A SURVEY OF CORPORATE VENTURING PRACTICES BY SOFTWARE DEVELOPMENT AND DISTRIBUTION FIRMS IN NAIROBI, KENYA

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DECLARATION

This management project report is my original work and has not been presented for a degree in any other University.

SIGNED: _____ DATE: 26/10/2002

This project report has been submitted for examination with my approval as University Supervisor

SIGNED: _____ DATE: 28/10/02.

Mr Jackson Maalu

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DEDICATION

To my dear wife, for the sacrifices and support during the MBA course

God bless you

ACKNOWLEDGEMENT

To you all who accompanied me on this journey to its very destination, you were all a source of invaluable inspiration I could not have come this far without.

God bless you all

ABSTRACT

This research set out to find out: what were the corporate venturing practices, and their justifying factors, as exhibited by software development and distribution firms in Nairobi, Kenya. These were issues of concern given the various changes in business environment in Kenya; the complex, uncertain and dynamic IT industry in the flat Kenyan economy; which called for continued entrepreneurial behaviour for continued renewal and growth.

To explore these corporate venturing practices and the pertinent factors, primary data was collected using a survey design from eighteen respondent firms on empirically documented corporate venturing practices, namely: culture, climate and corporate support; structure and design of venturing effort; planning, monitoring, evaluation and control of ventures; and staffing and rewarding venture activity. Additionally, factors espoused as being influential to the success of corporate venturing such as mission of the venturing activity, environmental factors, product market strategy, and entry strategies were investigated. The findings were analysed using descriptive statistics and factor analysis.

The findings of this study indicates that: there exists barriers to exercise of entrepreneurial initiative due to bureaucratic designs in the organizations, limited support from senior management, and management styles that stifle corporate venturing; venture efforts are granted sufficient autonomy, closely monitored by senior management and appropriate modes of venturing employed. Majority of the firms plan for, evaluate, monitor and control venture efforts as they do established lines of business; staff venture teams with team-builders, risk takers and politically sensitive while rewarding them based on the success of the venture. Further, few are concerned with customer satisfaction levels.

This led to the conclusions: the supportive entrepreneurial culture, climate and support are lacking; empirically espoused practices on structure and design of corporate venturing are

employed; planning, monitoring, evaluation, and control of venture is based on conventional systems; and staffing and reward systems were as empirically documented outside Kenya. These practices are largely explained by: limited market research to identify existence of new venture opportunities; limited resources to exploit new venture opportunities; low venture user-need congruency due to market ignorance; inability to leverage existing skill base to exploit new technologies; and a lack of aspiration to be global market leaders.

Due to the breadth of this study, it is limited in level of detail. Findings that are more concrete can be drawn if a more focused study say on staffing and rewarding venture effort or any other area is conducted. It would be highly inspiring for example to find out why most of the respondents in this study plan for, control and evaluate new venture efforts using similar systems they employ to the existing lines of business, yet literature from outside Kenya indicates otherwise.

CHAPTER 1: INTRODUCTION

1.1 Background

With time, the business environment change. The firm, being environmental dependent, has to constantly engage in corporate development i.e. identification of business opportunities to pursue, selection of the opportunities to pursue and determination of the businesses to exit, in order to survive in the changed environment.

Firms that fail to change with time experience corporate decline and possibly die all together. "Seven main causes stand out in most cases of corporate decline: poor management, over-expansion, inadequate financial controls, high costs, the emergence of powerful new competition, unforeseen shifts in demand, and organisational inertia." (Hill and Jones 2001 P. 371)

Because of age, size or competitive intensity, most organisations exhibit a deterioration in vital signs that is inconsistent with their ambitions and purposes. The members of start-up organisations have a sense of individual and collective power; they feel they can make a big difference in the pursuit of the goals they all share. Employees identify with the enterprise as a whole; alignment and informal teamwork are commonplace. The whole organisation is open to learning; trial and error are the norm. As organisations grow older and larger, however, the vigour of these vital signs deteriorates. Instead of power, people often develop a sense of resignation in response to seemingly insurmountable obstacles or to lack of support from their superiors. As organisations become more complicated and demanding, people strive to carve out private patches of turf where they can exercise responsibility, protect themselves, and keep the world at bay. Employees lose their sense of teamwork and alignment with entire enterprise and begin to seek the safety of their particular profession, union, function, team or location. As for learning, larger and older organisations tend to be less receptive to new ideas than their younger counterparts are. In place of inquiry and experimentation, ideas are studied to death in hopes of ferreting out every possible weakness before making a commitment (Pascale et al 1997).

Consequently, organisational inertia reigns as the organisation drifts into inaction and reactive responses to environmental changes.

"In some situations the acceptance of change is optional; .... In a corporate environment, though, there is no choice; corporations that do not move with the times die. Pre-empting change therefore becomes an essential trait of corporate survival, the key being to develop a culture of innovation and creativity" (Davis, 2001). Comparing successful and unsuccessful organisations, often the ability to innovate is the difference. Microsoft is known for innovation, yet before it was companies like Wang and Digital, which have now died. Locally compare former KCC with Brookside, African Tours & Hotels with Serena and BML with Symphony. "Innovation and creativity calls for a leadership that is open to change. Equally important is the ability for ideas to be generated at all levels. Kenyan organisations are poor at doing this, partly due to the national culture of deference to position". (Davis, 2001)

The Economist Newspaper (1997) identifies reasons why Intel, Microsoft, Cisco and a host of other big technology firms become Silicon Valley's biggest venture capitalists. Intel, Cisco and Microsoft invest to boost fortunes of firms whose success seems likely to increase overall demand for their own products. Microsoft uses corporate venturing as a form of hedging, buying a minority stake in companies just in case the industry swings their way. Others such as Softbank have ventured like and for reasons similar to those of normal venture capitalists.

The turbulent IT industry generally and more specifically its nascent software development and software distribution sub-sector, in the context of organisational inertia, coupled with the need for being market-driven, logically seems in need for such a venturesome organisational culture.

Various studies without Kenya have documented corporate venturing practices and factors influencing success of corporate ventures. These can be broadly classified into culture, climate and support; venture mission; strategy and environment; structure/design of venture activity;

staffing & reward systems for venture management, and planning, monitoring and evaluation of results.

Schon (1966), Fast and Pratt (1981), Fast (1979) and Kanter (1982) have documented the need for an organisational culture that is supportive of corporate venturing. MacMillan et al (1984) have argued for a clear mission that encourages venturing. Cooper (1979), amongst others, has documented a number of inhibiting and facilitative environmental factors. Cooper (1979, 1983), von Hippel (1979), Maidique and Zirger (1984) and Rothwell (1972) have demonstrated the role of product-market strategy to venture success. Biggadike (1979), Hobson and Morrison (1983) have shown the role of entry strategy to venture success. Roberts (1980) has explored venturing alternatives to full-scale corporate start-ups.

Burgelman (1983a, 1983b, 1985), Block (1985), Shapero (1984) and others have documented the structure and design of a venturing effort. Block (1983), Vesper and Holmdah (1973), Shapero (1984), Quinn (1979), Maidique and Zirger (1984a) and Block and MacMillan (1985) have analysed various issues on planning, monitoring and evaluation of ventures. While as Block (1985), von Hippel (1977), and Shapero (1984) have looked at the staffing and reward systems for venture activities.

1.2 Statement of the Research Problem

Various changes have occurred in the business environment in Kenya in recent years. These changes have had profound influence on corporate behaviour of firms in Kenya. Shimba (1993), Bett (1995), Abekah (1996), Kombo (1997) and Chune (1998) have demonstrated this. Further, different studies focusing on different aspects of information systems have been undertaken (Kipngetich, 1991; Gatune, 1993; Nyambane, 1996 and Ochieng, 1998).

A decade plus ago, Thomas (1990) observed that information technology industry is suffering a mild case of jitters. To date this is an understatement the situation is severely jittery! The IT

industry is complex, uncertain and changing so quickly that many organizations are finding it difficult to capitalize on new opportunities (Sunker et al 1992). The high rate of obsolescence of both computer hardware and computer software makes any high capitalisation costs in information systems potentially unattractive in the flat Kenyan economy. Surprisingly, information systems no longer just support existing business activities; they shape organizational identity (Lambert 1993).

Yet "the average life span of products, markets, and entire industries has been steadily and dramatically decreasing. The resulting frequent threats to survival have been increasingly forcing ... firms into continued entrepreneurial behaviour." (Ansoff & McDonnell 1990, P. 240)

Given the changes in business environment in Kenya, the persistently innovative IT industry, calls for venturous corporate inclination. Granted, research in the area of corporate venturing has progressed considerably, particularly since about 1975. However, this has predominantly been outside Kenya. The inherently turbulent, innovative and nascent software development and distribution sub-sector yearns for venturesome practices. Nevertheless, what is happening on the ground?

What are the corporate venturing practices, and their justifying factors, by software development and software distribution firms in Nairobi, Kenya?

1.3 Objectives of the Study

The study aimed at achieving the following objectives: -

1. To establish the corporate venturing practices by software development and distribution firms in Nairobi.
2. To identify factors influencing corporate venturing by software development and distribution firms in Nairobi

1.4 Importance of the Study

As a gauge of intrapreneurial practices in software development and distribution sub-sector: -

1) The study will cast more light on the sustained potential of computer software business to the overall economy of the country, especially at this critical era of globalisation of markets by leveraging IT.
2) Contribute towards better structuring of the currently fragmented and weakly regulated computer software development and distribution sub-sector.
3) Stimulate re-examination of corporate venturing practices necessary to share on the lucrative computer software market – the Silicon Valley goldmine.
4) Contribute to better understanding of corporate venturing practices in Kenya.

1.5 Organization of the Study

The following chapter, literature review, starts with an overview of the firm's strategic responses to changing business environment. Then a review of the corporate venturing practices, predominantly outside Kenya, is presented followed by a section on the factors influencing these practices.

The study employed a survey design. Consequently, chapter three on research design, outlines the population, sample design, data collection and data analysis techniques employed.

Chapter four, findings and discussion, presents an overview of the demographic profile of the respondents, followed by the findings on corporate venturing practices and finally the factors that influence or lead to these practices.

A summary of the findings of this study and the conclusion drawn there from, the limitations and recommendations are presented in chapter five.

CHAPTER 2: LITERATURE REVIEW

This chapter starts with an overview of the strategic responses by a firm to the changing business environment followed by a detailed review of the corporate venturing practices and the factors that influences the exhibited practices as documented by various other studies.

2.1 Firm Responses to Changing Environment

Even with a successful generic business-level strategy, strategic managers still face another crucial task: choosing an appropriate competitive strategy to position their company so that it can sustain its competitive advantage overtime in different kinds of industry environment. This is crucial because the firm is environmental dependent.

One approach to analysing firm response to changing environment is the industry life cycle approach, whereby the firm adopts different competitive strategies depending on stage of the industry amongst other factors. In fragmented industries, the firm can result to chaining, franchising or horizontal mergers. In embryonic and growth industries, the firm can build complementary assets, barriers to imitation and capitalise on innovation. As the industry matures, the firm can erect entry barriers based on product proliferation, price-cutting and excess capacity. Still in the mature industry, the firm can manage rivalry by price signalling, price leadership, non-price competition and capacity control. Finally, in a declining industry, the firm has options in niche markets, harvesting and divestment. (Hill and Jones 2001)

The IT (information technology) industry in Kenya is broadly in its embryonic and growth phase, thus calling for more growth-oriented strategies.

