, 1995). The interview questions were of an open-ended nature to allow for flexibility to probe further in order to solicit the right responses on the part of the interviewer and also seek

the opinion of the interviewee about events. Each interview took approximately 40 minutes to complete. The duration of interviews was carefully considered as Jones (2001) noted an interview greater than 45 minutes “gets tedious and people can become restive” (Jones, 2001, p. 421). The interviewees were firstly served with a letter with an attached interview guide prior to interviews. This was to ensure that interviews were have a grasp of what was to be discussed and also to promote validity and reliability by enabling them gain an understanding of the information being requested (Saunders, et al., 2000). All interviews were recorded with a Sony digital recorder to help with the accuracy of the interpretation and analysis of the information gained. The Marketing Manager was the first among the three to be interviewed. His interview took place on the 16th of April 2010 between 12:30pm and 2pm. The Executive Director’s interview on the other hand took place on the 27th April 2010 between 11am and 12pm. The Managing Director’s interview took place on 15th May 2010 in his office. The interview lasted 70 minutes.

Participant Observation. Observation has been recognised as a valuable data collection method in a case study setting by a number of authors (Gillham, 2000; Jankowicz, 2000; Powell, 1997; Saunders *et al.*, 2000; Yin, 1994) and it complements interviews as a valuable source of additional data. Such observation can take place on both an informal basis (such as during a tour of the business premises of the case study organisation) as well as on a formal basis (such as during a meeting at which the researcher is invited to attend without active participation). Thus the observation method was chosen in addition to the interviews to add depth and variety to the data collected. Observation also allowed the researcher to identify possible additional artefacts and documents as part of the data collection activities. This observation included the ability to observe, for example, the use of story-related ideas in such areas as posters on display; behaviour of staff and how customers were received and served.

Documents and Artefacts. In addition to the interviews and participant observation, this study also made use of documents and artefacts as part of the overall attempt to collect field data during an empirical research project; this has been recognised by a number of authors (Gillham, 2000; Jankowicz, 2000; Powell,

1997; Saunders *et al.*, 2000; Yin, 1994). Some of the artefacts and documentary sources collected during the empirical data gathering activities included:

- Case study organisation corporate publications
- Case study organisation public web site
- Electronic mail
- Newspaper reports on the case study organisation

Discussion of Findings

This section of the paper presents the findings with regards to the questions raised in this study. The findings are presented and analysed qualitatively. The company, which commenced business in April 1985, is now among the top three insurance companies in the country.

Entrepreneurial orientation

Entrepreneurial orientation comprises three elements or functions. These are innovativeness, risk taking and proactiveness according to Lumpkin and Dess (1996). For a firm to be successful in this era of technology, it has to be abreast with current trends in the industry and do more than in terms of adding value to its products or services and is seen to pave the way for others to follow.

Innovativeness

Innovativeness here means, doing something different from the status quo. That is, bringing into the world new product, new method of production and novelty. An innovative firm is one that has the willingness to innovate, to rejuvenate market offerings, take risks to try out new and uncertain products, services, and markets, and be more proactive than competitors toward new marketplace opportunities. According to the Marketing Manager, with the insurance industry, there is little one can do in terms of differentiating your product as insurance products offered are all standardised with little variations. However, he mentioned that

Star Assurance does its best in terms of trying to differentiate its product offerings from the competition. He said for instance:

...the industry I will say is limited when it comes to product development. Talk of travel policy, its travel policy. I mean, you say yours is whatever, whatever; what matters is your ability to differentiate yours. But with the generic products are the same. You have travel policy and its travel policy.

On the issue of how Star Assurance differentiates its products despite the standardized products across the industry, he said they do so by customizing each product offering to meet customers' needs. In his own words:

What we do, what distinguishes us is our ability to customize to meet peoples' explicit requirements. I wish you could talk to some of our clients. Asuma Banda started Antrak; he wanted a local insurance company to handle. Everybody was shying away. We came up with a package and we took it; we took the challenge and so, we were the first to enter the airline business. We have several people coming out with all forms of investments. We sit down with them; we try and identify all the lapses, and the needs and everything. We come up with solutions.

Commenting on the same issue, the Executive Director mentioned that due to the standardized nature of insurance products, what they do to differentiate their product offering from the competition is by focusing on their sales strategies and techniques. She mentioned thus:

But, you know, because insurance products are very standard, very, very standard. So it is difficult to modify... its difficult sometimes because they are very standard. But, I think our selling too is what makes the difference.