2.2 Corporate Venturing Practices

On culture, climate and corporate support, Schon (1966) argue that new venturing activity is up against a significant and very natural resistance in existing organisations. He points out that

radical change creates radical disrupt. To this, Hlavacek and Thampson (1975) would add that radical change is anathema of the bureaucracy, which acts to protect and re-establish the status quo, stifling venturing effort. This isolates the impact of bureaucracy and its costs to corporate venturing.

Large modern organisation has erected huge barriers to the exercise of entrepreneurial initiative by over–specialization and compartmentalization of jobs, administered by an onerous hierarchy, which confines lower level members to very narrow, specified activities (Kanter 1983). This over-specialization of jobs and the Kenyan culture of respect to positional-power stifle entrepreneurial behaviour at the lower levels of the organizational hierarchy.

MacMillan, Block and Subba Narasimha (1984) find that among the most intractable obstacles to success of corporate ventures were lack of support; lack of commitment by senior management; lack of mission; internal competition for resources; lack of fit with corporate strategy and sheer lack of entrepreneurial talent in the firm.

Thus, researchers have made it clear that corporate venturing success is highly dependent on the creation of a supportive entrepreneurial culture in the corporation with three major components: top management commitment, support and style.

Fast and Pratt (1981) ascribe lack of top management commitment as a major contribution to the failure of dozens of attempts at corporate venturing in the 1970's. Madique (1980) argues that regardless of the size or stage of evolution of the firm, venturing will fail if top management is not committed to change – the only thing that changes with size is the nature of the entrepreneurial network linking top management to the venture managers.

Quinn and Mueller (1963) suggest that it goes beyond mere statement of commitment, that it takes tough minded and constant attention to fostering change in the organisation to prevent it

from becoming comfortable with the status quo. Roberts (1980) adds that what is also required is long run persistence – creating an entrepreneurial environment is not a short-term project.

MacMillan and George (1985) suggest that unless top management is prepared to demonstrate this commitment by paying significantly more than pro rata attention to venturing activity, such activity should not even be started it only raises aspirations and precipitates later frustration and disruption.

Fast (1979) identified that top management can give support for venturing activity in budget allocation (funds and staff), in indirect budget allocation (making other departments commit resources), in supporting Venture Management's proposals and in siding with Venture Management when arbitrating conflicts. To which Shils, Veiner and Appel (1983) would add by formal CEO recognition of the entrepreneur.

According to researchers, the most critical issues in fostering an entrepreneurial culture lie in the management's style. Kanter (1982) indicate that internal entrepreneurship cannot thrive in the absence of a flexible and collaborative style. A management style which (Maidique and Heyes' 1984): encourages rapid attacking of problems, is more tolerant of failure, has high levels of communication across and between levels, provides individual workers time to pursue their own ideas, and encourages hands-on management should accompany this open and collaborative climate. To this, Roberts (1980) would add that the management style should create an environment where the burden of proof lies on the people who want to stop a new idea and one that does not discourage competition for new product development between divisions, some duplication of efforts is better than complacency.

On structure and design of venturing effort, Burgelman (1983a, 1983b, 1985) identifies 3 levels in the venturing organisation hierarchy. Venture manager – whose functions includes linking market needs to internal skills and capabilities, product championing, strategic forcing, strategic neglect.

Venture division management – whose functions includes strategic building, organisation championing, delineating. Corporate management – who play the roles of rationalising and building structural context.

Block (1985) suggests that there are two distinct and equally important management challenges that have to be resolved if venturing is to succeed, management of the ventures per se and management of entrepreneurship – a critical top management function of creating the right context, structure and systems.

A major issue in venture design is whether to spin-off or create a separate venture business unit, and if so, the level of autonomy to grant it. Shapero (1984) strongly support autonomy. He cites situations where increased autonomy dramatically increased performance of ventures. Hill and Hlavecek (1972), Roberts and Frohman (1972) and Roberts (1980) strongly favour multi-disciplinary venture teams, to take charge of the venture as an autonous "mini-business". Roberts (1980), Shils, Veiner and Appel (1983), Maidique and Hayes (1984) all supports small division size for venture units for organization flexibility. Dunn (1977) suggests that senior management cannot abdicate responsibility, but has to monitor the venturing activity more closely. Hisrich and Peters (1984) found no significant differences in sales from new product of firms with new business venture units and firms without.

Another major strategic option for corporate venturing is the mode of venturing. Roberts (1980) identifies a range of possible alternatives to full-scale corporate start-up namely internal ventures, joint ventures, and participation in venture capital markets. Further, he suggests, a firm is ill advised to attempt venturing in areas where there is a mismatch between the prerequisites for competing and the firm's skills and experience. Fast (1981) suggests that inexperienced firms should start off by participating in venture capital funds to learn and observe venturing before starting to venture themselves. MacMillan et al (1984) found that every obstacle to successful corporate start-up was less of an obstacle for joint venturing.

Another alternative to corporate start-up is via acquisition. Klavans, Sharley and Evan (1984) note that pursuing corporate start-ups does not preclude acquisition and vice versa - the more venturesome firms were inclined to do more of both than the less venturesome ones.

According to Block (1983), four major concepts shape the venturing process in an organisation: dramatically higher uncertainly than in the ongoing business; dramatically higher failure rates than in the ongoing business; increased need for commitment from both senior and venture managers to foster and support the embryonic ventures; entrepreneurial talent to take on these greater risks. Consequently, the required planning, control and evaluation processes are dramatically different from the ones used in the conventional business.

Vesper and Holmdah (1973) found that the following control systems were in effect for corporate ventures: regular meetings to discuss management of the ventures 43%; regular meetings to review budget only 21%; no restraints except around budget review 18%; and complete freedom to control resources 18%. It is therefore necessary to balance between improving some fiscal and management discipline and forcing venture managers to produce according to a set of projections made in ignorance.

Shapero (1984) and Quinn (1979) suggest that venture planning, monitoring and evaluation be conducted in much the same way, as the venture capital community would approach the problem: *replace resource-rationing approach with an opportunity seeking approach, impose key performance goals and set broad boundaries or acceptable actions.*

Block (1983) strongly recommended for planning structured around the achievement of event milestones rather than dates. That the only dates imposed be ones those that are imposed by event linkages or by externally imposed deadlines. Thus, venture management evaluation should be on *his or her ability to perform or adapt at each milestone event rather than enforcing adherence to a projection in a plan based on high uncertainty.*

Madique and Zirger (1984a) recognise the benefit of learning. That the venturing process is characterised by three highly beneficial learning processes: Customers and distributors "learn by using"; the firm "learns by doing"; the firm "learns by failing". They uncovered case after case where major learning had occurred and spectacular success achieved from the ashes of failure.

Thus, Block and MacMillan (1985) argue that a key component of the planning process, and performance evaluation, *be to set learning objectives for each milestone*. So, evaluate the venture management not on how they conformed to plan, but how they re-planned in the light of unfolding information. Consequently, milestone planning helps eliminate the problem of killing projects prematurely or prolonging them beyond what is justified (Myers and Sweezy 1978)

Regarding staffing and rewarding a venture activity, Block (1985) suggests that successful corporate venturers are not gamblers, they take calculated risks; not necessarily successful managers of existing divisions and are not necessarily the idea generators, idea generators are often poorly qualified to implement them.

Von Hippel (1977) found that the successful venturers were not necessarily highly dedicated to the venture, nor did they see their future as lying with the growth of the venture. The venture was a project that was part of a career. Further, successful venturers were not from high positions.

Successful internal venturers are good at team building and persuasive skills (Kidder, 1981; Kanter, 1982, 1983; Souder, 1981; Burgelman, 1983a); politically sensitive and skilful (Souder, 1981; Kanter, 1982; Burgelman, 1985; Fast, 1981; Peterson 1963; Maidique, 1980; Quinn, 1979; von Hippel, 1977)

Regarding the reward systems for venture manager, Shapero (1984) suggest that special reward structures should be created to increase the venturer's personal stake in the venture. A variable compensation would increase the level of commitment to the venture's success (Fast and Pratt, 1984). Many venture managers see the venture as another challenging project in their corporate

career (von Hippel, 1979). Consequently, the *greatest reward of all to a venturer is to be given an opportunity to try again, on another venture* (Klavens et al, 1984).

2.3 Factors Influencing Corporate Venturing

The mission of a venturing activity has been identified as one of the factors influencing corporate venturing. MacMillan et al (1984) found that one of the major obstacles to venturing success was lack of clear mission on the part of the corporation encouraging the venture. The key question is what the purpose of the venturing activity is. Vesper (1984 a) suggest that for a corporation this may go beyond a simple need for increased profits – that the firm may decide to venture in order to participate in, or exploit, new technologies, or to diversify away from traditional markets.

According to Vesper and Holmdahl (1973), the most common reasons for venturing by their respondents were diversification, exploitation of new developments, creation of an entrepreneurial climate in the rest of the firm, retention of talented people, and utilisation of surplus capacity.

However, what should be the scope and reach of new venturing activity? Fast (1979) suggests that relatedness to the firm's current activities was important in defining mission - the further away from "base" the more likely it was that the firm would run into problems. This was because related activities benefit from three major advantages: maximal skill transfer, implementation of new activity with small incremental cost, and ability to secure high levels of commitment from management with minimal effort

Various studies have identified a number of inhibiting environmental conditions. These are very competitive, dynamic markets (Cooper, 1979); markets with rapid rates of new product introduction (Cooper, 1979); markets in which there are a high proportion of satisfied customers (Cooper, 1979; Hobson and Morrison, 1983); highly fragmented markets (MacMillan and Day, 1985); and industries with a recent major technological innovation (Hambrick and MacMillan, 1985).

High market growth rates (Cooper 1979), customers who knew and interacted intensively with the parent firm (Madique and Zirger 1984), markets those are rich in technological opportunities (Hambrick and MacMillan, 1985), markets with dominant competitors (MacMillan and Day 1985). Markets were customers initiated the new product idea (von Hippel 1978) and the degree to which the venture satisfies a market's user needs (Rothwell 1972, Cooper 1979, von Hippel 1979, Maidique and Zirger 1984) are facilitating environmental conditions.

Product uniqueness and superiority (Cooper, 1979; Madique and Zirger, 1984), according to Cooper this is the single most important factor in explaining the success of new products. Superior marketing research (Cooper 1983) and superior marketing proficiency i.e. experience and skill at marketing to customer (Rothwell, 1972, Cooper 1983). Superior technical proficiency i.e. skill and experience in technology and production (Cooper, 1979) and greater experience with the customer base (von Hippel, 1979). Superior marketing skills (Maidique and Zirger 1984, von Hippel 1979, Rothwell 1972, Cooper 1983), particularly sales force, and advertising strength (Cooper 1983) and strong marketing communication skills (Cooper, 1979) plus more effort at user education (Rothwell, 1974) differentiates between successful ventures and failing attempts.

Biggadike (1979) indicates that aggressive scale of entry was highly correlated with superior returns on investment. Hobson and Morrison (1983) show that aggressive marketing moves were correlated with success in market share gain. Because of aggressive share objectives, companies select marketing and investment strategies that allows them to capture the share they seek and, having captured large market share, capture economics of scope and scale that make them more profitable than more timid market entrants (MacMillan and Day, 1985). Cooper (1979) found a high correlation between success and launch effort.

Is success correlated with early entry into markets? Results are ambiguous – Maidique and Zirger (1984) found that early entry was important for the high technology companies, while Cooper (1979) found no significant benefit for early entry in a more general new product development sample.

2.4 Summary of Literature Review

At this point one may ponder: **What facilitates or hinders the success of corporate venturing in the Kenyan context?** From a cross-section of research work, the major factors/practices appear to be; ***culture, climate and support; venture mission, strategy and environment; structure/design of venture activity; staffing and reward systems for venture management; and planning, monitoring and evaluation of results.***

Given the limited empirical work on corporate venturing by software development and distribution firms in Nairobi, and by extension Kenya at large, as a matter of logic, one can befittingly ponder: ***do they play by the empirically supported success practices/factors a fore mentioned?***

In summary, the above literatures gave a theoretical and contextual set-up on which this study was grounded. Isolating the corporate venturing practices, their supportive operational concepts and the driving factors gave the framework of study used in this research as tabulated in Table 2.

CHAPTER 3: RESEARCH DESIGN

This study employed a survey design. Consequently, this chapter outlines the population of the study, sample design and data collection and analysis techniques.

3.1 Population

The population of this study consisted of all the firms that develop or distribute computer software and were listed under "Computer Software and Service" section in Internet Business Directory, Official East African Edition, 2001 or the same section in Kenya Telephone Directory, 10th Anniversary Edition Official Nairobi 2002 Edition. A list compiled from the two directories comprising 172 firms is attached (Appendix B).

3.2 Sample Design

Due to time and cost constraints, a sample of the population was studied. A sample of 35 firms, representing 20% of the population was surveyed. Each firm listed in Appendix B constituted a sampling unit.

Having arranged the population alphabetically (Kothari 1984), Appendix B had already introduced some randomness. Further randomisation of the sampling procedure, was achieved by using random numbers to select the 35 firms.

Some of the firms listed in the two directories where non-existent, inappropriately classified as "computer software" firms while others were small outfits for which most of the corporate venturing practices sought in this study were not applicable. To overcome this problem, the 35 firms were selected as follows: a random sample of 80 firms was initially drawn from the population. The randomly selected firms were then contacted by telephone or visited for preliminary enquiries in order to book an appointment or deliver the questionnaire starting with

the firm selected first. Those that could not be reached, or were misclassified, or declined to participate were replaced with others below them in this sample list of 80 firms.

3.3 Data Collection

Primary, mostly ordinal data based on 5-point Likert scale was collected using "drop and pick" questionnaire, supplemented where necessary, by researcher-administered questionnaire in the months July – August 2002. A sample questionnaire is attached (Appendix C). The questionnaire was pre-tested to check the validity of responses and modified accordingly before full administration.

The data was mostly collected from the manager in charge of new business development as was identified during preliminary inquiries. First, a call was made to the potential respondent firm to isolate the relevant contact person, establish rapport, and book an appointment.

Received questionnaires were immediately checked for completeness and coded for data entry into the analysis software.

3.4 Data Analysis Technique

Data was analysed using SPSS Version 11.0 for Windows. To understand the data, and possibly suggest other fruitful avenues for analysis, descriptive data analysis was undertaken to begin with (Saunders et al, 2000, P. 837- 350). To describe the number of cases in each category and show frequency of occurrences of categories or values for one variable so that highest and lowest were clear, frequency distribution tables with percentages were generated.

For ordinal questions were respondents were asked to rank a number of variables, percentage frequency tables were derived and variable rankings generated based on the percentage of respondents who assigned a variable a certain rank number.

To achieve the second objective of the study, factor analysis was used. Exploratory factor analysis was used to examine relationship between various variables without determining the extent to which the results fitted a particular model. Factor analysis is typically applied to interval scaled responses to question about a particular product/service in order to identify the major characteristics or factor considered important by respondents. It applies an advanced from of correlation analysis to responses to a large number of statements to identify one or more sets of statements which result in highly correlated responses. The idea is if the response to a set of three or more statements is highly correlated, then it is believed that the statements measure some factor, which is common to all of them.

CHAPTER 4: FINDINGS AND DISCUSSION

This chapter presents the findings on demographic data, corporate venturing practices and the factors that influence corporate venturing practices by software development and distribution firms in Nairobi Kenya.

Of the 35 questionnaires distributed, 18 were completed and received, representing a response rate of 51%.

4.1 Demographic Profile of Respondent Firms

Of the 18 respondents, 22.2% were general managers, 55.6% functional/line managers while others accounted for the other 22.2% (see Table 3).

Table 3: Job position of respondents

Position	Frequency	Percent
General Manager	4	22.2
Functional/Line Manager	10	55.6
Other	4	22.2
Total	18	100.0

This indicates that the majority (77.8%) of the respondents held a position high enough to be able to respond appropriately to the managerial issues that were mainly sought in this research.

In terms of new business development, 77.8% were in charge, 22.2% were not, hence confirming the positional-classification shown in Table 3 above. It is highly likely that only the none-managerial staff were not in charge of new business development.

Table 4: Responsibility for new business development

Response	Frequency	Percent
Yes	14	77.8
No	4	22.2
Total	18	100.0

In terms of firm age, 44.4% of the firms were less than 6yrs, 27.8% between 6 and 10 years and the same percentage over 10yrs (Table 5).

Table 5: Firm age

	Frequency	Percent
Less than 6 Years	8	44.4
6 to 10 Years	5	27.8
Over 10 Years	5	27.8
Total	18	100.0

The firms studied were equally distributed (33.3%) in terms of "no of full time employees" in ranges 1-10, 11-20 and over 20

Table 6: No of full time employees

	Frequency	Percent
1 to 10	6	33.3
11 to 20	6	33.3
Over 20	6	33.3
Total	18	100.0

In terms of software development and distribution, 11 or 61.1% both developed and distributed of-the-shelf computer software while 22.2% dealt only with in-house developed software and 16.7% were pure off-the-shelf distributors.

Table 7: Type of firm in terms of software development & distribution

Type of firm	Frequency	Percent
Software Developer	4	22.2
Software Distributor	3	16.7
Both Developer & Distributor	11	61.1
Total	18	100.0

As a gauge of new business development as indicated by new software products introduced in the Kenyan market, 38.9% of the respondents introduced three to four, 33.3% zero to two and 27.4% more than four in the period June 2001 to June 2002 (Table 8).

Table 8: No of new software products introduced into Kenyan market between June 2001 and June 2002

	Frequency	Percent
0 to 2	6	33.3
3 to 4	7	38.9
More than 4	5	27.8
Total	18	100.0

These four new software products were priced as shown in table 9 below. This was a relatively sensitive question as indicated by high none responses. The prices were widely varied signifying a broad profile in terms of firm size.

Table 9: Full package selling price of four new software products introduced to Kenyan market (June 2001 – June 2002) and sold to the highest number of customers

		Price (New Product 1)	Price (New Product 2)	Price (New Product 3)	Price (New Product 4)
N	Valid	11	9	7	4
	Missing	7	9	11	14
Mean		5,793,181.82	1,023,333.33	248,142.86	567,500.00
Median		3,900,000.00	200,000.00	100,000.00	330,000.00
Variance		8.14769E+13	2.80258E+12	1.7763E+11	5.0383E+11
Range		30955000.00	4,950,000.00	1,175,000.00	1,510,000.00
Minimum		245,000.00	50,000.00	25,000.00	50,000.00
Maximum		31200000.00	5,000,000.00	1,200,000.00	1,560,000.00

All amounts in KES

4.2 Corporate Venturing Practices

Schon (1966) argue for a change-oriented culture as being supportive of venturing. The findings of this research indicate that 61.1% of the respondents had documented job descriptions. This indicates how well the jobs were defined and hence more restrictive of change.

Table 10: Documented job descriptions

	Frequency	Percent
Yes	11	61.1
No	6	33.3
Total	17	94.4
Missing	1	5.6
Total	18	100.0

Of the documented job descriptions, 50% were detailed (Table 11 below), an indication of how routine the job was. A close percentage of 44.4% had less detailed job specifications that are likely to be supportive of change processes.

Table 11: Detailed job descriptions

	Frequency	Percent
Yes	9	50.0
No	8	44.4
Total	17	94.4
Missing	1	5.6
Total	18	100.0

As an indication of how often an employee's job tasks were varied, the frequency of updates of job description was used. The results are as shown in Table 12 below. Only 33.3% of the respondent firms updated their job descriptions yearly, a further indication of how fairly defined the staff roles were.

Table 12: Job descriptions are updated yearly

	Frequency	Percent
Yes	6	33.3
No	11	61.1
Total	17	94.4
Missing	1	5.6
Total	18	100.0

One of the ways of developing new businesses is through pursuing new business ideas and building new products or markets around them. Asked whether non-managerial employees were allocated official working hours to try new ideas, only 22.2% (4 out of 18) responded affirmatively while 72.2% did not (Table 13). Since a management-style that provides individual worker time to pursue their own ideas fosters an entrepreneurial culture, (Maidique and Heyes' 1984) these findings show how this is lacking amongst the respondent firms. Yet, Von Hippel (1977) indicates that successful venturers were not from high positions.

Table 13: Time for new ideas is assigned non-managerial staff

	Frequency	Percent
Yes	4	22.2
No	13	72.2
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Even though 55.6% encouraged people to try new ideas (Table 14 below), only 44.4% rewarded new ways of doing things (Table 15 below). Thus, people are not allocated official working time to try new ideas, yet are encouraged to try new things. Consequently, if they are not rewarded for doing things differently, then little room is officially provided for creative acts likely to spawn new businesses for the empowerment of a creative mind does not go far enough if not invested in.

Table 14: People are encouraged to try new ideas

	Frequency	Percent
Yes	10	55.6
No	7	38.9
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Table 15: New ways of doing things are rewarded

	Frequency	Percent
Yes	8	44.4
No	9	50.0
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Hlavacek and Thompson (1975) argue for a change-oriented culture devoid of bureaucratic impediments as being supportive of venturing. As an indication of the level of bureaucracy in the organisations, respondents were asked questions on work procedures, reporting relationships and office arrangement amongst others. The results were interesting in that 61.1% had documented work procedures (Table 16), 72.2% had well defined reporting relationships (Table 17) and 77.8%

had their technical staff (software developers, analysts) report to line managers (Table 18). However, only 16.7% had separate office partitions for their line managers (Table 19) and 27.8% used memos to make important announcements (Table 20).

Table 16: Work procedures are documented

	Frequency	Percent
Yes	11	61.1
No	6	33.3
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

The existence of well-defined work procedures is an indication of the existence of stipulated sequence of steps that must be followed to accomplish a given task. For the majority, therefore this indicates little room for creativity.

Table 17: There are well-defined reporting relationships

	Frequency	Percent
Yes	13	72.2
No	4	22.2
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Table 18: Technical staff report to line managers

	Frequency	Percent
Yes	14	77.8
No	3	16.7
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Table 19: Separate offices for line managers

	Frequency	Percent
Yes	3	16.7
No	14	77.8
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Table 20: Use memos for important announcements

	Frequency	Percent
Yes	5	27.8
No	12	66.7
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

The findings on work procedures, reporting relationships, office partitions and use of memos in Table 16, 17, 18, 19 and 20 above indicate the existence of significant levels of bureaucracy, which according to Hlavacek and Thompson (1975) acts to protect and re-establish the status quo, hence stifling venturing effort. Further, only 5.6% (one case) allowed direct reporting by technical staff to the managing director as indicated in the Table 21 below.

Table 21: Number of reporting levels between a software developer and MD/CEO

	Frequency	Percent
0	1	5.6
1	6	33.3
2	4	22.2
3	4	22.2
Valid Total	15	83.3
Missing	3	16.7
Total	18	100.0

Kanter (1983), indicates that over-specialization of jobs erects huge barriers to the exercise of entrepreneurial initiative. The findings here were that 55.6% used different employee teams at each project phase as shown in Table 22.