Risk Taking

Risk taking is one of the biggest challenge confronting insurance companies. Insurance is all about risk and some firms have lost their clients due to the fact that, their propensity to take risks is very limited. The Marketing Manager mentioned thus:

Oh! Ok! If you care to know, we've been rated and the rating, we've been rated "A". The rating took into consideration our ability to withstand shocks. Our balance sheet size and the strategies put in place to absorb shocks. Some of the key things an insurance company put in place to absorb shocks is your ability to withstand shocks. Re-insurance, you know,... if you do not take your re-insurance critically, emm... you do not stick to the rules; one bad deal can wipe you off your feet. So, as an insurance company, we look at our re-insurance critically. Such that any... any business we get, if it goes beyond the re-insurance limits, we quickly push... we seed part of the business to re-insurance.

Star Assurance's rating has brought it closer to the league of the world's rated insurance companies. This achievement places the company as the second direct insurance underwriter rated by an international independent rating agency. The firm has been rated "A" by Global Credit Rating Company of South Africa recently. This same company rated Enterprise Insurance Company and two other reinsurers; Ghana Reinsurance Company (Ghana Re) and Mainstream Insurance Company in 2009. Global Credit Company (GRC) is a leading rating agency in Africa with particular expertise in claims payment ability ratings on the African continent. With regards to the criteria used for the rating, the rating company looked at Star Assurance's competitive positioning, claims payment, risk exposures, defensive characteristics, affiliated relationships, management quality, accounting ratios that determine efficiency, liquidity and solvency of the company.

Proactiveness

Some of the activities associated with proactiveness include new opportunity identification and evaluation, identification and monitoring of market trends, and new venture team formation. Comparatively, entrepreneurial firms tend to develop creative and innovative projects in anticipation of the opportunities in the environment and to beat competitors' actions, and their expectations of reward involve significant but calculated risks. At Star, one of the new additions to their core operations is the establishment of a business development unit. As disclosed by the Executive Director in the interview:

Our Business Development Unit was started in 2007, October, and... it was just something to help our sales drive, like to help our sales. So it included market research and also marketing.

The business development unit was created purposely to help position Star Assurance ahead of the competition by constantly seeking out new businesses and also conducting market intelligence surveys as well developing product and services that gives a sort of competitive advantage. She added that:

I think to have a competitive advantage because it wasn't just about marketing, but it included like marketing, market intelligent and research to find out what other people were doing so that we could always be a step ahead of them.

It was also noted that Star Assurance envisages a shift from the traditional general insurance products to customized products to support large risks as Ghana develops its oil and allied industries, requiring cooperation among insurance companies to co-insure these risks. Managing Director of the company also mentioned that Star Assurance would soon roll out customized insurance products to support large risks in the emerging oil and gas industry. The following statement illustrates this thinking:

The current dynamics facing the industry such as an increase in the number of players in the market, leading to a softening of rates, consumer demands, and convergence of the financial services provide a window of opportunity for the industry to achieve its full potential within the financial system [Managing Director, Star Assurance]

He also mentioned that, due to the dramatic change in the past decade in the insurance industry, Star Assurance in response has also invested heavily in its operational areas – information technology, branch network and human resource – and will by September 2010, commission a new state-of-the-art software whose installation and implementation at the cost of GH¢900,000 will reposition the company to serve its rapidly growing client base more effectively and efficiently.

Core Competencies

Even though in the insurance industry there is no flexibility as everything is standardised, Star Assurance has a unique way of delivering superior services to its clients. As mentioned by the Marketing Manager:

The industry I will say is limited when it comes to emm... product development. Talk of travel policy, its travel policy... What we do, what distinguishes us is our ability to customize to meet peoples' explicit requirements.

Another core competency of Star Assurance according to the Marketing manager is their employees. According to him, the employees constitute a core competency because of the training they have on the job as well as their educational background. He remarked:

...the personnel... very good management staff who have sharp skills, the education everything is good; and then Insurance is very technical area. So, if you have people who understand what they are doing, it's your strength.

The Executive Director supported the Marketing Manager's view on the issue of their employees being a source of core competency of Star Assurance. She added also that another example of Star Assurance's core competency is their ability to add human touch to their services.