Table 22: Team assignment to project phases, an indication of job specialisation

Team Assignment	Frequency	Percent
Same Team - All Phases	5	27.8
Different Team - Different Phase	10	55.6
Other	1	5.6
Valid Total	16	88.9
Missing	2	11.1
Total	18	100.0

Asked to rank the various ways in which top management can support a venturing activity to ensure the success of the venture, on a scale of 1 to 5, the findings were as tabulated in Table 23 (one for the most important and five for the least important factor):

Table 23: Rankings of indicators of top management support (N = 18 cases)

Support Indicator	Ranked 1 (%)	Ranked 2 (%)	Ranked 3 (%)	Ranked 4 (%)	Ranked 5 (%)	None Response (%)
Budget allocation (funds and staff)	55.6	16.7	5.6	5.6	11.1	5.6
Indirect budget allocation (making other departments commit resources)	22.2	16.7	22.2	16.7	11.1	11.1
Supporting venture management's proposals	33.3	16.7	16.7	22.2	0	11.1
Formal CEO recognition of the entrepreneur	33.3	5.6	22.2	27.8	5.6	5.6
Siding with venture management when arbitrating conflicts	11.1	11.1	38.9	5.6	22.2	11.1

Thus, support by budget allocation was ranked first, followed by support for venture management's proposals, formal CEO recognition of the entrepreneur, indirect budget allocation and finally siding with venture management when arbitrating conflicts.

Asked to rank a specified set of indicators of top management style in their place of work, the responses were as shown in Table 24 (1 = Most dominant, 6 = Least dominant):

Table 24: Rankings of indicators of top management style (N = 18)

Management Style	Ranked 1 (%)	Ranked 2 (%)	Ranked 3 (%)	Ranked 4 (%)	Ranked 5 (%)	Ranked 6 (%)	None Response (%)
Encourages rapid attacking of problems	44.4	11.1	33.3	5.6	0	5.6	0
Is more tolerant of failure	0	16.7	27.7	16.7	11.1	27.8	0
Has high level of communication across and between levels	38.9	5.6	22.2	11.1	11.1	11.1	0
Provides workers time to pursue their own ideas	16.7	33.3	22.2	0	11.1	16.7	0
Encourages hands-on management	38.9	16.7	17.7	11.1	11.1	5.6	0
Vests the burden of proof on those opposed to the new business idea	22.2	5.6	22.2	16.7	16.7	11.1	5.6

The dominant management styles were therefore rapid attacking of problems, hands-on management, high levels of communication across and between levels, vesting burden of proof on those opposed to new ideas, provision of time to employees to pursue own ideas and lastly low tolerance to failure. Clearly, the dominant styles are not supportive of an entrepreneurial culture.

On the closeness of a new venturing activity to the current core line of business, the responses were as shown in Table 25 below (1 = Same and 5 = Diversified). Clearly, the majority (38.9%) support the need to strike a balance between related and unrelated diversification, while 33.3% were more inclined to a diversified venturing activity.

Table 25: Venture activity fit to corporate strategy

Fit	Frequency	Percent
1 (Same)	1	5.6
2	4	22.2
3	7	38.9
4	2	11.1
5 (Diversified)	4	22.2
Total	18	100.0

Shapero (1984) strongly support the need to grant a venture effort sufficient autonomy. To find

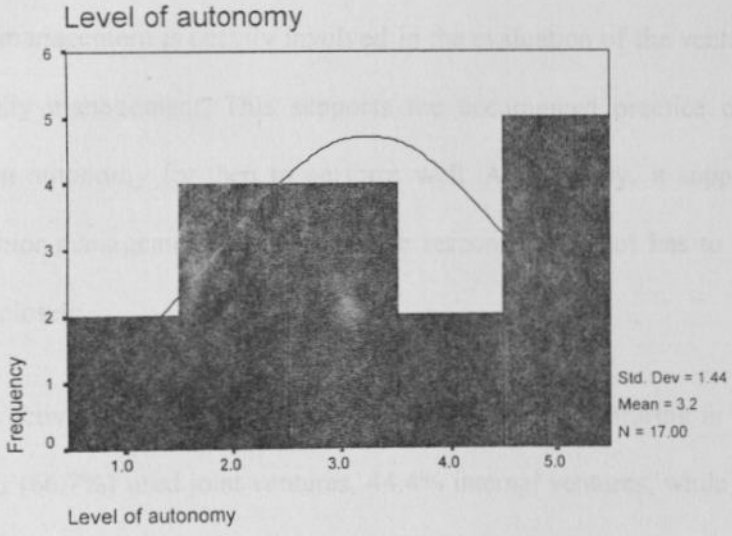
out this, the respondents were asked to indicate the level of autonomy new venture units were granted in their firms on a five point scale, the responses were as shown in the Table 26 below (1 = Least, 5 = Very High):

Table 26: Level of autonomy granted new venture effort

Level of autonomy	Frequency	Percent
1 (Least)	2	11.1
2	4	22.2
3	4	22.2
4	2	11.1
5 (Very High)	5	27.8
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

These responses show that while 22.2% felt the level of autonomy granted new venture units should be balanced, 38.9% felt it should be on the higher side while 33.3% felt it should be limited. This distribution of the responses is pictorially illustrated in Chart 1 below.

Chart 1: Level of autonomy granted new ventures



On the constitution of new venture teams, the findings were as shown in Table 27 below. It shows that, blending and complementing skills from various functional areas is the most preferred consideration follow by a need to involve senior management and finally skill considerations.

Table 27: Constitution of a new venture team

Issue	Yes (%)	No (%)
Managers higher than functional line managers are included in the team	50	50
Only those with relevant specialised skills are included	38.9	61.1
A cross-functional team of employees is utilised	61.1	38.9

Further, on venture teams, it was important to find out the role played by senior management (those in positions higher than functional management). The findings are as show in Table 28.

Table 28: Level of involvement by senior management

Issue	Yes (%)	No (%)
They are involved in the day-to-day running of the new venture	33.3	66.7
They chair venture progress review meetings	72.2	27.8
They draw new venture budgets	44.4	55.6
They receive at least monthly progress reports on the new venture	72.2	27.8

Even though the senior management is heavily involved in the evaluation of the venture, they are less involved in its daily management. This supports the documented practice of according venture efforts sufficient autonomy for then to perform well. Additionally, it supports Dunn's (1977) findings that senior management cannot abdicate responsibility, but has to monitor the venturing activity more closely.

Asked how the venture activities were actualised in terms of mode of venturing in the last one year, the highest number (66.7%) used joint ventures, 44.4% internal ventures, while 16.7% used equally acquisitions, full-scale corporate start-ups and investment in venture capital funds. These findings are in a harmony with the prerequisites for competing, firm's skills and experience (Roberts 1980).

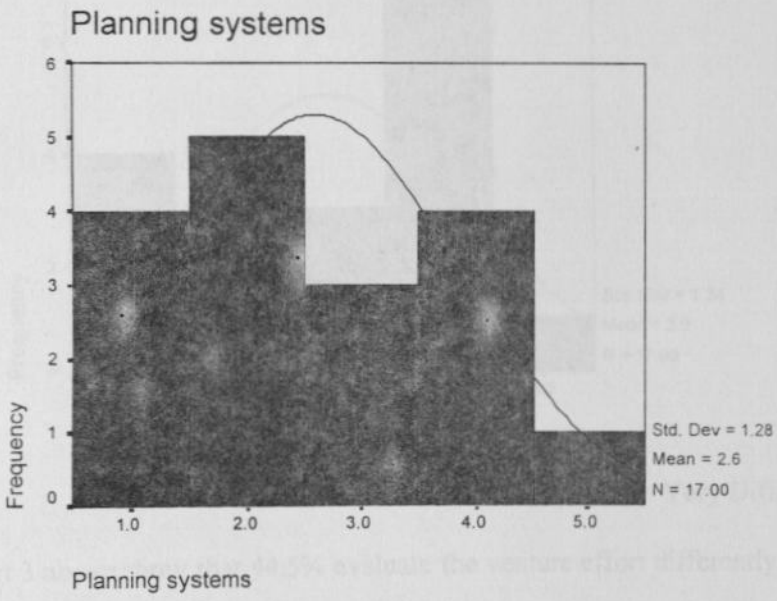
Various research works outside Kenya agree that planning systems, monitoring systems and evaluation systems of new ventures should be different from the respective conventional systems

used in established businesses. The respondents were asked to rank the similarity of the two systems. The findings were as shown in Table 29 through 31 below.

Table 29: Venture versus conventional planning systems

	Frequency	Percent
1 (Same)	4	22.2
2	5	27.8
3	3	16.7
4	4	22.2
5 (Very Different)	1	5.6
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Chart 2: Venture versus conventional planning systems

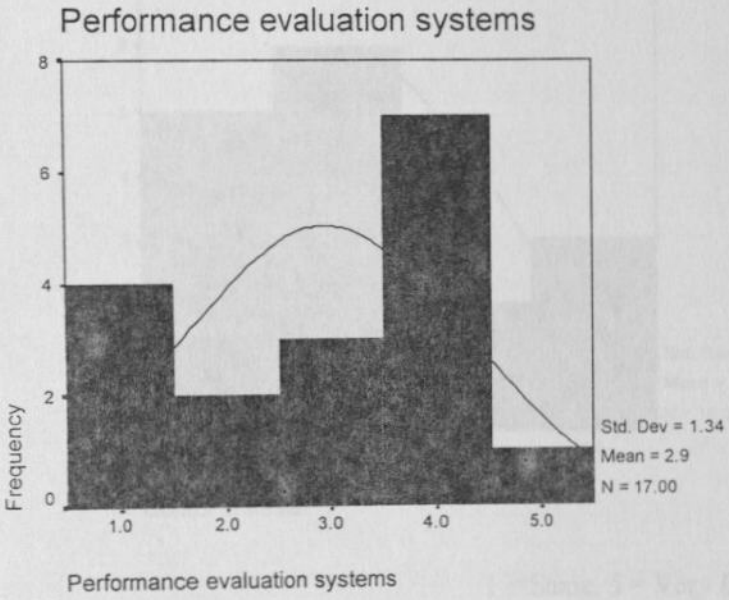


Clearly, 50% of the respondents plan for new venture efforts using the same conventional planning systems used when planning for established lines of business. Yet according to Block (1983), due to the higher uncertainty, higher failure rates and need for commitment from management, the planning, evaluation and control systems for venture efforts should be dramatically different from the ones used in conventional business.

Table 30: Venture versus conventional performance evaluation systems

	Frequency	Percent
1 (Same)	4	22.2
2	2	11.1
3	3	16.7
4	7	38.9
5 (Very Different)	1	5.6
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Chart 3: Venture versus conventional performance evaluation systems



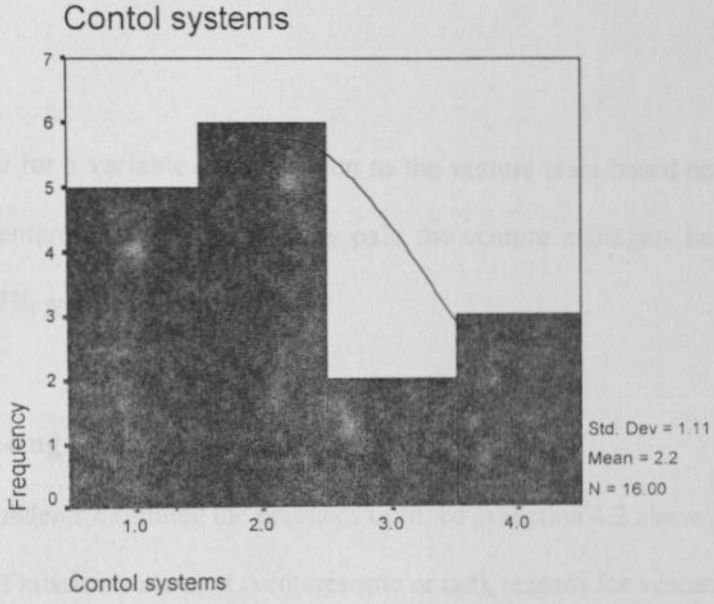
1 = Same, 5 = Very Different

Table 29 and Chart 3 above show that 44.5% evaluate the venture effort differently, while 33.3% evaluate it using conventional performance evaluation systems. This is as documented in the literature.

Table 31: Venture versus conventional control systems (1 = same, 5 = very different)

Similarity	Frequency	Percent
1	5	27.8
2	6	33.3
3	2	11.1
4	3	16.7
Valid Total	16	88.9
Missing	2	11.1
Total	18	100.0

Chart 4: Venture versus conventional control systems



1 = Same, 5 = Very Different

Just as the planning systems discussed earlier, Table 31 and Chart 4 above shows that a majority (61.1%) of the respondents control for the performance of venture efforts the same way they control established businesses. This is in contrast to what is documented in the literature.

Under staffing, it was important to find out what were considered the attributes/characteristics of successful venture managers. The responses were as shown in Table 32 below.

Table 32: Attributes of successful venture managers

Characteristic/Attribute	Yes (%)	No (%)
Ability to take calculated risks	83.3	16.7
Not necessarily the new venture idea generators	44.4	55.6
Not necessarily successful managers of existing divisions	22.2	77.8
Good at team building	88.9	11.1
Politically sensitive and skilful	50	50
Good at persuasive skills	77.8	22.2

Clearly, team building, risk taking and persuasive/negotiation skills were highly regarded attributes.

Research indicates the need for a variable compensation to the venture team based on the actual performance of the new venture. Asked whether they paid the venture managers based on the venture's performance, 66.7% were affirmative.

4.3 Factors Influencing Corporate Venturing

To determine why the respondents exhibited the practices outlined in section 4.2 above, data on possible factors on nature of mission statement (venturesome or not), reasons for venturing, market share objectives, market growth objectives, venture-user need congruency, customer satisfaction levels and market entry strategies was collected.

For nominal data, descriptive statistics was used to analyze the responses while for ordinal data, factor analysis was used. The findings are presented below.

The respondents were asked to state the mission statement of their firm. This mission statement was then analysed and coded as being venturesome (0) or not (1). The results were as shown in Table 33.

Table 33: Responses to whether mission statement was venturesome or not

	Frequency	Percent
Yes	6	33.3
No	10	55.6
Valid Total	16	88.9
Missing	2	11.1
Total	18	100.0

The results in Table 33 indicate that only 33.3% of the mission statements espoused venturous inclinations. Further, as an indication of how venturesome their mission statement was, the respondents were asked to indicate how their firm defined the business they were in, market, core products and key organizational values. The results were as shown in Table 34 below.

Table 34: Business, market, product and organizational values (Elements of a mission statement)

Statement	Yes (%)	No (%)
Change is encouraged	55.6	44.4
Products are broadly defined	50	50
Markets are broadly defined	55.6	44.4
Rapid response to events outside the firm is valued	61.1	38.9
We specialize in a few core products	83.3	16.7
We have established market niches for all our core products	83.3	16.7

This seem to support the findings drawn from the analysis of the mission statement given earlier, that is majority of the respondent firms were not venturous as indicated by the last two items in the Table 34 above. Yet MacMillan (1984) found that one of the major obstacles to venturing success was lack of a clear mission on the part of the corporation encouraging the venture.

Cooper (1979) identifies markets with a high proportion of satisfied customers as one of the environmental conditions that inhibit venturing. As an indication of the customer satisfaction levels, respondents were asked to respond yes or no to a number of statements on customer service. The findings are tabulated in Table 35 below.

Table 35: Indicators of customer satisfaction levels

Statement	Yes (%)	No (%)
There are standardised ways of assessing customer satisfaction	50	50
There is a helpdesk or similar arrangement dedicated to addressing customer queries	94.4	5.6
Statements on customer service are displayed in the business statement	11.1	88.9
The firm regularly conducts customer satisfaction surveys	50	50
Statements on customer satisfaction are made on official outgoing company documents	33	66.7

Overall, establishment of customer satisfaction levels seems not a major concern to most of the respondents as item two on the Table 35 could be an arrangement similar to a reception desk available in all organisations and not a separate and dedicated support desk.

Cooper (1979) identifies high market growth rate as a facilitating environmental condition to corporate venturing. The responses on market growth rate and market share concerns are tabulated in Tables 36, 37 and 38 below.

Table 36: Responsibility for market growth

	Frequency	Percent
Functional Manager	1	5.6
CEO/MD	8	44.4
Dedicated Corporate Venturing Manager	5	27.8
Other	3	16.7
Valid Total	17	94.4
Missing	1	5.6
Total	18	100.0

Table 37: The main market share concern of the firm

	Frequency	Percent
Protect	1	5.6
Grow	15	83.3
Valid Total	16	88.9
Missing	2	11.1
Total	18	100.0

Table 38: Market growth/share practices

Statement	Yes (%)	No (%)
The firm measures market growth rate	44.4	55.6
Those charged with new business development are paid a variable pay based on actual market growth rate	50	50
There are projects going on to extend functionality of the current software products	83.3	16.7
There are projects going on to develop new software products	66.7	33.3
There are programmes going on to identify new market segments	72.2	27.8
There are programmes going on to pull out from some of our current markets	5.6	94.4

In summary, the results in Tables 36, 37 and 38 above indicate that the responsibility for market growth vests mostly on the top management (CEO/MD, 44.4%) followed by a dedicated corporate venturing manager at 27.8%. Further, the main concern of the majority (83.3%) was to grow their market share. Affirmatively, the findings on statements on market growth and market share as tabulated in Table 38 indicate an overall desire and attempt for/at growth.

Rothwell (1972) amongst others isolate the venture user-need congruency as a facilitative environmental factor to venture success. The findings for this research, as shown in Table 39, broadly support Rothwell's findings.

Table 39: Venture user-need congruency

Statement	Yes (%)	No (%)
Our core software products are market segment-tailored	72.2	27.8
There is (are) (a) full-time employee(s) charged with a core responsibility of market research	38.9	61.1
Our new ventures are designed on core software products	50	50

The responses on reasons for venturing, product/market strategy and entry strategy were analyzed using factor analysis for data reduction so as to remove redundant (highly correlated) variables. In total, there were 14 variables for the 18 cases. The responses were ordinal data with one representing highest influence and five or six least influence. Table 40 (P. 52) shows *Mean and Standard Deviations* of the variables. It shows that most variables have close means with aggressiveness of entry, stage of entry and aggressiveness of marketing topping the list while new product uniqueness & superiority trails the list as the least influential variable to success of corporate venturing. The standard deviation shows a variance of 0.837 to the responses. To generate the factors, a correlation matrix was necessary and the results are shown as Table 41 (P. 52).

Table 41 is the basis for generating factors and shows the inter-correlation among variables. For high correlation, the number should be either close to one or minus one while zero indicates no correlation. For example, "retain talented employees" and "aggressiveness of entry" are highly correlated at 1.000 while "stage of entry" and "exploit new developments" are not correlated at 0.000. This shows how factors are grouped together through correlation in the model. It is therefore worthwhile to conduct factor analysis.

The components matrix and communalities are as shown in Table 42 on (P. 53). Extraction of the principal components was for those with eigenvalues over one and the components are un-rotated with 25 maximum iterations for convergence. The communality is the proportion of the variable variation to the total variation that is involved in the factors. There is a high contribution of the variables to the factors; hence, all are indicated by a communality value higher than 71%.

The total variance explained (Table 43 below) show that there are six factors with the following contributions to the total variance. The six account for 88.8% of total variance and can be used to replace the 14 variables with only a loss of contribution to the total variance of 11.2%.

Table 43: Total variance explained by the six principal components

Extraction Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %
1	3.225	23.036	23.036
2	2.585	18.462	41.497
3	2.060	14.717	56.214
4	1.848	13.203	69.418
5	1.670	11.931	81.348
6	1.039	7.419	88.767

Extraction Method: Principal Component Analysis

The component loadings in the components matrix in Table 42 (P. 53) indicate that, variables such as "stage of entry" loads almost equally to components one and two. The same applies to variable "diversification" and components four and five. There is therefore a need to rotate the matrix. The varimax-rotated components matrix with absolute values less than 0.1 suppressed and the component score matrixes are shown on Table 44 (P. 54). Again, six components are identified with the following contributions to the total variance:

Table 45: Total variance explained by the six rotated principal components

Rotation Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %
1	2.580	18.432	18.432
2	2.365	16.892	35.324
3	2.268	16.202	51.526
4	1.822	13.015	64.541
5	1.785	12.749	77.290
6	1.607	11.478	88.767

Extraction Method: Principal Component Analysis

The accumulated percentage variance explained is still 88.8%. This means that the model does not

explain 11.2% of the factors influencing corporate venturing. Using the rotated components matrix, the components are loaded as follows:

COMPONENT 1	LOADING
Exploit new developments	0.888
Level of market research	0.822
Skill & experience at marketing	0.733

COMPONENT 2	LOADING
Stage of entry	-0.914
Utilise surplus capacity	0.885

COMPONENT 3	LOADING
Experience with customer base	0.931
Effort at user education	0.919

COMPONENT 4	LOADING
Aggressiveness of entry	0.859
Create entrepreneurial spirit	0.676
New product uniqueness & superiority	-0.638

COMPONENT 5	LOADING
Skill & experience in new venture technology	0.867
Diversification	0.824

COMPONENT 6	LOADING
Retain talented employees	0.936
Aggressiveness of marketing	0.681

These components are identified as the existence of a new venture opportunity (Component 1), availability of resources to exploit new venture opportunities (Component 2), venture user-need congruency (Component 3), aggressiveness at launching innovative products/services (Component 4), ability to leverage existing skill base to exploit new technologies (Component 5), and aspiration to be a market leader (Component 6).

CHAPTER 5: SUMMARY AND CONCLUSIONS

This chapter presents a summary of findings on demographic data, corporate venturing practices and factors influencing corporate venturing. There after, the conclusions drawn from these findings are listed and finally the limitations of the study and recommendations for future study.

5.1 Summary of Findings

Demographic findings indicate that 77.8% of the respondents were in charge of new business development, thus fairly well placed to respond to the issues of concern in this study. A majority of the respondent firms (61.1%) both developed and distributed of-the-shelf computer software an indication that it was in order to study both software developers and distributors in the study. In addition, a majority (66.3%) had introduced three or more new software products in the Kenyan market in the period June 2001 to June 2002, indicating their participation in corporate venturing at level 3 (Table 1, P. 54), as per the definition of corporate venturing in this study (Appendix A).

The objectives of the study were two-fold: to establish the corporate venturing practices by Software Development & Distribution firms in Nairobi and to identify factors influencing corporate venturing by the same firms.