...and also human...always attaching a human touch...like show appreciations. It's like we are a big family. We have an open door policy at Star, so anybody can get up and walk up to anybody's office.

One other key competency of Star Assurance according to the respondents is speed of delivery. The respondents mentioned that at Star, customers are not kept waiting for long and the maximum time spent by a customer is ten (10) minutes. In the words of the Marketing Manager:

There are times you get there and the place is full. But I think the turn around time is good enough. Like maximum ten minutes, you're done. I know it's not the case in so many other places.

Furthermore, the ability of the underwriters of Star Assurance could also be argued to constitute their core competency. The underwriters at Star Assurance are allowed to handle all classes and types of insurance products and services unlike in other companies where underwriters are put on tiny schedules and are not allowed to render any additional service beside what they are mandated to do. The Marketing Manager explained:

What I'll say is because of the nature and size of our business here, our underwriters are not put on tiny schedules. In other organisations, you have somebody underwriting just for motors for five

years. All you here is oh! he is an insurance man. He is not able to underwrite any engineering business. But here, we maintain that kind of structure where you have an idea of what is going on. If you talk of construction, you have an idea; you must be able to underwrite. If you talk of motor, it's the basic. If you talk of travel, it's basic. You talk of engineering, you talk of construction, those common ones people should be able to underwrite and that's what makes us unique.

Resources and Capabilities

As regards the resources of Star Assurance, it was observed that Star is one of the richest insurance companies in Ghana in terms of physical assets (buildings, cars, equipments). In 2008, total assets value increased by (33.94%) from a figure of GHc17, 595m to GHc23, 567m.

Tangible Resources. Tangible resources include capital, access to capital and location. The tangible resources of Star Assurance include buildings, equipments, and cars among others. The company operates 9 branches aside the head office in Accra. Currently, the company has branch offices in seven of the country's ten regions.

Intangible Resources. The intangible resources of Star include employees, dedicated staff, knowledge and skills. Employees are the representatives of the company and so are developed through constant training and mentoring to deliver excellent customer service to clients. Knowledge of the Information Technology (IT) is another intangible resource of the company. As mentioned earlier, Star Assurance has incorporated their activities with IT to deliver excellent and reliable service to clients.

Capabilities

Star Assurance is blessed with multiplicity of capabilities which it uses to deliver superior services to its clients in order to achieve greater competitive advantage. Some of the capabilities of Star Assurance include knowledge of IT, effective complaints handling, customer surveys, and ability to withstand risks. With regards to the IT as a capability, Star Assurance has spent millions of Cedis on ICT infrastructures in order to deliver quality of service to clients using a state of the art technology. The Managing Director mentioned that Star Assurance had also invested heavily in its operational areas which include information technology,

branch network and human resource. He also mentioned that Star assurance will by September 2010, commission a new state-of-the-art software whose installation and implementation is valued at the cost of GH¢900,000 and this according to him will reposition the company to serve its rapidly growing client base more effectively and efficiently.

The ability to handle customer complaints effectively is another capability of Star Assurance. Utilizing their IT capabilities, the company is able to receive customer complaints within seconds through the company's website and the complaint or query or inquiry forwarded to the appropriate unit to deal with them. According to the Executive Director:

I get inquiry, I get a copy and the IT manager also gets a copy; and I think the technical person too. So anybody can quickly reply it; any inquiry from the Internet... it depends. You just have to notify them that I've answered; if you can answer it, you answer it and just notify the other people that... You just send them a copy like a blind copy that just so they know that you dealt with the enquiry.

As mentioned earlier in this section, Star Assurance has the ability to withstand risks and had been graded "A" in risk handling by Global Credit Company (GRC).

Dynamic Capabilities. With regards to the dynamic capabilities of Star Assurance, responses obtained from the interviews as well as from archival records show that Star Assurance has three capabilities that could be classified under the knowledge assets, absorptive capacity and environmental dynamism. As noted by the Marketing Manager; *"What matters today will not matter tomorrow. And what keep you on top today ... So, what we do is, you know the customers' needs vary. They are dynamic; they keep changing all the time.*

Knowledge Assets

Responses from the interview show that Star Assurance possesses unique sets of capabilities in terms of knowledge of the industry. Star Assurance has been operating in the insurance industry for about 25 years and has gained a lot of experience and techniques as to how to be competitive. It also has crop of talented and qualified personnel with requisite qualification and experience gained by working in various portfolios prior to joining Star. These personnel according to the Marketing Manager:

... Very good management staff who have sharp skills, the education everything is good; and then Insurance is very technical area. So, if you have people who understand what they are doing, it's your strength...