Various studies have documented the need for a supportive organisational culture, climate and corporate support to the success of corporate venturing. In this study, the findings on the level of detail of documented job descriptions, and frequency of how often they are updated; the documented work procedures; the existence of well-defined reporting relationships; and restricted contact of the technical staff to senior management indicates barriers erected to the exercise of entrepreneurial initiative by over-specialization and compartmentalization of jobs. They also indicate the bureaucratic designs in the organisations. Since few (22.2%) allocate official working hours to the pursuit of creative ideas and the majority did not reward new ways of doing things, this indicates change is not encouraged. However, a few utilised open door policy; made little use

of memos for communication; and utilised different employee teams for different project phases, which indicate a little effort at embracing change. Further, the support available from top management to the new venture managers is more material and more inclined to the known. Worse still, the dominant top management styles clearly stifle corporate venturing. Finally, on corporate strategy fit, the majority preferred to "stick to the knitting" or try something more diversified when venturing.

Researchers have argued and empirically demonstrated the need to create the right context, structure and systems for successful corporate venturing. These are the need to grant sufficient level of autonomy to the venture effort; the need to ensure flexibility by designing small venture efforts; close monitoring by senior management; and the need to choose the appropriate mode of venturing. The study confirms these findings on the level of autonomy granted; close monitoring by senior management as indicated by their involvement in new venture teams and chairing venture evaluation meetings while giving ample space for independence; blending and complementing skills from various functional areas when constituting venture teams; and the choice of mode of venturing. The highest number (66.7%) used joint ventures, 44.4% internal ventures, while 16.7% used equally acquisitions, full-scale corporate start-ups and investment in venture capital funds given their contextual settings in terms of resources, experience and technological know-how.

On planning, monitoring, and evaluation of the venture effort, other research works indicates that higher uncertainty, coupled with all its related problems face a new venture as opposed to the existing businesses. Control systems that balance between improving fiscal and management discipline than force venture managers to produce according to a set of projections made in ignorance are recommended. Planning based on opportunity seeking approach as opposed to resource-rationing approach; evaluation based on ability to perform or adapt to events rather than an uncertain plan; and recognition of the benefits of learning are the revered corporate venturing

practices. Hence planning, monitoring and evaluation systems of new ventures should be different from the respective conventional systems used for established businesses. This study on the other hand indicates that a majority of the firms plan for new ventures using the conventional planning methods used for existing lines of business; an equal proportion evaluate the new venture performance just like the existing businesses or differently; and the control systems are usually similar to those of existing businesses.

Everything is at a price and staffing and rewarding a venture activity is no different. Other research works indicates that successful venturers take calculated risks and are not necessarily the known managers; they exhibit little dedication to the venture effort; are usually from low positions; team builders; politically skilful; and enjoyed special rewards structure. For this study, the most dominant attributes for a successful venturer were team building, risk taking and persuasive/negotiation skills. Further, a majority used variable compensation in remunerating the venture team based on the performance of the venture.

How then can one explain the overall lack of the supportive entrepreneurial culture, climate; the existence of the empirically espoused practices on structure and design of a venturing effort; planning for, evaluating and controlling new venture efforts just like other businesses; and staffing and rewarding these efforts as concluded above?

Few values venturous inclinations and capture it in their mission statements. Establishment of customer satisfaction levels seems not a major concern to most of the respondents and it can be argued therefore most of the players are largely unaware of the gold mines out there. Yet, the responsibility for market growth in most of the respondent firms was vested on the top management and the concern of the majority was to grow their market share!

5.2 Conclusions

On the overall, the supportive entrepreneurial culture, climate and support are lacking as a practice in software development and distribution in Kenya.

The empirically espoused practices on structure and design of a venturing effort are clearly at play in software development and distribution in Kenya.

In terms of planning, evaluating and controlling a new venture activity, the practice in software development and distribution in Kenya seems to be "plan the way we know best, evaluate more or less the same way and control the way it has always worked for us"! There is a wide inconsistency in findings between this study and others on this issue.

Further, this research confirms the findings of other research works, as summarised on section 5.1 above, on staffing and rewarding the venture team in software development and distribution.

Even though the respondents largely concur that venture user-need congruency is a facilitative environmental factor to venture success, efforts to actualise this is lacking as indicated by little concern with the satisfaction levels of customers and market research.

Largely, these practices seem to be explained by lack of market research to identify *existence of new venture opportunities.* Limited *resources to exploit new venture opportunities*, low *venture user-need congruency* due to market ignorance, diminished *aggressiveness at launching innovative products/services* due to organisational cultures and systems that accord limited space to entrepreneurial pursuits, inability to *leverage existing skill base to exploit new technologies*, and a frightening lack of *aspiration to be market leaders.* All of which are the factors this study identifies as influencing the success of corporate venturing in software development and distribution in Nairobi.

5.3 Limitations and Recommendations

This research was rather broad and lacking in terms of the level of detail it could go into given it two broad objectives and the limited resources that were at the disposal of the researcher. Findings that are more concrete can be drawn if a study focussing one area only e.g. staffing and rewarding venture effort, culture, climate and support amongst others is conducted.

Due to time constraints amongst other factors, the eighteen respondents drawn from a population of 172, even though the population was not well defined for reasons cited in sample design section, limits the level of confidence with which the findings of this research can be generalised to the entire population.

The reluctance of some corporate managers to respond, for example one leading vendor of statistical analysis software who would be expected to be at the heart of championing research, lead to the low response rate of 51% by standards elsewhere.

It would be highly inspiring for example to find out why most of the respondents in this study plan for, control and evaluate new venture efforts using similar systems they employ to the existing lines of business, yet literature from outside Kenya indicates otherwise.

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APPENDICES AND TABLES

Tables

Table 1: Levels of Corporate Ventures

LEVEL	DESCRIPTION
1	New enhancements to current products/services (not really venturing – lowest point on scale)
2	New products/services that could be sold to current customers/markets within 2 years
3	Existing products/services that could be sold to new customers/markets within 2 years
4	New product or service concepts that can be sold to current markets but will take more than 2 years to reach commercialization stage
5	New products/services that are really unfamiliar to the firm but are already being produced and sold to unfamiliar markets by other firms
6	Product/service concepts that do not exist today but which could be developed to replace current products/services in current markets or create entirely new markets

Table 2: Summary of Literature Review

NO	PRACTICE/FACTOR AND ITS OPERATIONAL CONCEPTS/VARIABLES
1.	CULTURE, CLIMATE AND SUPPORT a) Change culture (Schon 1966, Maidique 1980, Quinn and Mueller 1963, Halvacek & Thompson 1975) b) Level of bureaucracy (Kanter 1983) c) Level of specialization of jobs (Kanter 1983) d) Level of support by senior management (MacMillan et al 1984) e) Top management style (Kanter 1982, Maidique and Heyes' 1984, Roberts 1980) f) Corporate strategy fit (MacMillan, Blocks and Subba 1984)
2.	STRATEGY AND ENVIRONMENT a) Venturous mission statement (MacMillan et al 1984) b) Relatedness of venture initiative (Fast 1979) c) Rate of new product introduction by the firm (Cooper 1979) d) Customer satisfaction levels (Cooper 1979) e) Market growth rate (Cooper 1979)

	f) Market share (MacMillan and Day 1985) g) Venture-user need congruency (Rothwell 1972, Cooper 1979, von Hippel 1979, Maidique and Zirger 1984)
3.	PRODUCT/MARKET STRATEGY a) Product uniqueness and superiority (Cooper 1979, Maidique and Zirger 1984) b) Level of marketing research (Cooper 1983) c) Skill and experience at marketing (Rothwell 1972, Cooper 1983) d) Skill and experience in technology (Cooper 1979) e) Experience with customer base (von Hippel 1979) f) Effort at user education (Rothwell 1974)
4.	ENTRY STRATEGY a) Aggressiveness of entry (Biggadike 1979, MacMillan and Day 1985, Cooper 1979) b) Aggressiveness of marketing (Hobson and Morrison 1983) c) Stage of entry (Maidique and Zirger 1984, Cooper 1979) d) Mode of venturing (internal, joint venture etc) (Roberts 1980, Fast 1981, MacMillan et al 1984, Klavens et al 1984)
5.	STRUCTURE AND DESIGN OF VENTURING EFFORT a) Autonomy of venture unit (Shapero 1984) b) Composition of venture team (Hill and Havecek 1972, Roberts and Frohman 1972, Roberts 1980) c) Size of venture division/unit (Roberts 1980, Shils et al 1983, Maidique and Hayes 1984) d) Level of involvement by senior management (Dunn 1977)
6.	PLANNING, MONITORING AND EVALUATION OF VENTURES a) Similarity of venture planning systems to conventional planning systems (Blcok 1983, Block and MacMillan 1985) b) Similarity of venture control systems to conventional control systems (Vesper and Holmdah 1983) c) Similarity of venture evaluation systems to conventional performance evaluation systems (Shapero 1984, Quinn 1979)
7.	STAFFING AND REWARDING VENTURE ACTIVITY a) Level of dedication of venturer to the venture (von Hippel 1977) b) Personal characteristics of venture managers (Block 1985) c) Level of personal stake of venturer in venture (Shapero 1984) d) Use of variable compensation (Fast and Pratt 1984) e) Attitude of venturer to venturing (von Hippel 1979) f) Rate of involvement in ventures (Klavens et al 1984)

Table 40: Mean and Standard Deviations

Statistics

	N		Mean	Std. Deviation
	Valid	Missing		
Diversification	18	0	2.28	1.274
Exploit new developments	16	2	2.06	1.436
Create entrepreneurial spirit	16	2	3.19	1.167
Retain talented employees	17	1	2.59	1.502
Utilise surplus capacity	15	3	2.60	1.183
New product uniqueness & superiority	17	1	1.59	1.278
Level of market research	17	1	2.53	1.281
Skill & experience at marketing	17	1	2.00	1.061
Skill & experience in new venture technology	16	2	2.31	1.078
Experience with customer base	17	1	2.35	1.498
Effort at user education	17	1	2.59	1.228
Aggressiveness of entry	16	2	4.44	.892
Aggressiveness of marketing	16	2	3.75	1.693
Stage of entry	16	2	4.25	.856

Table 41: Correlation Matrix

	Var1	Var2	Var3	Var4	Var5	Var6	Var7	Var8	Var9	Var10	Var11	Var12	Var13	Var4
Diversification (Var1)	1.000	-.130	-.156	.387	-.172	.063	-.116	.116	.543	.320	.068	.053	.077	.385
Exploit new developments (Var2)	-.130	1.000	-.351	-.015	-.291	-.387	.630	.543	.306	-.271	-.383	-.148	.044	.000
Create entrepreneurial spirit (Var3)	-.156	-.351	1.000	.017	.349	-.211	.261	-.182	-.229	-.081	-.046	.285	-.035	-.434
Retain talented employees (Var4)	.387	-.015	.017	1.000	.311	.035	.177	-.151	.015	.107	.258	-.100	.447	-.230
Utilise surplus capacity (Var5)	-.172	-.291	.349	.311	1.000	.364	-.121	-.190	-.182	-.358	-.061	-.401	.035	-.804
New product uniqueness & superiority (Va	.063	-.387	-.211	.035	.364	1.000	-.387	-.303	-.074	.000	.074	-.500	.035	-.139
Level of market research (Var7)	-.116	.630	.261	.177	-.121	-.387	1.000	.510	.363	.080	-.091	.220	-.134	-.215
Skill & experience at marketing (Var8)	.116	.543	-.182	-.151	-.190	-.303	.510	1.000	.727	.161	.023	.044	-.358	-.172
Skill & experience in new venture technol	.543	.306	-.229	.015	-.182	-.074	.363	.727	1.000	.141	.020	.155	-.167	.189
Experience with customer base (Var10)	.320	-.271	-.081	.107	-.358	.000	.080	.161	.141	1.000	.778	.220	-.591	.267
Effort at user education (Var11)	.068	-.383	-.046	.258	-.061	.074	-.091	.023	.020	.778	1.000	.124	-.380	.038
Aggressiveness of entry (Var12)	.053	-.148	.285	-.100	-.401	-.500	.220	.044	.155	.220	.124	1.000	.112	.293
Aggressiveness of marketing (Var13)	.077	.044	-.035	.447	.035	.035	-.134	-.358	-.167	-.591	-.380	.112	1.000	.029
Stage of entry (Var14)	.385	.000	-.434	-.230	-.804	-.139	-.215	-.172	.189	.267	.038	.293	.029	1.000