The Marketing Manager added thus:

What I'll say is because of the nature and size of business here, our underwriters are not put on tiny schedules. In other organisations, you have somebody underwriting just for motors for five years. All you here is oh! he is an insurance man. He is not able to underwrite any engineering business. But here, we maintain that kind of structure where you have an idea of what is going on. If you talk of construction, you have an idea; you must be able to underwrite. You talk of motor, it's the basic. If you talk of travel, it's basic. You talk of engineering; you talk of construction; those common ones people should be able to underwrite and that's what make us unique.

Absorptive Capacity

With regards to the absorptive capacity of Star Assurance as part of its dynamic capabilities, responses from the interview show that, Star Assurance has the ability to absorb new techniques as well as new strategies with regards to latest trends in the industry. When asked whether or not Star Assurance absorbs latest trends in the industry, the Executive Director mentioned thus:

Sometimes you just have to absorb it. Like sometimes, like commission rate, you have to pay really high commission rates. Sometimes it depends on the business that you get. Sometimes you just have to let it go...because you can't...other than financially if it's not viable. But sometimes if it is a very big business, sometimes we absorb those costs.

The Marketing Manager also mentioned in relation to the absorptive capacity that Star Assurance first and foremost assess the viability of incorporating or utilizing new ideas, services or technologies and then considers its implication before deciding to implement it or otherwise. He said:

We have our intelligence in place. We listen to the news. We need to look at the things around us. There are certain things you can't just let go. So we assess the viability and the impact of what is

happening and we react accordingly. We react accordingly. So, it depends on the underwriters. That is, the effect it has on the business.

Additionally, Star Assurance takes centre stage in absorbing or utilizing new technologies. Star Assurance as mentioned earlier has incorporated IT in its core insurance activities to deliver superlative services to their clients. It could be observed that knowledge of IT is very critical to every firm's success due to the level of competition. Having the knowledge of IT applications to core business functions therefore is a plus.

Environmental Dynamism

With the environmental dynamism constructs, the current study found that, Star Assurance recognises the need to constantly search for new capabilities as well as reconfigure old ones to stay in tune with the demand of the industry. As such management is taking steps to rebrand the whole Star brand as well as introduce new competitive products as part of its corporate strategy. The Executive Director explained thus:

... and now we are planning on re-branding the whole Star Assurance just to like make it...it's been 25 years now. So we are thinking of moving forward. We just want like a whole new change to be more visible to our retail clients. We are undertaking a branding exercise.

Entrepreneurial Success

From the information gathered in this study, it was found that Star Assurance over twenty four years now has proven to be one of the most proficient insurance companies in the country today. The company has grown its market share to become one of the five largest non-life insurers in the country. This was evident in the award and recognition and feat choked by the company in the 2009 Ghana Investment Promotion Council (GIPC) award held on the 26th of July 2009. Out of the nine (9) insurance firms featured in the Ghana Club 100 awards in 2009, Star Assurance placed 45th, the 2nd placed insurance firm on the chart of 100 best companies in Ghana. Also, over the past five years, Star Assurance has set for itself an aggressive position in its growth phase. Apart from strengthening its manpower resource base, the company also moved into very

competitive, specialized and lucrative operations with professionalism and ability to respond rapidly to market signals. This has resulted in the feats and success chocked by the company.

Star Assurance's performance indices and health ratios have pointed upwards over the past five years. Shareholders' fund has grown from GHc5, 125m to GHc7, 070m (1.5GHC exchanges for 1USD). In 2008, total assets from GHc17, 595m to GHc23, 567m (1.5GHC exchanges for 1USD). These have translated into growth in gross income from GHc10, 115m to GHc15, 117m in 2008. Profit before tax was GHc2, 916m and profit after tax stood at GHc2, 213m. The company's claims showed GHc2, 117m (1.5GHC exchanges for 1USD). The rating agency thus acknowledged Star's zeal and aggressiveness and conceded that whilst the company operated under high operating cost, a challenge affecting the financial flexibility for the industry as a whole, Star Assurance managed to improve its underwriting profits over the past three years through improved risk selection. Looking into the future, the M.D. said:

Although Star Assurance is taking into the future a legacy of achievements, we believe that complacency is an enemy of success, and the bedfellow of failure.

He added that:

We will rather learn and build from the successes of the past twenty-five years, as the company seeks to increase its underwriting capacity, and the scope and quality of its products. Star Assurance's vision for the future is that of insurance partnership, by creating delightful experiences in doing the business of insurance. The needs of customers will determine the path of the company, while its values will guide it.

The model developed in this study argues that in order for a firm to achieve competitive advantage, growth and profitability, the firm needs to be entrepreneurial, possess resources and capabilities and have dynamic capabilities. As discussed in the previous sections, it is evident that Star Assurance possesses all these abilities and so is expected to achieve growth and profitability which is the focus of the next section.

Growth and Profitability

As witnessed in the literature, research studies show that there is a positive relationship between entrepreneurial orientation and firm performance and sales growth (Zahra, 1991; Zahra and Covin, 1995). Covin and Slevin (1989) also reported a positive relationship between entrepreneurial posture (top management risk taking, product innovation, and aggressive or proactive competitive stance) and multivariate index of firm performance. Additionally, empirical results provided evidence for a strong correlation between entrepreneurial orientation and profitability and revenue generated by the firm (Smart and Conant 1994; Zahra, 1993), and such relationships increased over time (Wiklund, 1999). All the above findings are consistent with the findings from this study. Financial records of the company show a positive performance in terms of profitability and growth. Star Assurance's performance indices and health ratios have pointed upwards over the past five years. Shareholders' fund has grown from GHc5, 125m to GHc7, 070m. In 2008, total assets from GHc17, 595m to GHc23, 567m. These have translated into growth in gross income from GHc10, 115m to GHc15, 117m in 2008. Profit before tax was GHc2, 916m (1.5GHC exchanges for 1USD) and profit after tax stood at GHc2, 213m (1.5GHC exchanges for 1USD).

Take in Figure 2

The framework above is the post study framework model for achieving competitive advantage by firms operating in developing contexts. This framework argues that in order to achieve entrepreneurial success, firms should have resources and capabilities and an entrepreneurial orientation. Thus, this study's theoretical contribution is based on the post study framework. We can conclude by highlighting from our case, the highest propensities for possessing core competencies as well as being entrepreneurial by firms operating in developing countries via our multi-theoretical entrepreneurial success framework (see Figure 2). In terms of resources entrepreneurial success holds that, for firms to achieve competitive advantage, they must possess both tangible and intangible resources. Tangible resources include capital, access to capital and strategic location. Intangible resources on the other hand include of knowledge, skills and reputation.

With capabilities the framework holds that in order to achieve entrepreneurial success firms should possess the requisite skills and knowledge better than the competition. Capabilities must include information based capabilities and skills. Information based capabilities are what Itami and Roehip (1987) call “invisible assets”. These include reliable service, product innovativeness, manufacturing flexibility, customer responsiveness, and order fulfillment speed. While the skills are competencies that enable firms to provide a particular benefit to customers better than the competition.

On the issue of entrepreneurial orientation, the framework argues that, firms that are entrepreneurial in nature achieve entrepreneurial success. An entrepreneurial firm should possess three characteristics which are innovativeness, risk taking and proactiveness. The framework argues that for firms to be innovative, they should have the ability of creating and introducing new products and technologies in their areas of operations as well as being the first to adopt a new way of doing thing in the industry. Also, to achieve entrepreneurial success, entrepreneurial firms should be proactive in the way they go about their business. Proactiveness entails a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors. As such firms should be able to anticipate future needs and wants of their clients through research and intelligence gathering on latest trends in the industry.

In addition, entrepreneurial firms should be risk takers. They should be able to take calculated risks in order to achieve entrepreneurial success. Thus, entrepreneurial firms should have the willingness and desire to commit more resources to projects even where the cost of failure may be high.

Managerial Implications

The results from this study show that Star Assurance is an entrepreneurial firm that utilises its competencies in terms of resources and capabilities effectively and efficiently in achieving competitive advantage in the industry. In order to have a sustained competitive advantage however, the firm needs to constantly update these competencies and invest more in these competencies. This is because, as mentioned by Prahalad and Hamel (1990) resources and capabilities can get depleted and an entrepreneurial firm must constantly search for new competencies to replace older and worn-out competencies.