Diversification (Var1)

Exploit new developments (Var2)

Create entrepreneurial spirit (Var3)

Retain talented employees (Var4)

Utilise surplus capacity (Var5)

New product uniqueness & superiority (Var6)

Level of market research (Var7)

Skill & experience at marketing (Var8)

Skill & experience in new venture technology (Var9)

Experience with customer base (Var10)

Effort at user education (Var11)

Aggressiveness of entry (Var12)

Aggressiveness of marketing (Var13)

Stage of entry (Var14)

Table 42: Components Matrix and Communalities

Component Matrix[a]

	Component					
	1	2	3	4	5	6
Diversification	.340	.380	-.121	.494	.485	.357
Exploit new developments	.500	-.712	-.160	.195	-.119	-.358
Create entrepreneurial spirit	-.299	-.166	.470	-.560	.325	.344
Retain talented employees	-.154	4.180E-02	.213	.416	.767	-.394
Utilise surplus capacity	-.717	-.231	.488	.269	6.941E-02	.183
New product uniqueness & superiority	-.495	.320	1.150E-02	.537	-.255	.132
Level of market research	.500	-.571	.394	-.102	.217	-.184
Skill & experience at marketing	.706	-.380	.340	.256	-.176	.155
Skill & experience in new venture technology	.695	-.109	.108	.452	.127	.443
Experience with customer base	.465	.707	.440	-3.48E-02	-1.34E-02	-.194
Effort at user education	.161	.677	.524	-5.83E-03	4.180E-02	-.339
Aggressiveness of entry	.397	.126	-4.74E-02	-.648	.431	.198
Aggressiveness of marketing	-.344	-.246	-.562	8.687E-02	.612	-.110
Stage of entry	.486	.481	-.668	-.103	-1.49E-03	-3.22E-04

Extraction Method: Principal Component Analysis.

a. 6 components extracted.

Communalities

	Extraction
Diversification	.882
Exploit new developments	.963
Create entrepreneurial spirit	.875
Retain talented employees	.988
Utilise surplus capacity	.916
New product uniqueness & superiority	.718
Level of market research	.823
Skill & experience at marketing	.879
Skill & experience in new venture technology	.923
Experience with customer base	.949
Effort at user education	.876
Aggressiveness of entry	.821
Aggressiveness of marketing	.889
Stage of entry	.925

Extraction Method: Principal Component Analysis.

Table 44: Rotated Components Matrix

Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
Exploit new developments	.888	-.224	-.299	-.183		
Level of market research	.822	.182		.312		
Skill & experience at marketing	.733		.120		.476	-.311
Stage of entry	-.199	-.914		.110	.185	
Utilise surplus capacity	-.205	.885	-.124	-.237		.134
Experience with customer base		-.206	.931		.170	
Effort at user education	-.114		.919			.129
Aggressiveness of entry		-.257		.859		
Create entrepreneurial spirit	-.140	.619		.676	-.111	
New product uniqueness & superiority	-.499	.220		-.638	.115	
Skill & experience in new venture technology	.387				.867	-.114
Diversification	-.191	-.217	.113		.824	.326
Retain talented employees		.226	.186		.134	.936
Aggressiveness of marketing	-.159	-.121	-.611			.681

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

Component Score Coefficient Matrix

	Component					
	1	2	3	4	5	6
Diversification	-.165	-.012	-.046	.040	.509	.142
Exploit new developments	.394	-.129	-.068	-.172	-.155	.106
Create entrepreneurial spirit	-.110	.309	-.042	.425	.071	-.091
Retain talented employees	.116	.059	.151	-.047	-.008	.614
Utilise surplus capacity	-.070	.381	-.039	-.072	.105	.012
New product uniqueness & superiority	-.188	.088	.003	-.310	.139	-.066
Level of market research	.339	.095	.069	.123	-.053	.119
Skill & experience at marketing	.232	.097	.024	-.052	.229	-.173
Skill & experience in new venture technology	.034	.076	-.082	.014	.521	-.112
Experience with customer base	.019	-.058	.413	.005	-.024	.035
Effort at user education	.030	-.006	.447	-.044	-.138	.145
Aggressiveness of entry	-.074	-.060	-.019	.479	.071	-.004
Aggressiveness of marketing	-.042	-.105	-.251	.072	-.012	.402
Stage of entry	-.116	-.384	-.035	.040	.042	-.011

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Appendix A: Definitions

For this research proposal, Software development firm is a firm which participants in one or more stages of the software development life cycle. The stages of the cycle being requirement analysis and definition, system and software design, implementation and testing, operation and maintenance - not as a consultancy per se but as the real undertaker of the stage(s).

Software distribution firm is a firm, which makes available the computer software to the market as an off-the-shelf product. In between pure software development and software distribution is a continuum of firms that participate in the software development at varying degree of each. This is so since most software distribution firms customise the software product to suit customer needs.

Entrepreneurship is creation of significant new wealth through the implementation of new concepts. It is a novel activity, which creates organisational change and economic value (Birley and Muzyka, 1997). Intrapreneurship is entrepreneurship within the confines of an established organisation. It is about growth and renewal.

Corporate venturing is the application of intrapreneurship to develop new businesses within the existing firm. "In the area of corporate venturing, there currently appears to be two major problems of definition – definition of scope (what is corporate venturing?), and definition of success (when do ventures succeed or fail?)" (MacMillan 1985 P. 5) Clearly, product line extensions are not ventures but introduction of new products is (Cooper 1983). So is creation of separate department or division (von Hippel 1977, or Hill and Hlavacek 1972), so is the activity that will take the firm into entirely new business (Burgerlman 1983). Vesper (1984b) uses three dimensions to classify corporate intrapreneurship activities. Namely the extent to which the activity is a strategic departure from the firm's current activity, the extent to which the activity is the result of bottom up versus top down initiatives, and the extent to which the activity is assigned to an autonomous unit.

Given the problems of definition of corporate venturing mentioned above, in this study, corporate venturing will be defined at a scale of venturing: in which each increment indicate an additional major increment in difficulty (MacMillan and George 1985, see Table 1). The scaling of definition is adopted for it is more accommodative of the several dimensions considered by various studies. Madique and Zirger (1984) point out that a prior venture failure sowed the seeds on a later spectacular success. Thus, venture success should not be defined only in monetary terms.

Appendix B: List of Computer Software and Service Firms

1	4th A A G Sec Computer	Jokam Express Agencies
2	Abacus Computer Systems Ltd	Kenya Microcomputers Ltd
3	Academy Business Computer	Kenyava Web Design Epz Ltd
4	Access Accounting (K) Ltd	Komarock Computer Services
5	Advanced Computer & Office Systems	Lantech Limited
6	African Computer Services	Lawsam Computer Services Ltd
7	AkiliAfrica Ltd	Legend Computer Systems
8	Amarco (Kenya) Ltd	Letsca Computer (K) Ltd
9	Amo Computer Services	Logitech
10	Aren Software Ltd	Logos Systems Ltd
11	Astro Information Map	Marco Services & Supplies
12	Belvoir Computer Systems	Mareba Computers Ltd
13	Beran Agencies Nairobi	Mawa – Byte
14	Best Computer & Office Products	Maxsoft Computer Services
15	Betcom Computers	Memory Masters Ltd
16	Beyond 2000 Services Ltd	Meteordan Computer Services
17	Bitcom Computer Services	Micro Xpert Ltd
18	Bull Securities Ltd	Microlan Kenya Ltd
19	Business Computer Systems	Microsoft East Africa Ltd
20	Calidad Computer System	Mid-African Investment Co
21	Capital Computer Systems Ltd	Migitec Ltd
22	Capital Technologies Kenya Ltd	Milestone Software Ltd
23	Charm Business Services	Mindsmith Software Solutions
24	Chart Information Systems	Multi Soft Ltd
25	Circuit Business Systems Ltd	Multimedia & Computer Services
26	Clubinternet (K)	Mutual Computer Consulting Ltd
27	Compulink Age	Netage (K) Ltd
28	Computer Associates	Netedge Computers
29	Computer Direct Ltd	Network Source Ltd
30	Computer Feeds Consultant Ltd	Newm Systems
31	Computer Point (K) Ltd	Newwork Source Limited
32	Computer Pride Ltd	Niti Computers Ltd
33	Computer Source Point Ltd	Novacom Systems Ltd
34	Computer Stationery & Suppliers Ltd	Omnitech Systems Ltd
35	Compy Digital Systems	Onix Computer Services Ltd
36	Co-operative Development Information Centre Ltd	P M G Securities Ltd
37	CSA Systems (K) Ltd	Paz Computers
38	Dakel Compuservice	Pentrom Computer Services
39	Data Centre Ltd	Pibas Africa Ltd
40	Data Consultancy Services	PMG Securities Ltd
41	Data Integration Technologies Ltd	Policy Master PLC
42	Desktop Solutions (K) Ltd	Procom Computer Technologies Ltd
43	Dynamic Solutions	Professional Software Solutions Ltd
44	Dynatech Distribution Ltd	Professional Technologies Ltd
45	Earth Solutions Ltd	Protec Data Systems Ltd
46	East Africa Software Ltd	Resources Interlink Ltd
47	Electronic Business Solutions	S PS S Kenya Ltd
48	Electronic Solutions Ltd	Scala (EA) Ltd
49	Emerging Technologies Consultants Ltd	Sera software (EA) Ltd
50	Enterprise Software Solutions Ltd	Silicon Bazaar Ltd
51	Excel Integrated Solutions Ltd	Simba Technology Ltd
52	Express Computer Consultants	Skyweb Technologies Ltd
53	Fasons Business Systems Ltd	Soft Systems Kenya Ltd

54	Fasttech Solutions Ltd	Softal Supplies
55	Financial Applications Software (K) Ltd	Softcore Kenya Ltd
56	Finham & Co Ltd	Software 200 & Beyond Ltd
57	Finsystems Eat Africa	Software Applications Ltd
58	Fintech (K) Ltd	Software Associates Ltd
59	Formax Computer Systems	Software Design Ltd
60	Four Top Enterprises	Software Distributors Africa Ltd
61	Future Technologies Ltd	Software Strategies Ltd
62	G- Aims Ltd	Software Technologies Ltd
63	Gateway 2000 Ltd	Specicom Technologies
64	Gath Management Ltd	SPSS East Africa Ltd
65	Gazellenet Ltd	Star Con Software Services
66	Geeks & Nerds Jabavu	Systech Ltd
67	Gem Computer Point Ltd	Technology Holding Africa Ltd
68	Globecom (K) Ltd	Technology Strategies Ltd
69	I Q Plus (K) Ltd	Thorn Associated Ltd
70	Ibis Systems Ltd	Todays Computers Ltd
71	Icon Products Ltd	Tomaz Agencies
72	Impression Computer Services	Toolkit Computers
73	Infinity Resources Ltd	Topaz Applications Ltd
74	Informatic Ltd	Tumkey Africa Ltd
75	Infotech Systems & Services Ltd	Turbo Computer Services
76	Intellect Data Systems & Software Pvt	Turnkey Africa Ltd
77	Intellisoft Ltd	Ultimate Computer Services
78	Interactive Digital Data Ltd	Vega software Ltd
79	Interactive Technology Ltd	Viking computers Ltd
80	Interface Software Ltd	Visual Intelligence System
81	Issakam Enterprises	Willpower Communications Ltd
82	Itecs Ltd	Woodbridge computers Ltd
83	Jafftek Computer Solutions	Yotam Systems International Ltd
84	James Joseph Constancy Ltd	Zoomet Computer Services Ltd
85	Jamnadas Ramji & Co	
86	Jawchan Software Services	
87	Jeneron Enterprises Ltd	
88	Jeneron Promotions Ltd	

Appendix C: Data Collection Questionnaire

THIS QUESTIONNAIRE HAS THE FOLLOWING SECTIONS

A. Demographic Information
B. Corporate Venturing Practices
C. Factors Influencing Corporate Venturing

It will take you approximately **45 minutes** to complete this questionnaire. Please complete it as truthfully as possible. Safely keep the completed questionnaire for subsequent collection by the researcher.