The management of Star Assurance should also be aware of the fact that just possessing these resources and capabilities alone does not guarantee them sustained competitive advantage. With time what is

a core competency today might just be a mere capability as competitors with time could acquire and learn these competencies. Also, with regards to employees being core competencies of the firm, management should not lose the fact that employees are not the bona fide properties of the firm as they come and go at will. Therefore depending on employees as a source of core competencies might in the long run leave the company bankrupt of competencies when the key employees leave the firm as was evident in the study where a key manager of the firm resigned the company taking with him a number of employees. The results of the study should also be very significant to management as reward for hard work. Management from all indications has invested and will continue to invest heavily in their operations to stay competitive and achieve the desired outcome of growth and profitability.

Recommendations for Future Research

Future research could adopt other case method designs like the multiple case design instead of just one or single case method design. As noted by Yin (1994), the analytical benefits of having two or more cases may be substantially better than single case designs. Also, analytical conclusions independently coming from two cases, as with two experiments will be more powerful than those coming from a single case design. Future research into observing the phenomenon under study should therefore employ the multiple case studies due to its advantages over the single case design.

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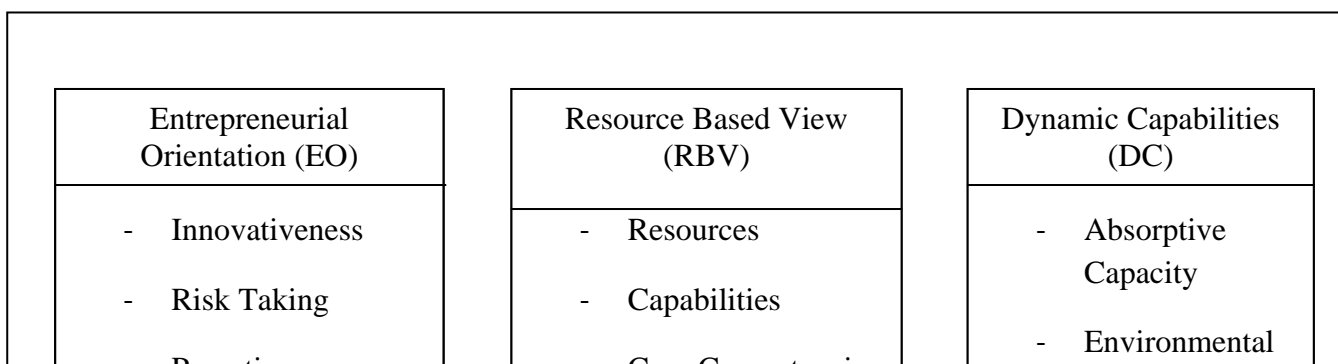
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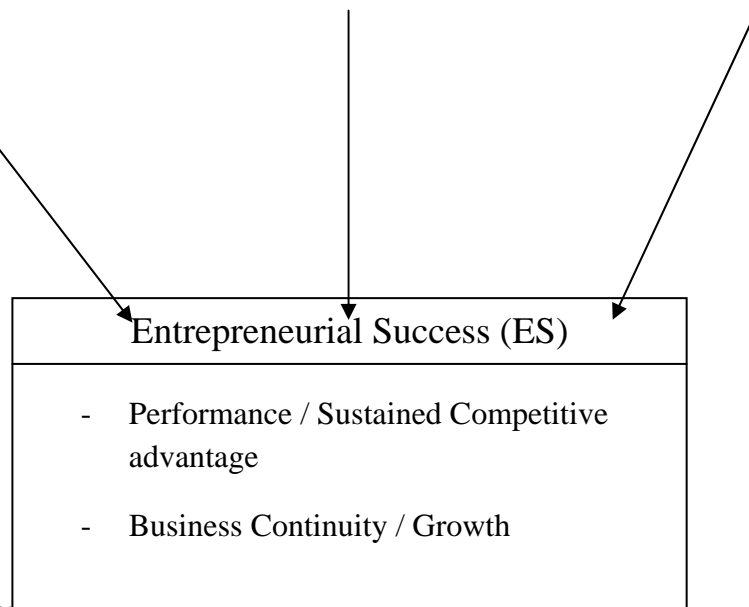
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Figure 1 Conceptual Framework





Source: Authors' conceptualization

Figure 2. Post study framework