SECTION A: DEMOGRAPHIC INFORMATION

1) How would you classify your position in the firm (*Please tick the applicable box*)

[ ] General Manager
[ ] Functional/Line Manager
[ ] Other (*Please specify*) _____

2) Are you in charge of new business development in the firm (*Please tick the applicable option*)

[ ] Yes [ ] No

If yes, please list some of the new business development tasks you are responsible for _____
_____
_____

3) How old is the firm (*Please tick the applicable option*)

[ ] Less than 6 years [ ] 6 to 10 years [ ] Over 10 years

4) How many full-time employees are currently employed in this firm (*Please tick the applicable option*)

[ ] 1 to 10 [ ] 11 to 20 [ ] Over 20

5) How would you classify the firm you work for in terms of software development and distribution (*Please tick **ONE** option that apply*)

[ ] Sells in-house developed software only
[ ] Sells off-the-shelf software only
[ ] Other (*Please specify*) _____

6) How many new software products, either in-house developed or off-the-shelf, did your firm introduce into the Kenyan market in the period June 2001 and June 2002 (*Please tick the applicable option*)

[ ] 0 to 2 [ ] 3 to 4 [ ] More than 4

7) What is the full package (product plus installation and training costs) selling price of the new software products introduced in the question above (*Please enter the amounts in **KES** in the dashes provided. If more than 4 products were introduced, enter the price of the four sold to highest number of customers*)

Product 1 _____

Product 2 _____

Product 3 _____

Product 4 _____

SECTION B: CORPORATE VENTURING PRACTICES

1) Which of the following practices are descriptive of your organisational history (*Please tick in [ ] for ALL those that apply)*

[ ] Job descriptions are detailed
[ ] Job descriptions are documented
[ ] Job descriptions are updated every year
[ ] Non-managerial employees are allocated official working hours to try new ideas

2) Which of the following is applicable to the firm you work for (*Please tick in [ ] for **ALL** those that apply*)

[ ] Work procedures are documented
[ ] Reporting relationships are well defined
[ ] Technical staff members (developers, programmers, analysts etc) usually report to Line Managers
[ ] Line Managers have separate office partitions
[ ] Important announcements are made through memos
[ ] People are encouraged to try out new things
[ ] New ways of doing things are rewarded

3) How many reporting levels are there between a programmer/software developer and the Managing Director/CEO (*Please enter a count of the managerial levels in the dash provided*)

_____

4) Software development is a cycle comprising the following main phases: requirement analysis and definition, system and software design, implementation and testing, operation and maintenance. Which of the following best describes the execution of the cycle, for a given project, in the firm you work for (*Please tick [ ] for **ONE** that apply*)

[ ] All the phases are performed by the same team of employees
[ ] Different phases are performed by different employee teams
[ ] Other (*Please specify*) _____

5) The top management can support a venture activity in several ways. How would you rank the following as some of the ways in which this support can be given to ensure success of the venture (*Please circle a rank number on the right for each statement, 1 for the most important and 5 for the least important*)

Budget allocation (funds and staff)	1	2	3	4	5
Indirect budget allocation (making other departments commit resources)	1	2	3	4	5
Supporting venture management's proposals	1	2	3	4	5
Formal CEO Recognition of the entrepreneur	1	2	3	4	5
Siding with venture management when arbitrating conflicts	1	2	3	4	5

6) How would you rank the following as indicators of top management style in your place of work (*Please circle a rank number on the right for each statement, 1 for the most dominant style and 6 for the least dominant*)

Encourages rapid attacking of problems	1	2	3	4	5	6
Is more tolerant of failure	1	2	3	4	5	6
Has high levels of communication across and between levels	1	2	3	4	5	6
Provides individual workers time to pursue their own ideas	1	2	3	4	5	6
Encourages hands-on management	1	2	3	4	5	6
Vests the burden of proof on those opposed to the new business idea	1	2	3	4	5	6

7) In your view, how close should a new venturing activity be to your current core line of business (*Please tick the applicable slot on the scale below*)

Same |_____|_____|_____|_____|_____| Diversified

8) How much level of autonomy are new venture units in your firm granted (*Please tick the appropriate slot*)

Very High |_____|_____|_____|_____|_____| Least

9) Which of the following is true regarding how new venture teams are constituted in your firm (*Please tick [ ] for **ALL** those that apply)*

[ ] Managers higher than functional managers are included in the team
[ ] Only those with relevant specialised skills are included
[ ] A cross-functional team of employees is utilised

10) Which of the following are illustrative of the roles of senior management (those in positions higher than functional management) in a new venture management team (*Please tick [ ] for **ALL** those that apply*)

[ ] Are involved in the day-to-day running of the new venture team
[ ] They chair new venture progress review meetings
[ ] They draw new venture budgets
[ ] They receive at least monthly progress reports on new ventures

11) How similar in your firm are the new venture systems (planning, evaluation and control) to the conventional systems used year after year to run the existing lines of business (*Please tick the applicable slot*)

Planning Systems |_____|_____|_____|_____|_____|
Same Very different

Performance Evaluation Systems |_____|_____|_____|_____|_____|
Very different Same

Control Systems

Same Very different

12) Which of the following do you consider as the attributes/characteristics of successful venture managers (*Please tick [ ] for **ALL** those that apply*)

[ ] Ability to take calculated risk
[ ] Not necessarily the new venture idea generators
[ ] Not necessarily successful managers of existing divisions
[ ] Good at team building
[ ] Politically sensitive and skilful
[ ] Good at persuasive skills

13) Which of the following modes of venturing have been employed in your firm in the last one year (*Please tick [ ] for **ALL** those that apply*)

[ ] Full-scale corporate start-up
[ ] Internal ventures
[ ] Joint ventures
[ ] Participation in Venture Capital Funds
[ ] Acquisition
[ ] Other (*Please specify*) _____

14) Pay for performance (variable pay) attempts to link pay levels/increases to the performance of the incumbent. Do your firm pay the new venture managers based on the performance of the venture (*Please tick one*)

[ ] No [ ] Yes

15) Which of the following would you say are true regarding the firm you work for (*Please tick **ALL** those that apply*)

[ ] Engages in new enhancements to current products/services
[ ] Is developing new products/services that could be sold to current customers/markets within 2 years
[ ] Is developing new customers/markets to which existing products/services can be sold within 2 years
[ ] Is working on new product/service concepts that can be sold to current markets but will take more than 2 years to reach commercialization stage.
[ ] Is looking into new products/services that are really unfamiliar to the firm but are already being produced and sold to unfamiliar markets by other firms.
[ ] Is exploring concepts that do not exist today but which could be developed to replace current products/services in current markets or create entirely new markets.

SECTION C: FACTORS INFLUENCING CORPORATE VENTURING

1) Please state mission statement for the firm you work for

_____
_____
_____
_____

2) Which of the following are true regarding the business your firm is in, market target, core products and key organisational values (*Please tick [ ] for **ALL** those that apply*)

[ ] Change is encouraged
[ ] The products are broadly defined

[ ] The market is broadly defined
[ ] Rapid response to events external to the organisation is valued
[ ] We specialize in a few core products
[ ] We have established market niches (segments) for all our core products

3) How would you rank the following as reasons why your firm engages in new venture activities (*Please circle a rank number on the right for each statement, 1 for the most important and 5 for the least important*)

Diversification	1	2	3	4	5
Exploitation of new developments	1	2	3	4	5
Creation of an entrepreneurial climate in the firm	1	2	3	4	5
Retention of talented employees	1	2	3	4	5
Utilisation of surplus capacity	1	2	3	4	5

4) Which of the following are true (*Please tick [ ] for **ALL** those that apply*)

[ ] There are standardised ways of assessing customer satisfaction
[ ] There is an helpdesk or a similar arrangement dedicated to addressing customer queries
[ ] Statements on customer service are displayed in the business premises
[ ] The firm regularly conducts customer satisfaction survey
[ ] Statements on customer service are made on official outgoing company documents

5) Who is responsible for market growth (*Please tick [ ] for **ONE** that apply*)

[ ] Functional managers
[ ] CEO/MD
[ ] Manager specifically charged with new business development
[ ] Other (*Please specify*) _____

6) Which of the following are true (*Please tick [ ] for **ALL** those that apply*)

[ ] The firm measures market growth rate
[ ] Those charged with new business development are paid a variable pay based on actual market growth rate

7) Which of the following is true regarding your firm's market share (*Please tick [ ] for **ONE** that apply)*

[ ] Our main concern is to protect our current market share
[ ] Our main concern is to grow our current market share

8) Which one of the following is true (*Please tick [ ] for **ALL** those that apply)*

[ ] There are projects going on to extend functionality of the current software products
[ ] There are projects going on to develop new software products
[ ] There are programmes going on to identify new market segments
[ ] There are programmes going on to pull out from some of our current markets

9) How would you weight the following as determinants of new venture success (*Please circle a rank number on the right for each statement, 1 for the most important and 6 for the least important*)

New product uniqueness and superiority	1	2	3	4	5	6

Level of marketing research	1	2	3	4	5	6
Skill and experience at marketing	1	2	3	4	5	6
Skill and experience in the new venture technology	1	2	3	4	5	6
Experience with customer base	1	2	3	4	5	6
Effort at user education	1	2	3	4	5	6

10) How would you rate the following as requirements for successful new venture activity (*Please tick the slot that apply*)

Aggressiveness of entry |_____|_____|_____|_____|_____|
Low High

Aggressiveness of marketing |_____|_____|_____|_____|_____|
High Low

Stage of entry |_____|_____|_____|_____|_____|
Early Late

11) Which one of the following is true (*Please tick [ ] for **ALL** those that apply*)

[ ] Our core software products are market segment-tailored
[ ] There is (are) (a) full-time employee(s) charged with a core responsibility of market research
[ ] Our new ventures are designed on core software products

12) In your opinion, what factors hinder corporate venturing (pursuit of new business ideas and markets) in software development and distribution in Kenya

_____
_____
_____

THANK YOU VERY MUCH FOR YOUR TREASURED ASSISTANCE